



House Public Utilities Committee ▪ January 16, 2017
Proponent Testimony for H.B. 247
Joe Savarise, Executive Director, Ohio Hotel & Lodging Association

Chairman Cupp, Vice Chair Carfagna, Ranking Member Ashford, and members of the House Public Utilities Committee, thank you for the opportunity to permit me to add my voice on behalf of Ohio’s professional lodging industry in favor of House Bill 247, Representative Romanchuk’s legislation to protect and strengthen consumer protections and Ohio’s competitive electricity marketplace.

I’m Joe Savarise, Executive Director for the Ohio Hotel and Lodging Association (OHLA). Ohio is home to nearly 1,500 licensed and active hotel properties providing more than 135,000 rooms to guests across the state. In our state, hotels employ more than 35,000 people directly, and support 93,000 hotel-related jobs, produce nearly \$800 million in employee wages and are an integral part of Ohio’s vital travel economy. With more than 26 million room nights sold in Ohio annually, hotels have an annual \$25.5 billion total economic impact in our state, and generate \$3.4 billion in taxes.

Hotels are large consumers of electricity, due to the 24/7 “always on” nature of the business. Energy is the second largest spending category for a hotel after wages and benefits, representing three to six percent of hotel operating costs, on average. A decade ago, the annual average energy expense per room in each of Ohio’s 1,400 licensed hotels had already reached the \$2,000 threshold, according to the U.S. Environmental Protection Agency (EPA).¹

An analysis among a representative sample of properties here in Ohio of energy expenses as a percentage of revenue shows that competition is producing the desired effect of keeping these costs competitive. Still, the impact of this expense can be between two percent and as much as 14 percent of revenue at some smaller, economy segment hotels.

The hotel industry is a leader in terms of conservation and efficiency efforts. Hotel owners and developers have invested billions in new technologies and best practices to help contain these costs. Still, growth in the travel economy and the hotel business mean there is an ever-increasing amount of overall consumption, with more new hotels, more rooms and more guest stays each year.

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We are approached every week by local communities throughout the state interested in learning how to attract hotel development. The key is being competitive with other markets. With electricity being the largest utility expense for hotels, having access to reliable, affordable electricity is essential to our industry.²

And while it is true that, along with other business consumers, we supported legislation in the past that created Electric Security Plans (ESPs) that are part of what House Bill 247 addresses, the simple fact is we could not envision and do not support the uncompetitive way ESPs have been used to create above-market charges.

The Ohio Hotel & Lodging Association supports House Bill 247 because our member businesses believe it contains important protections to ensure our competitive electricity market.

Key elements for our businesses include:

1. Correcting Ohio's unfair, anti-consumer provisions that cost millions for Ohio's hotels by allowing charges that exceed market prices. It removes language in Ohio law that permits utilities to file ESPs. This would allow the market to work and eliminate above-market charges to hotels that currently are allowed in ESPs.
2. Allowing us as consumers to receive refunds for all charges later determined to be improper by the Supreme Court of Ohio or the PUCO.
3. Protecting hotels from the negative financial effects of subsidizing the operations of a utility's corporate affiliate, by strengthening the law that required divestment of generating assets.

House Bill 247 creates an environment conducive to continued business investment, economic growth and job creation. OHLA and its members throughout our industry ask for support for this legislation.

Thank you for your time today. I would be happy to answer any questions you may have at this time, or in the future.

¹ Steve Kiesner, *Ten Quick Ways to Improve Your Hotel's Energy Efficiency*, Hotel Business Review, Nov. 2, 2008
http://www.hotelexecutive.com/business_review/261/ten-quick-ways-to-improve-your-hotel%E2%80%99s-energy-efficiency

² Robert Mandelbaum, *Consumption and Pricing Influence Hotel Utility Cost*, CBRE, Jul. 2015
<http://www.cbrehotels.com/EN/Research/Pages/Consumption-and-Pricing-Influence-Hotel-Utility-Costs.aspx>