

**TESTIMONY OF ROBERT KELTER
ENVIRONMENTAL LAW AND POLICY CENTER
OHIO SENATE ENERGY AND NATURAL RESOURCES COMMITTEE
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Good afternoon Chairman Balderson, Ranking Member O'Brien and members of the committee. Thank you for the opportunity to testify before you today. As I have stated in previous testimony, while Environmental Law and Policy Center (ELPC) is an environmental organization, it has a strong consumer background and supports balanced energy policies that benefit both consumers and the environment. Before coming to ELPC, I was the Director of Litigation at the Citizens Utility Board in Illinois where I focused on electric rate cases and consumer fraud issues. ELPC has been an intervenor in the energy efficiency cases before the Public Utilities Commission of Ohio (PUCO), and an active participant in the collaborative meetings with the utilities where we track the results of the programs and work to improve them. We have first-hand knowledge that these programs produce savings for customers and would not support them if they didn't do so.

The issue of Ohio's energy policy has now been debated non-stop for the last 5 years. Hence, when it comes to H.B. 114, there is not much new to say. Thus, I will limit my testimony today to a few key points that we hope you will consider.

Energy efficiency continues to be Ohio's least cost option. It helps customers lower their bills by reducing their usage, and it lowers the wholesale price of electricity for all Ohioans. The legislature should not be lowering the targets from twenty-two percent to seventeen by 2027. To date utilities have easily met the targets, and new innovations, such as smart thermostats, continue to develop that make it premature to reduce goals. Moreover, Section 4928.66(A)(2)(b) allows the Commission to amend the benchmarks if the utilities can demonstrate they are not economically achievable. Ohio law requires that efficiency cost less than the generation it

replaces. The more customers reduce their usage the lower their bills will be, and that lower demand benefits even customers who don't directly participate in the efficiency programs. The PUCO Staff has estimated that energy efficiency has lowered the price of electricity that all Ohioans pay by 4.5%. Reducing the targets will only harm customers, both the millions who adopt more efficient lighting and appliances and the millions more who enjoy the lower electricity prices resulting from lower demand.

In addition to holding firm on the standards, we urge the Senate not to expand the provision allowing more mercantile customers to opt out. We know the argument that commercial customers have expertise on efficiency that residential and small business customers do not have, and that they take efficiency measures on their own in order to remain competitive. We understand the logic of that, but just don't believe that it plays out in practice. The desire to maintain short term profits and the business demands that require immediate attention often get in the way of businesses achieving their efficiency potential. Additionally, not all mercantile customers have energy managers, especially if the legislature allows smaller customers to opt out, such as the pizza shops, convenience stores, and churches currently included in Ohio's mercantile customer definition. These mercantile customers can represent more than a third of the total load of a utility like FirstEnergy, but it is far from clear that all or even most of these thousands of customers are implementing efficiency measures on their own. Moreover, the requirements for the streamlined opt out require little real commitment on behalf of the commercial customers. Thus, we believe the legislature should limit the opt-out provision to the current law. At a minimum the legislature should require the applicant to submit a real efficiency plan outlining specific actions, and requiring approval by the PUCO.

Our final thought on energy efficiency is that compliance should be reviewed on an annual basis as the Commission does under the current law, not every three years. This sends the proper signal to utilities that they need to maintain their efforts to save customers money at the highest level.

Switching gears to the renewable energy standards, HB 114 makes the renewable targets voluntary, and we believe this sends the wrong signal to the markets and will harm Ohio in the long run. We have heard a lot of rhetoric about the standards, and I think we need some perspective here. The current law moves us to 12.5% renewables in 2026 – this means eight years from now Ohio will still get 87% of its electricity from coal, natural gas and nuclear plants. These resources provide baseload power and will be around for a long time. However, we cannot and should not ignore one important fact, once you build wind and solar they are no-cost resources. Coal and natural gas plants both rely on fossil fuels that can go up or down in price based on the markets for those fuels; and we know that they have.¹ Even natural gas, as cheap and plentiful as it is, doubled in price in 2014 when we had a cold winter. Prices might have gone even higher if not for the presence of non-fossil resources, especially wind, in the PJM generation market. Hence, even if you don't believe in any of the clean air and other environmental benefits of renewables, they should be part of a balanced portfolio.

¹ The shale boom started in about 2011 – in that time, there have been several dramatic rises and falls:

- In under a year, prices fell 53% from \$4.96/mcf to \$2.34/mcf (Dec 2014 to Sept 2015).
- Price spike of 60% over three months from Sept 2015 to Dec 2015 (\$2.34 to \$3.75).
- Since 2011, there have been 5 instances of the OH NG prices changing by more than \$1 in a single month. (May 2012, Sept 2012, Nov 2012, Jan 2013, Feb 2014).

The final point I want to make today is that five years ago FirstEnergy and the other Ohio utilities were the driving force behind the effort to curb efficiency and renewables. Today, FirstEnergy has embraced clean energy, even touting its commitment to renewables on billboards around Columbus. On the efficiency front, ELPC and the other environmental intervenors at the PUCO reached settlement agreements with FirstEnergy and the other utilities on their most recent plans. Thus, we are no longer in a position where the utilities are fighting to stop progress and we hope the legislature recognizes this change.

Thank you for allowing us to testify today, and we welcome your questions.