



POLICY MATTERS OHIO

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Full report: www.policymattersohio.org/InvestingToReEnergizeOhio2007.htm

Ohio Advanced Energy Fund generates renewable energy investment Policy Matters report recommends enlarging fund and making it permanent

Ohio's Advanced Energy Fund should be expanded and made permanent, according to a new report embargoed for Friday morning papers from Policy Matters Ohio. "A larger and more stable Advanced Energy Fund would encourage investment in clean energy products and services, stimulate development in clean energy, and reduce the use of polluting and foreign fuels," said Amanda Woodrum, report author and policy liaison at Policy Matters.

Ohio's Advanced Energy Fund currently generates just \$5 million a year through a surcharge on Ohio electric utility bills which adds 9 cents per customer per month. The report, *Investing to Re-Energize Ohio*, found that of the 18 states that have such funds, Ohio has one of the smallest, despite the state's size and high energy use. Fee collections for Ohio's fund are slated to end in 2011.

Clean energy funds range in size from \$2.3 million to \$440 million per year. Other industrial states collect more money than Ohio annually—Michigan over \$66 million, New York \$175 million, and Wisconsin over \$82 million. The most comprehensive state programs collect 2 to 3 percent of total utility revenues. In comparison, Ohio spends less than 0.3 percent on clean energy.

The funds leverage three dollars in private investment for every dollar of public expenditures, according to the American Council for an Energy Efficient Economy. The Policy Matters analysis found that Ohio's fund has had similar positive results. "While the fund got off to a slow start, a little over \$5 million in actual expenditures of Advanced Energy Funds leveraged an additional \$21 million in outside investment," Woodrum said.

Ohio's fund, housed in the Ohio Department of Development's Energy Office, uses grants, contracts, loans, linked deposits and production incentives to encourage a more renewable economy. Residential customers, housing developers, commercial and industrial businesses, local governments, educational institutions, nonprofit entities, and agricultural customers can apply. However, only investor-owned electric utility customers are paying into the fund, and eligible to apply, so the program is not available statewide.

Total revenues collected from utility surcharges since the fund's inception in 1999 exceed \$77 million, with residential consumers financing the bulk of the fund. Some \$8 million has been deposited in banks and used to lower interest rates on consumer loans (the deposits will be returned but the \$1.85 million in interest accrued is sacrificed). Almost \$3.5 million has been allotted for grants. Twenty million dollars is set aside for projects in process, such as making a new low-income housing project more energy-efficient.

The study reports that Ohio's legislature transferred or set aside \$24 million of that \$77 million for other programs, most unrelated to the fund's purpose, and recommends controls be put in place to limit such transfers.

The report lauds other Ohio energy spending - \$12 million yearly for low-income household weatherization and energy-efficiency and \$65 million over the past 5 years for energy-related research and development - but argues that the Advanced Energy Fund be strengthened. "This fund is effective and allows real innovation," Woodrum said, citing a recent \$5 million in grant funding allocated from the fund to aid in creating two large-scale wind farms that will help provide electricity to 45,000 Ohioans.

The report recommends a \$0.003 per kilowatt-hour surcharge on energy use. Such a charge would generate an annual fund of over \$465 million—representing about a \$2.80 monthly increase for the average residential consumer. Other report recommendations include:

- Implement a statewide outreach campaign to educate consumers and suppliers on energy efficiency and renewable energy.
- Use Advanced Energy Funds to offer free energy audits to Ohioans.
- Market consumer incentives such as simple customer rebates for green products.
- Collect Advanced Energy Funds from all utility customers.
- Provide low-income residents with solar thermal water-heating systems.
- Provide more financial incentives for suppliers and potential suppliers of green energy products and services to expand Ohio's green supply chain.
- Promote economic development by providing "green incentives" with Advanced Energy Funds. Instead of offering dollars to lure companies, offer wind turbines or rooftop solar panels to reduce their energy costs and consumption.
- Create a Green Jobs Corps program that provides green employment services and also weaves together vocational skills training programs, union apprenticeship programs, and recognized pre-apprenticeship programs for job seekers.
- Encourage the creation of a federal national public benefits "matching fund."

"A strengthened and expanded Advanced Energy Fund would improve Ohio's economy and reduce our need to import expensive and polluting fuels," Woodrum said.

Policy Matters Ohio is a non-profit, non-partisan policy research institute, on the web at www.policymattersohio.org. Policy Matters is also the Ohio partner of the Apollo Alliance.