Mid-Ohio Regional
Planning Commission

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Substitute House Bill 554
Letter of Interest

Subject: Substitute House Bill 554

Central Ohio General Assembly Delegation:

The Mid-Ohio Regional Planning Commission (MORPC) is a voluntary association of 60 Central Ohio local governments and regional organizations that envision and embrace innovative directions in a variety of fields such as: transportation, land use, the environment, and economic prosperity. Energy issues are at the top of the agenda for our local governments and their constituents.

<u>MORPC's General Position on Renewable Energy and Energy Efficiency</u>

As you deliberate over Substitute House Bill 554 during this lame duck session, we encourage you to review MORPC's recommended positions on relevant provisions of the Ohio Energy Mandates Study Committee findings adopted earlier this year. For each of the five recommended actions provided by the Ohio Energy Mandates Study Committee, MORPC reached a consensus recommended legislative approach.

MORPC's position is described in response to each of the recommendations of the Energy Mandates Study Committee and identified in bold below:

1. Extend the SB 310 Freeze Indefinitely
   - **Actively oppose the indefinite freeze.**

2. Investigate and Ensure Maximum Credit for all of Ohio's Energy Initiatives
   - **Actively supportive of appropriate credits and recommend taking a closer look at details.**

3. Switch from Energy Mandates to Energy Incentives
   - **Actively support of a combination of mandates and incentives, with the idea that incentives will help meet the mandates.**

It is through these recommendation that we evaluated the original version of HB554 and that we now view the substitute bill.

William Murdock, AICP
Executive Director

Matt Greeson
Chair

Rory McGuiness
Vice Chair

Karen J. Angelou
Secretary

Strengthen Safeguards to Ensure that the State Remains on Track in Years 2017-2019

We are encouraged with the progress that has been made. For example, the substitute bill removed language providing an indefinite freeze on the renewable energy and efficiency standards. However, we are concerned that HB 554's proposed standards are only goals until 2020, when they again become requirements. We are cautiously optimistic that these goal-based standards will work hand-in-hand with appropriate incentives through 2020, but concerned a lack of requirements may cause a delay in the state's progress toward improved energy efficiency and greater use of renewable energy – which could hurt economic development efforts and ultimately result in the state further weakening 2020's standards. We are hopeful that, as this bill is finalized, more safeguards are inserted into it that will ensure that the targets in years 2017, 2018 and 2019 are met.

Modernize Ohio Law to Facilitate Energy Improvements Undertaken By Property Owners

MORPC also supports the use of effective incentives so that the standards are achieved successfully over time by making it easier for businesses and governments to utilize innovative energy tools that not only reduce their energy consumption, but save money.

One important tool is the Energy Special Improvement Districts (ESIDs) that needs updating to make it more streamlined, economical and useful. SB 185, currently in the Senate Energy and Natural Resources Committee and HB 72, which resides in the House Public Utilities Committee are examples of commonsense improvements to ESIDs.

Currently, ESIDs allow property owners to finance building energy improvements through a voluntary assessment on their property tax bill and eliminates the need for upfront capital. Owners can spread the repayment costs over the life of the energy improvements, so that the savings generated from the project are greater than the annual loan repayment made through the ESID. More importantly, the loan is accounted for within the property bill rather than the borrower's credit which means it does not count as debt.

Under Ohio law, property owners must navigate a cumbersome process with their lender in order to place the voluntary assessment on their property with the approval by municipalities and townships. A district is formed governed by a non-profit corporation board that considers a written detailed plan, assessment method and petition signed by all members of the district regarding the energy-saving technologies installed on the business.

Under this process, local governments and property owners expend valuable time, money and resources to create and manage the districts. Further, only contiguous local governments can join the same ESID to take advantage of existing management structures and achieve shared services, rather than allowing the membership of non-adjoining municipalities located near but not connected to existing ESID jurisdictions to benefit from this tool.

Even with these hurdles, Central Ohio local governments are working together in an attempt to make this valuable tool available for their businesses. Where possible, local municipalities

and townships are joining together in a regional approach in creating and managing a single ESID that can cross multiple jurisdictions.

Earlier this year, the City of Columbus initiated the ESID in the Central Ohio region through the first energy improvement approved for $4.5 million in financing on the PNC Plaza, in downtown Columbus. The project is saving nearly $200,000 per year and estimated with total cost savings of $2.9 million over the lifetime of the energy efficiency improvements. Just recently, the City of Worthington joined this same ESID by approving an assessment of nearly $500,000 energy retrofit to an office building that will modernize the space for tenants.

More can be achieved through ESIDs to support local energy projects. Businesses will benefit by eliminating many of provisions under existing law for ESID as proposed in SB 185 and HB 72. With increased flexibility, this tool can be utilized through reduced costs and increase the participation of commercial and industrial business to manage and reduce their energy consumption and save money.

MORPC's local government members have also expressed their frustration on the effect the freeze has had on economic development. Central Ohio has missed opportunities where Fortune 500 companies have chosen to take their business to other U.S. States that share their sustainable energy policies and values. In order to compete and thrive in this interconnected market, we must move along the path of innovation, growth, and job creation.

As you review, discuss, and possibly amend sub HB 554, we encourage to take these recommendations into account and act on them. MORPC staff and members are available to discuss any questions or concerns that you may have.

Please do not hesitate to contact me, at (614) 233-4101 or wmurdock@morpc.org, whenever I can be of assistance.

Kind regards,

William Murdock, AICP
Executive Director