



# OEC [ Action Fund ]

**Opponent Testimony - Sub. House Bill 114**  
**Senate Energy & Natural Resources Committee**  
**Sarah Spence, Director of Government Affairs**  
**October 18, 2017**

Chairman Balderson, Vice Chair Jordan, Ranking Member O'Brien, and members of the Senate Energy & Natural Resources Committee, I'm Sarah Spence, Director of Government Affairs for the Ohio Environmental Council Action Fund. Thank you for the opportunity to testify on House Bill 114.

The world is undergoing a massive transition in how it generates, transports, manages and delivers electricity to homes, neighborhoods, and businesses. Consider:

- In 2015, global capacity for renewable energy surpassed that of coal for the first time ever in human history<sup>1</sup>
- About half a million solar panels were installed *every day* around the world in 2015<sup>2</sup>
- In 2015, China was installing two wind turbines *every hour*<sup>3</sup>. In 2016, growth in wind has slackened, but only to the tune of 1 turbine per hour.

Ohio is very much part of this world, and because of the Renewable Portfolio Standard (RPS) and Energy Efficiency Resource Standard (EERS), we are once again moving in the same direction as those around us in the rapid global transition towards clean energy. Substitute House Bill 114 signifies derailment, and if enacted in its current form, would put Ohio behind other Midwestern states in the competition for technological innovation and next generation manufacturing.

Evidence of this transition can be seen no further than fellow Midwestern states such as Michigan and Illinois, who just late last year, both increased and strengthened their clean energy standards. Michigan increased its RPS to 15% by 2021 precisely because they already met their 10% by 2015 target (by comparison, Ohio's RPS is 12.5% by 2027, and currently our electricity portfolio reflects that a mere 2.28% of Ohioans electricity comes from renewable energy).

House Bill 114 proposes a rollback of the clean energy standards by: making compliance voluntary rather than mandatory; reducing the cumulative energy savings target; watering down the EERS by expanding Ohio's industrial opt-out program, and; adding several new definitions under what qualifies as an energy efficiency measure. All these changes combined essentially amount to a repeal of Ohio's existing, functioning and invaluable standards.

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<sup>1</sup>

<https://www.iea.org/newsroom/news/2016/october/iea-raises-its-five-year-renewable-growth-forecast-as-2015-marks-record-year.html>

<sup>2</sup> *Ibid*

<sup>3</sup> *Ibid*

I'd like to focus attention on the provisions of the bill that would negatively impact energy efficiency in particular: 1) adding new definitions of what can qualify as efficiency, and 2) expansion of the industrial opt-out to allow more customers to opt-out.

### **New definitions of what can count as “efficiency” undermines the EERS**

Integral to any utility-run energy efficiency program is 1) ensuring that rebates and incentives offered to customers *drive new energy efficiency improvements*, and 2) that the utility's annual claimed energy savings *result from actions taken by the utility* to improve the efficiency of its customers' homes and businesses.

In 2014, the bill that froze the clean energy standards - Ohio Senate Bill 310 - made several permanent law changes that were seemingly minor, but have and will continue to erode the integrity of Ohio's EERS. These changes, as they've been implemented by utilities, and as they are projected to be implemented into the future have already reduced Ohio's EERS significantly in terms of direct and indirect benefits (See attached chart). Specifically, SB 310 expanded what kinds of “efficiency” that a utility can claim towards its annual benchmark in two ways:

- Allowed utilities to claim savings achieved through increasing federal efficiency standards required for manufacturers of electrical equipment, lighting, and appliances, and;
- Allowed utilities to claim energy savings that their customers achieved via their own means, without the prompting of an incentive or rebate.

The impact of this law change has allowed some utilities to get something for nothing. No other state in the nation allows utilities to count anything but savings that its programs produce towards its own annual targets. Prior to SB 310, decisions about what could count towards a utility's annual benchmark was decided at the PUCO, after lengthy stakeholder input and engagement, and close review of the latest technologies and innovation in the industry. This was an appropriate approach and allowed for relative nimbleness and adaptation to best practices.

Some of the provisions in HB 114 would weaken the EERS further, and perhaps to the degree that it would not matter whether or not Ohio had a robust cumulative energy savings target. Specifically, the bill adds two new counting qualified “efficiency” measures: heat-rate improvements made at power plants, and; use of recycled glass in certain manufacturing processes. Such new “counting” provisions undercut the value that customers are intended to receive from utility rebate and incentive programs, for if the utility is putting in less effort to achieve annual savings, customers are on the losing end.

### **Expanding the Opt-Out**

Ohio's energy efficiency standard delivers the most benefits when all types of customers - from families, to retailers, to manufacturers - are investing in the utility rebate and incentive programs. If we create special exemptions for certain types of customers, where is the incentive for everyone to follow the rules?

HB 114 proposes to expand the industrial opt-out to include a class of smaller commercial and industrial customers, defined in Ohio law as “mercantile” customers. This class of customers is defined in such a way that a very wide, and diverse, range of customers fall under this definition: a steel mill, a Staples

store, a fast food franchisee that has aggregated multiple restaurants into one account, a dry cleaner, a hospital, and small manufacturer.

This dispute is a simple matter of fairness. Utilities must achieve their annual energy savings benchmark, no matter how many customers can, or cannot, opt-out. So this means allowing special exemptions for a subset of customers means that someone is picking up their tab. And under the proposals of HB 114, this means all customers that fall outside of the definition of the “mercantile class,” which are families and very small businesses, are the ones left picking up the tab.

When Indiana created a carte blanche opt-out for industrial customers that consume 1 megawatt or more of electricity per year, the impact of this broad opt-out had tremendous impacts on cost-shifting to other, non-eligible customers, and reducing the overall energy savings achieved in the state: There was a 57% decline in energy savings achieved by commercial and industrial customers, and; energy efficiency investments in the commercial and industrial sector decreased by 47%.

If Ohio’s businesses are unhappy with current utility run energy efficiency programs, then let’s work together to find solutions that fit Ohio. There are various models in other states that have produced real energy savings while keeping business customers happy.

Ohio’s RPS and EERS play a critical role in setting the course for Ohio’s energy portfolio, and to gradually diversify where Ohioans get their electricity. I urge this committee to reject House Bill 114 in its current form, and allow Ohio’s clean energy standards to continue to deliver all the benefits they are delivering to the State of Ohio. Thank you again for the opportunity to testify, and I’d be happy to answer any questions at this time.