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**Testimony on Behalf of the Midwest Energy Efficiency Alliance
Ohio Senate and Energy Natural Resources Committee
December 8, 2016**

Dear Chair Troy Balderson, Vice Chair Shannon Jones and Members of the Ohio Senate Energy and Natural Resources Committee:

The Midwest Energy Efficiency Alliance (MEEA) seeks to submit this written testimony related to HB 554.

MEEA is a regional non-profit membership organization which serves as the Midwest's key proponent and resource for energy efficiency policy. MEEA covers thirteen states in the Midwest and our 150+ members include investor-owned, cooperative, and municipal utilities; energy efficiency service and technology providers; manufacturers; state energy office representatives; and, academic, advocacy and research organizations. MEEA serves as a bipartisan resource to policymakers and our organization does not lobby or intervene. A leader in raising and sustaining the level of energy efficiency in the Midwest, MEEA fosters market penetration of existing energy-efficient technologies and promotes new technologies, products and policy and program best practices. As the trusted source on energy efficiency in the Midwest, MEEA educates and advises a diverse set of stakeholders on new and meaningful ways to pursue an energy efficient agenda that's both achievable and cost-effective.

Executive Summary

Over the past several years, Ohio has been a Midwest region leader in cost-effective electric energy efficiency. SB 221, which created Ohio's energy efficiency resource standard (EERS), was enacted in 2008 thanks to overwhelming bipartisan support - the bill passed the Ohio Senate 32-0 and the Ohio House on a 93-1 vote. The law requires investor-owned electric utilities and retail suppliers to achieve savings through energy efficiency programs equal to at least 0.3% of sales, gradually ramping up to a cumulative 22% in electricity reduction by 2025. Ohio's EERS has produced continued economic benefits for customers throughout the state. This policy delivers electric savings in a highly cost-effective manner and provides a single, predictable framework for achieving electric savings.

MEEA is supportive of the legislature's desire to explore policy and regulatory reform, but encourages you to build upon and not weaken Ohio's EERS as it was passed in SB 221. Carrying out Ohio's energy efficiency standard through 2025 as it appears in SB 221 will save Ohio consumers nearly \$5.6 billion in avoided energy costs- far exceeding the cost for utilities (\$2.8 billion) to implement the programs.¹ On June 13, 2014, SB 310 placed a two-year freeze (2015-2016) on Ohio's renewable and energy-efficiency standards. In the absence of any legislative action prior to December 31, 2016, the energy efficiency mandate will be automatically reinstated.

HB 554 would impose an unenforced 1% annual energy savings requirement through 2019, an enforced 1% annual energy savings requirement through 2025 and a 2% annual energy savings requirement through 2027. Additionally, HB 554 expands the large industrial opt-out found in SB 310 from "primary voltage" customers (45 million kWh per year) to include those in the

¹ American Council for an Energy Efficient Economy. *Energy Efficiency Potential in Ohio*. August 2015.

“mercantile” customer class (industrial and commercial customers that use 700,000 kwh+ per year or those that aggregate as part of a national account) — a much larger category that encompasses most small, medium and large manufacturing facilities in addition to many national chain commercial businesses in Ohio. Lastly, under HB 554, electric utilities would become eligible to receive shared savings for utilizing banked energy savings from previous years to meet (but not exceed) the mandated savings targets.

Ohio need only look to her neighbor Indiana to see the importance and value of maintaining an EERS that includes all customer classes. Following Indiana's repeal of its energy efficiency standard in 2014, investment in energy efficiency programs in Indiana declined substantially and the overall cost-effectiveness of energy efficiency programs was reduced, which means lower energy savings and a loss of jobs and related economic development. The damage has been exacerbated by the simultaneous creation of an industrial opt-out provision, which allows industrial companies to opt-out of paying into the utility energy efficiency programs.

Energy Efficiency Resource Standards

An EERS – a proven effective public policy – consistently delivers cost effective energy efficiency which benefits all consumers and reduces energy costs for all rate classes. In the years immediately following the passage of SB 221, annual electricity savings increased twelve-fold since 2008 after years of virtually no energy efficiency savings. From 2009- 2014, Ohio utilities collectively exceeded the savings targets by an average of more than 50% above the target.

