



Ohio Environmental Council

[Action Fund]

Ohio House Energy & Natural Resources Committee
OPPONENT TESTIMONY
Substitute House Bill 6 (Callender, Wilkin)
May 7, 2019

Chairmen Vitale, Vice Chair Kick, Ranking Member Denson, and members of the Energy and Natural Resources Committee; I am Trish Demeter, Chief of Staff for the Ohio Environmental Council Action Fund. Thank you for allowing me to submit testimony on Substitute House Bill 6.

Our organization, celebrating its 50th anniversary this year, works to secure healthy air, land and water for all who call Ohio home. The OEC Action Fund is opposed to Sub. HB 6 because, if enacted, it would increase Ohio's carbon emissions, put more Ohioans' health at risk, and threaten over 112,000 jobs of Ohioans working in the clean energy sector. Further, Sub. HB 6 creates even more confusion about which path Ohio is on in terms of energy policy: Are we moving forward and embracing innovation, or are we choosing to tether ourselves to energy systems of the past?

Primary changes from As Introduced to Substitute:

- **The Substitute version is not materially any better than the As Introduced bill.** If enacted, the bill would increase Ohioans electric bills, increase air pollution, make Ohioans sicker and put Ohio jobs at risk.
- While the substitute bill lowers the monthly fixed fees on residential and commercial customers in the first year (2020) of the new clean air program, **the substitute bill would lead to rate hikes for Ohio families and businesses** and not produce any benefits - benefits such as new jobs, more tax revenue for communities, cleaner air and better health - in return for these rate hikes.
- The substitute bill still proposes to effectively repeal **the Renewable Portfolio Standard (RPS) and Energy Efficiency Resource Standard (EERS)**, and even though this version of HB 6 leaves the door open for utilities to voluntarily continue with energy efficiency rebate and incentive programs, **energy efficiency is hobbled even more by requiring utilities to allow certain business customers to opt-out.**
- While the substitute bill allows utilities to do some renewable projects under certain circumstances and some projects to theoretically qualify for newly-created subsidies, the reality is that **the Clean Air Program is far inferior to Ohio's RPS in terms of actually incentivizing private investment in our state, and creating new jobs right here.**

This bill still gets one thing right: it acknowledges that Ohio needs carbon-free energy sources, and that emissions-free resources are something we should be striving to encourage.¹ But, the impact of the proposed policy changes in this bill is still in direct conflict with its stated intent. The impacts of Sub. HB 6, if enacted, are stark:

- **Sub. HB 6 would increase Ohio's carbon emissions:** Because the bill proposes to do away with Ohio's RPS and EERS, we would also be forgoing the carbon reductions being achieved by these policies. [Ohio's Clean Energy Standards will reduce Ohio's annual carbon pollution by about 10 million tons between 2017 and 2029](#)² which is equivalent to avoiding emissions from the annual electricity consumption of 1 million homes³. To put a finer point on the importance of the efficiency standard and its impact in reducing reliance on coal-fired power plants, the efficiency programs that have been in place since 2009 avoided over 1.1 million tons of carbon dioxide pollution in 2017 alone⁴.
- **Sub. HB 6 would increase risks to Ohioans' health:** Due to effective repeal of Ohio's RPS and EERS, the legislation would [forgo the projected health benefits](#) that these standards provide - [prevention of over 44,000 asthma attacks, 2,400 asthma-related emergency room visits, 4,400 heart attacks and over 2,800 premature deaths](#) attributable to coal-plant pollution (see attached graphic).
- **Sub. HB 6 will increase, not decrease, electric bills for Ohioans.** The average Ohio family will pay an additional \$6.11 per month starting in 2021 if Sub. HB 6 becomes law. Despite elimination of the riders associated with the renewable and efficiency standard, Ohioans' bills will go up as a result of this legislation [due to wiping out the bill savings Ohioans are receiving today due to investments in energy efficiency, and glaring loopholes drafted into the legislation](#) that would allow utilities to continue to charge customers through these riders.
- **Sub. HB 6 embraces wasteful use of electricity over cost-effective energy efficiency:** Ohio's EERS has delivered over [\\$5.1 billion in energy savings to Ohioans' since 2009](#) and is [delivering \\$2.65 in bill savings for every \\$1 invested in efficiency](#) rebate and incentive programs.
- **Sub. HB 6 would tax Ohioans millions more each year on top of what they already are paying to one company:** Due to PUCO-approved riders on customers' bills, [FirstEnergy is set to receive a three year payout of \\$612 million in ratepayer-funded subsidies](#) by the end of 2019 for the purpose of supporting FirstEnergy Corporation's credit rating.
- **Sub. HB 6 puts Ohio jobs at risk:** Over [112,000 Ohioans](#) are employed in the clean energy sector. The 80,000 Ohioans employed in the energy efficiency sector stand to be impacted the most.

What follows is commentary on the major components of Sub. HB 6: The effective repeal of Ohio's EERS and RPS, and; Creation of a new "Clean Air Program."

