



Ohio Environmental Council

**Ohio Senate Energy & Natural Resources Committee
Opponent Testimony - Am. Sub. House Bill 554
December 8, 2016**

Good morning, Chairman Balderson, Vice Chair Jones, Ranking Member Gentile, and members of the Ohio Senate Energy & Natural Resources Committee. I am Trish Demeter, Managing Director of Energy Programs for the Ohio Environmental Council (OEC). The OEC is a statewide organization that advocates for clean air, safe drinking water, and healthy, thriving communities. Thank you for allowing me to testify today in opposition to Amended Substitute House Bill 554 (HB 554).

Last week, I made the point that Senate Bill 320 - which mirrors the bill before you today in many ways - would be making sweeping changes to Ohio's energy policy completely out of context with larger issues at play in Ohio's energy landscape. Since the freeze began in 2014, not only has the market for clean energy accelerated, but the Public Utilities Commission of Ohio (PUCO) has either decided, or is currently considering, critical cases that will have lasting impacts on what electric customers will be paying on their bills, as well as also their ability to exercise their energy choice. Additionally, I argued that enacting sweeping changes to energy policy without fully understanding their impact on consumers or the environment would be irresponsible, and on some provisions, premature.

Before referring this bill from committee, the House Public Utilities Committee added a troublesome amendment that effectively does these two things: proposes a major change without fully analyzing what it will mean for customers or the environment, and ignores the important context of recent decisions made by the PUCO on the issue of shared savings incentives. The amendment added to HB 554 alters the way utilities can earn shared savings in a way that amounts to a huge giveaway to utilities.

Shared savings is the financial mechanism that motivates utilities to perform well in achieving energy savings, and to reward them when they go above and beyond the bare minimum benchmark. These incentives are important to aiding the utility in making the business case for efficiency, because their shareholders can share some of the net benefits gained through energy efficiency. When crafted successfully, shared savings incentives balance the interests of shareholders and customers, and keeps utilities striving for deeper energy savings year in and year out.

In order to strike this balance, the PUCO has put parameters around how utilities can earn the incentive, and one way has been to disallow the use of "banked" energy savings in the calculation of shared savings incentives. Banked savings are energy savings achieved in previous years, and then held or banked for inclusion in achieving future years' benchmarks. The issue of whether utilities could earn shared savings incentives was decided in 2015 in a Duke Energy case, in which the PUCO stated that "...in order for the structure to continue to serve as a true incentive for Duke to exceed the benchmarks, the Commission finds the banked saving cannot be used to determine the annual shared savings achievement level."

Further, the order read that the shared savings mechanism “is designed to motivate and reward the utility for exceeding energy efficiency standards on an annual basis.¹” To be clear, the Commission order states clearly that banked savings are not to be used in the utility’s calculation of shared savings incentives, but banked savings can still be used toward demonstrating compliance with the benchmark.

House Bill 554, as amended, essentially reverses this decision by the PUCO, which came about after years of debate, testimony and consideration by the staff and commissioners of the PUCO, and wide ranging stakeholders representing large user groups, consumer advocates, environmental organizations and utilities themselves.

Adding such a sweeping change to Ohio law, with literally days to consider and assess its impact, will inevitably pile on even more costs for customers, will further erode the value of energy efficiency that customers enjoy today, and will give utilities even more ability to game compliance with the energy efficiency standard.

For these reasons, and the reasons provided in our testimony opposing SB 320, we urge this committee to reject Amended Substitute House Bill 554.

Thank you for the opportunity to testify today. I would be happy to answer any questions at this time.

¹ PUCO Case No. 14-457-EL-RDR