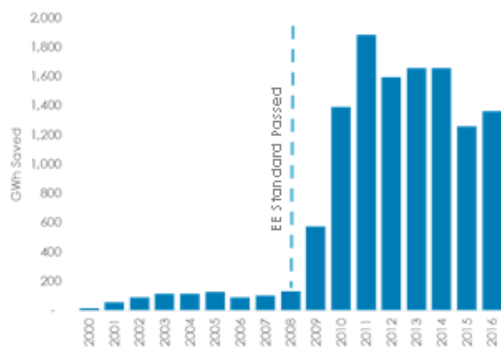


Figure 1: Electricity Savings in Ohio through Utility Efficiency Programs

States across the country have pursued numerous approaches to drive energy savings, but none substitute for an energy efficiency standard that requires cost-effective energy savings programs. In the Midwest region, all of those states that rank in the top six for greatest amount of electricity saved as a percent of total retail electricity sales have a statewide EERS. In 2014, prior to the passage of SB 310's freeze on the EERS, Ohio was third in the 13-state Midwest region for the highest amount of electricity saved as a percent of total retail electricity sales.

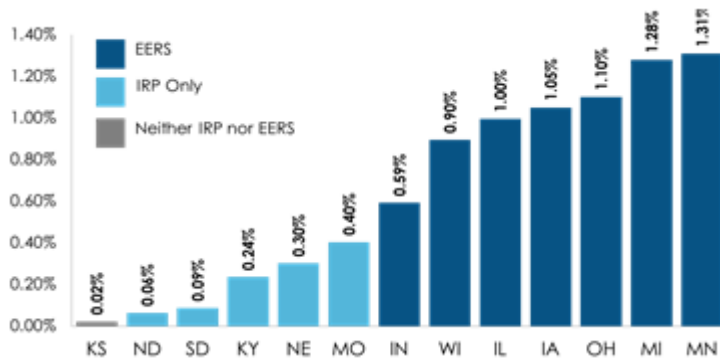


Figure 2: Saved electricity as % of total retail sales, 2014

Ohio utility-run energy efficiency programs have been very cost-effective. In 2015, for every \$1 spent on energy efficiency programs in Ohio, residents and businesses reaped \$1.90 in benefits. The calculated benefits include energy and capacity related avoided costs such as the cost of building new generation, transmission and distribution facilities. All of these benefits are highly localized and remain in-state. This return on investment for energy efficiency programs is derived from an independent third-party evaluation of utility energy efficiency programs and is a result of a highly analytical and scrutinized process.

Utility Investment in Energy Efficiency Has Positive Economic Impacts

The economic reach of programs driven by the EERS is widespread. These savings targets create the predictability and certainty companies in the energy efficiency industry need to continue to invest in Ohio and attract new investment. The 2014 programs alone are estimated to create more than 14,000 jobs, increase statewide income by over \$1.2 billion, add nearly \$1.9 billion of economic value and generate almost \$3.3 billion in sales between 2014 and 2038.² In addition to the effects from program year expenditures, efficiency investments continue to generate positive net economic benefits for as long as energy savings continue. Ongoing energy savings allow participants to spend less money on energy and more on other products and services, many of which have relatively localized supply chains.

Ohio is an energy-intensive state. Accordingly, Ohio utilities benefit from reduced fuel and power purchases, transmission and distribution costs, emission allowance costs and supply capacity requirements. It is important to the state's economy that the legislature ensures Ohio's energy needs are met in low-cost and reliable ways. At an average of \$14 per megawatt hour, energy efficiency is three times cheaper than new natural gas and coal fired power plants and two times cheaper than wind generation, as seen in Figure 3. It is because of Ohio's high energy needs that the EERS has had a profoundly positive impact on the state. The EERS drives the delivery of cost-effective programs that allow Ohio's residents and businesses to take advantage of the state's cheapest energy resource – energy efficiency.

² The Cadmus Group, Inc. and Midwest Energy Efficiency Alliance. *The Economic Impacts of Energy Efficiency Investments in Ohio*. October 2016.

