



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 156 of the 131st G.A.

Date: June 9, 2015

Status: As Introduced

Sponsor: Sen. Jones

Local Impact Statement Procedure Required: No

Contents: Modifies the funding process for the Percentage of Income Payment Plan (PIPP) Program

State Fiscal Highlights

- The bill would likely result in a decrease in payments the Development Services Agency (DSA) makes from the Universal Service Fund (Fund 5M40) to the electric company that had the winning bid under the auction process required by the bill. The savings would depend on the criteria governing the auction process and other economic conditions.
- Fund 5M40 revenue is primarily derived from the Universal Service Rider charged to retail electric customers as part of their electricity bills. Over time, if the auction results in lower PIPP Program costs, the rider rate could be decreased, subject to approval by the Public Utilities Commission of Ohio (PUCO). Currently, the rider amount varies by electricity provider. The rider for each electric company is calculated by DSA and approved annually by PUCO, depending mainly on each company's projected costs of the program for the next year.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Background

Under current law, the Percentage of Income Payment Plan (PIPP) Program allows low-income electricity customers to pay a percentage of their household income rather than the actual cost of their residential electricity service that they would otherwise be billed for. Individuals at or below 150% of the federal poverty line are eligible for this assistance. Administered by the Development Services Agency (DSA), the program is funded by two revenue sources. Primarily, the funding comes from the Universal Service Rider, which is charged to retail electric distribution service customers. The rider amount varies by electricity provider, is primarily based on the projected costs of the program for the company over the next year, and is approved annually by the Public Utilities Commission of Ohio (PUCO). The second funding source of the Universal Service Fund is the payments made by PIPP customers each month, in lieu of their full electric bill. Both types of revenue are deposited into the Universal Service Fund (Fund 5M40) to be used by DSA to make payments to electric companies to cover the amount billed each month to PIPP customers. The Fund 5M40 money is spent through DSA line item 195659, Low Income Energy Assistance (USF).

Program costs depend heavily on the weather conditions that cause fluctuations in customers' use of electricity, particularly in the winter and summer months. As an illustration, over the last five complete fiscal years, expenditures from the Universal Service Fund have ranged from a low of \$292.5 million in FY 2012 to a high of \$405.5 million in FY 2010. Expenditures through the line item amounted to \$379.5 million in FY 2014, while costs in FY 2015 could go as high as \$443.0 million. Fund 5M40 has a current cash balance of approximately \$38.5 million.

Under current law, DSA is authorized to elect to aggregate PIPP customers and hold an auction to select a company to provide electric service to these customers if this process would result in providing retail electric generation service at the lowest and best value to PIPP customers. Any savings derived under this process are to be reinvested in energy efficiency and weatherization programs. These programs include the Electric Partnership Program and the Home Weatherization Assistance Program (HWAP). The Electric Partnership Program is designed to improve the energy efficiency of low-income PIPP households by performing in-home audits and installing appropriate electric base load and thermal energy efficiency measures. HWAP, which is federally funded, is designed to reduce energy usage in eligible low-income households by techniques such as improving insulation and seals around windows and doors to reduce air leakage. By rule, DSA is required to periodically review economic conditions to determine whether aggregating PIPP customers and obtaining electricity service for them by an auction process is feasible. Thus far, DSA has not held an auction to successfully pool the PIPP customers.

Fiscal effects of S.B. 156

The bill changes the current law process by *requiring* DSA to aggregate PIPP customers and to hold an auction for the supply of electricity to these customers. The bill further specifies that the auction shall be held until a winning bid is selected, and alters DSA bidder eligibility guidelines. The bill specifically requires three criteria to be met in selecting the winning bid: (1) a design to provide reliable competitive retail electric service to PIPP customers, (2) a reduction in the cost of the PIPP Program, and (3) the best value for people who do not participate in PIPP and thereby pay the Universal Service Rider within their electric bill payments.

It is not currently known how long the auction process might take to establish and implement. Nevertheless, in all likelihood the bill would likely result in a decrease in payments from Fund 5M40 to the company that had the winning bid for providing electricity to customers enrolled in the PIPP Program. The savings would depend on the criteria governing the auction process and other prevailing economic conditions. And, as noted above, the payments to electric companies via the PIPP Program can fluctuate greatly depending on weather and other economic conditions, such as the price of electricity.

Finally, the bill removes the requirement that any savings in PIPP Program costs that might result from the auction process be reinvested in energy efficiency and weatherization programs such as the Electric Partnership Program and HWAP. Consequently, any savings realized through the auction, if there are any, will lead to a greater cash balance in Fund 5M40. Ultimately, the Universal Service Rider may be decreased, depending on costs of the electric company that had the winning auction bid in continuing the program, and subject to rate approval by PUCO.