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Co-Chairman Stein and O'Brien and Committee Members, my name is Robert Kelter and I am testifying today on behalf of the Environmental Law and Policy Center (ELPC). We are a Midwest environmental advocacy organization that has participated in developing energy efficiency and renewable resource policies, as well as the cases before state commissions to implement those policies, in Ohio, Michigan, Iowa, Wisconsin, Minnesota and Illinois. We focus on protecting the environment, but also emphasize protecting consumer interests in the process.

I have testified numerous times before the Ohio legislature and litigated many cases before the Public Utilities Commission of Ohio, including several energy efficiency cases. Before coming to ELPC, I spent twelve years working for the state consumer advocate's office in Illinois, and have significant experience on ratemaking and issues related to competition. ELPC supports both the energy efficiency and renewable energy standards in place for all customers and opposes bailing out the nuclear plants. That being said, my testimony today focuses on the benefits of energy efficiency, and explaining why making the energy efficiency standards voluntary conflicts with the stated goals of saving consumers money and supporting clear air resources. We should also be clear that by making the standards voluntary, the legislature would be eliminating most or all of the programs because you lose economies of scale and predictability for the utilities.

**Utilities' investments in efficiency replace generation and reduce customer bills**

HB 6 emphasizes that it will lower the monthly customer charges from \$4.39 per month to \$2.50 by eliminating the charges for energy efficiency, peak demand reduction and renewable energy. This characterization ignores the fact that eliminating the monthly charge for efficiency causes customers' electric bills to go up. The reason for this is simple; energy efficiency costs less than generation. While there is a separate charge for energy efficiency on customers' bills that makes it appear to be an additional charge to their electricity, every unit/kWh of energy efficiency replaces a unit/kWh of generation in the market.

If you assume a utility's customers need 100 units of generations to serve the service territory, and the utility gets 7% of that from energy efficiency then it will buy 7 units of efficiency and only 93 units of generation. The law requires energy must be "cost effective," Ohio Admin. Code 4901:1-39-04(B), and by definition "cost effective" means the efficiency must cost less than the electricity it replaces. If the utility cannot meet the standard at a lower price than generation, the Commission will waive the requirement and the utility will produce only the amount of efficiency that costs customers less than generation. In fact, AEP's most recent available report on its 2017 energy efficiency programs indicated that customer energy savings came at an overall cost of 3.6 cents per kilowatt hour – compared to a generation price of 5.9 cents per kilowatt hour for an AEP residential customer in the same timeframe. Hence, any

reduction in the current efficiency standards means that customers will pay more for their electricity. Analysis from the Midwest Energy Efficiency Alliance shows that for every \$1.00 Ohio utilities have spent on the programs, customers have saved \$2.65.

It is also important to understand that energy efficiency measures, such as energy efficient furnaces, produces savings beyond the year that the customer makes that investment. To illustrate, if a utility discounts an energy efficient furnace that lasts for 20 years, the furnace generates savings every year for 20 years. Those savings add up to a lot over time. When FirstEnergy filed its most recent 2017-2019 Energy Efficiency Plan, it stated that the Efficiency Programs cost \$323 million, but would generate \$988 million dollars of customer savings over the course of the plan. In its filing for its 2017-2019 plan AEP calculated the long term (lifetime) savings, and projected costs of \$284 million that would save customers \$2.2 billion over the life of the measures customers invest in as part of the program. These are not the cost/savings analysis of environmentalists – they are the estimates of the utilities. Most Ohio customers have been able to access these savings directly, with the annual utility reports showing that their programs have supported the deployment of millions of efficiency measures in each year since 2008.

Finally, it's worth pointing out that, since energy efficiency reduces demand for electricity overall, it also reduces the need for all customers to resort to the most expensive sources of energy whether they participate directly in an efficiency program or not. When lots of customers need lots of electricity – like on a hot summer afternoon when many people crank up their air conditioning – we all know that prices are going to go up for everyone. The reverse is true too; when some consumers have reduced their electricity usage through utility efficiency programs, then cheaper sources of generation can serve more customers. The result is lower costs for all Ohioans.

### **Utilities estimate that more than enough savings remain to maintain the current standards for the foreseeable future**

One thing issue people have raised is that the low hanging fruit from efficiency is gone and that utilities will not be able to meet future goals. While it is true that many customers have already invested in energy efficient lighting, many still have not, even business customers that can save energy very cost-effectively with new efficient lighting options not addressed by federal efficiency standards. Moreover, we have barely begun to tap the potential for savings from heating and cooling. Very few customers have weatherized homes or business, and there is unlimited potential in these areas. Again, the utilities have produced their own analysis on these issues, and I will use FirstEnergy's own energy efficiency potential study to illustrate. FirstEnergy's most recent 2016 market potential study, based on an independent analysis by an outside firm, states, "The total maximum technical potential was estimated to be approximately 37.5% of current kWh consumption." FirstEnergy Market Potential Study at p.8. Most importantly, the study shows that almost all of that potential – 35.9% – is economically achievable, and even under conservative assumptions regarding achievable potential FirstEnergy would be able to cost-effectively meet Ohio's existing cumulative energy savings benchmarks through 2027. *Id.* at 101, 11, 14, 17.

## **Commercial Customers do not take advantage of their efficiency opportunities**

Interestingly, the potential study shows that the technical potential for residential customers is only 30.9% compared to 40.6% for commercial customers, and 40.6% for industrial customers. *Id.* at 99. We have heard some commercial and industrial customers testify that they shouldn't have to pay for energy efficiency because they already invest in efficiency measures. They often say they do this because they have to in order to stay competitive, but the facts simply don't bear this out for a number of reasons. First, businesses are under pressure to produce quarterly profits and hesitate to make investments with pay back periods over one year. Second, most energy managers focus on purchasing the cheapest electricity on the market, and not on improving efficiency. Third, commercial and industrial customers are consumers, and just like residential customers, they like the discounts and rebates that the utility programs offer. Finally, on this issue it's important to point out that in addition to the many programs that Ohio utilities offer their commercial and industrial customers, their program implementers will come out to any customer's business and customize a program to offer individualized discounts and rebates.

### **Conclusion**

As we said up front, ELPC does not believe that the legislature should bail out the nuclear plants and we believe it is against customer's interests to reduce Ohio's minimal commitment to renewable energy. That being said, our testimony today focuses on the fact that it is inconsistent to label this a Clean Air Plan then replace the cheapest form of clean energy with a more expensive form, given that all forms of generation cost more than efficiency. Thus, we urge the committee to take a hard look at whether this bill actually saves customers money or will produce cleaner air.