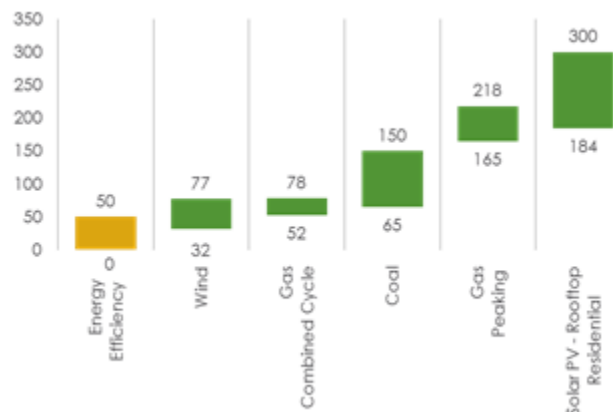


Figure 3: Lifetime cost ranges of new energy resources

If Ohio's EERS is weakened, the economic impact will be immediate and significant. In 2014, Indiana repealed its statewide energy efficiency standard. Since that change, total utility planned energy efficiency budgets for 2014- 2017 decreased by 5% while total planned energy savings decreased by 19%. These reductions led to an overall lowering of the cost-effectiveness of the energy efficiency program delivery for customers.³ Additionally, a recent independent report by GoodCents estimated that Energizing Indiana saved about 11 million megawatt hours, resulting in significant cost savings and created approximately 18,679 jobs.⁴ Following Indiana's repeal of their energy efficiency standard, Johnson Controls expects to lose half of their 2,257 jobs created under the standard.⁵ Assuming the repeal similarly impacts other major Indiana companies, a 50% reduction in jobs created under the standard would result in the elimination of over 9,000 jobs.

Importance of Industrial/ Mercantile Customer Participation

The economic impacts of any energy efficiency portfolio depend partly on the total level of investment and energy savings, and partly on the mix of programs. A program's net effect on the statewide economy depends on which industries are directly affected, as well as on the participant customer segment, the type of efficiency measure(s) promoted and the incentive(s) offered. Utility program offerings in the commercial and industrial sectors tend to be the most cost-effective portion of a utility's energy efficiency portfolio, garnering significant benefits per \$1 of cost, as Table 1 demonstrates.

³ Midwest Energy Efficiency Alliance. *Energy Efficiency in Indiana after Repealing the Statewide Standard*. April 24, 2015. http://www.mwalliance.org/sites/default/files/uploads/advokit/MEEA_2015_Advokit_Energy-Efficiency-Indiana-After-Repealing-Statewide-Standard_April2015.pdf.

⁴ Indiana Statewide Core Program Evaluation Team. *2014 Energizing Indiana Evaluation Report*. P.161. May 2015.

⁵ Lydersen, Kari. "Who's behind the effort to kill Indiana's efficiency law?" March 17, 2014. <http://midwestenergynews.com/2014/03/17/whos-behind-the-effort-to-kill-indianas-efficiency-law/>.

Table 1: Return on Investment of Commercial & Industrial Energy Efficiency

State	Program Administrator	Energy Type	\$ in benefits per \$1 cost*
WI	Focus on Energy	Electric & Gas	\$3.80
IA	Interstate Power & Light	Electric	\$3.10
		Gas	\$3.41
MN	Xcel Energy	Electric	\$2.83
		Gas	\$2.97
MI	DTE Energy	Electric	\$1.97
		Gas	\$2.43
MI	Consumers Energy	Electric	\$1.66
		Gas	\$1.66
OH	Dayton Power & Light	Electric	\$1.74
SD	Otter Tail Power	Electric	\$3.97

*Benefits and costs calculated via the Total Resource Cost Test (TRC), except MN which is calculated via the Societal Cost Test (SCT). Source: C&I Portfolios of Selected Midwest Program Administrators, 2013.

When high energy users participate in energy efficiency programs, more energy is saved at a lower cost and thus the strongest energy efficiency portfolios have a diverse program mix and participation from the residential, commercial and industrial sectors. When there are less commercial and industrial participants due to opt-outs, residential and low income efficiency programs take a greater portion of the portfolio and have more influence on total portfolio cost-effectiveness and thus the total portfolio benefit to cost score decreases because the most cost-effective commercial and industrial becomes a small portion of the total portfolio.

Conclusion

The stakes are high in Ohio as the EERS has not only served as sound energy policy, but also as a proven economic development policy. Beyond the jobs within the energy efficiency industry, programs stemming from the EERS have empowered businesses to invest in energy improvements that lower operating costs and improve their bottom line. Such investments would not be possible without a standard driving the availability of cost-effective programs and the assurance of the EERS which allows for consistent availability of such programs. Energy efficiency programs deliver both the expertise necessary to make those investments and incentives that result in reduced payback periods for private investments; therefore, we believe the retention of Ohio's energy efficiency policy is the best course for the state in sustaining and increasing cost-effective programs that will lead to continued economic growth.

These comments reflect the views of the Midwest Energy Efficiency Alliance – a Regional Energy Efficiency Organization as designated by the U.S. Department of Energy – and not the organization's members or individual entities represented on our board of directors.