Provision #1: Ohio's EERS and RPS

Sub. HB 6 would be the latest blow, and quite possibly the final, to these state policies that have been delivering on what they promised - lower bills, a more diverse energy portfolio, cleaner air, Ohio jobs, and new economic opportunity. Unfortunately, Ohio's RPS and EERS have been the target for anti-clean energy interests virtually since they were enacted almost 11 years ago. We would argue that these

¹ Line 219.

² See page 5 <https://www.nrdc.org/sites/default/files/ohio-clean-energy-standards-benefits-report.pdf> (2015)

³ *Ibid*

⁴ Data analysis performed by American Council for an Energy-Efficient Economy (ACEEE), April 2019.

critiques are uninformed, and fail to acknowledge the tremendous benefits they yield for Ohioans each year. Thankfully, multiple attempts to repeal these standards permanently have not been successful, and we view Sub. House Bill 6 as just the latest attempt to dismantle these important policies.

Ohio's RPS and EERS keep Ohio in the running for a portion of the clean energy economy that is booming. Strengthening these effective policies could boost Ohio's economic and technical potential for developing clean energy resources that would truly lead to greater carbon reductions, more jobs and tax revenue for Ohio communities.

Jobs in solar and wind are among nation's fastest growing jobs in the nation, according to the U.S. Labor Department. Solar installers are projected to be the fastest growing job over the next decade, whose median annual pay in 2017 was \$39,500. Wind energy maintenance technicians are expected to see the second fastest growth through 2026, with median annual pay of \$54,000 in 2017⁵. Ohio also is home to the largest solar workforce in the Midwest, at over 7,000 workers; most of which is due to the presence of First Solar's only U.S. factory located in Northwest Ohio, which had been the largest in the United States. At present, First Solar is building a second factory in Ohio.

Other Midwest states have more ambitious clean energy standards and policies, and Ohio is getting left behind. Ohio's RPS is a modest 12.5% by 2027, but according to the National Council of State Legislatures, Ohio's closest neighbors have larger and more ambitious RPS goals: Michigan (15 percent by 2021 originally, and later increased to 35 percent by 2025); Illinois (25 percent by 2025 - 2026); Pennsylvania (18 percent 2020-2021). Recently, Illinois Governor J.B. Pritzker has pledged he will put the state on a path to 100% renewable energy, and there is currently a bill pending in the Illinois legislature to do just that.

Ohio has the technical and economic potential to go big on renewables: Growing Ohio's wind deployment to 3,000 megawatts by 2026 could bring up to \$4.2 billion in capital investment in Ohio, and sustain 1,000 jobs directly. Utility scale solar could grow to 1,200 megawatts from the 67 megawatts we have installed today, and small distributed solar could grow from 104 megawatts to 950 megawatts, resulting in a sustained 800 direct jobs, 1,700 indirect and induced jobs each year as well as a \$1 billion boost in annual state gross domestic product (GDP)⁶.

Corporate America is on board with the clean energy era. Globally, at least 173 major corporations have committed to sourcing 100% renewable energy for their global operations⁷.

What changes does Sub. HB 6 propose and what is the impact?

- **Elimination of efficiency and renewable energy investments:** The legislation effectively repeals the RPS and EERS by exempting all customers from the RPS rider, and requiring utilities to discontinue efficiency programs by the end of 2020. The bill allows for customers to request to participate in the RPS if they so wish, and does allow utilities to run voluntary efficiency

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<https://www.energycentral.com/news/wind-turbine-techs-and-solar-installers-among-nations-fastest-growing-jobs-0>

⁶ http://www.poweringohio.org/files/2018/05/Powering-Ohio_FINAL-WEB.pdf See pages 21 - 22.

⁷ <http://there100.org/companies>

programs. This effectively eliminates the utility's ability to recover the cost of their efficiency programs, and utilities would likely cancel all, if not most, energy efficiency rebate programs.

- **Cost-shifting to Ohio families and small businesses if utilities voluntarily continue efficiency programs and “mercantile” customers can opt-out:** The substitute bill proposed to expand Ohio's current industrial opt-out to allow all “mercantile” customers to exempt themselves from any energy efficiency rider that a utility may charge if they so choose to continue efficiency programs. It's important to keep in mind that 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. First, efficiency investments are cheaper for everyone because with every kind of customer paying into the programs economies of scale are reached. Second, the more that utilities invest in efficiency, the lower the cost of wholesale electricity. Creating special exemptions for only certain kinds of customers means that those exempted customers get to enjoy the benefits of efficiency without having to pay for the benefit. Opt-out policies are inherently unfair because no matter where the eligibility threshold is established, there will always be a universe of ineligible customers below that eligibility threshold that will bear the cost of the EERS rider. In essence, very small businesses, homeowners and renters will be footing the bill for big corporate accounts and manufacturers.
- **Bills will go up:** Despite the elimination of the renewable and efficiency standard riders, and lowering the per customer caps for residential and commercial customers in the first year of the new “clean air program,” utility bills will not decrease. In most cases, utility bills will increase. This is because of several factors:
 - Aforementioned impact of mercantile opt out;
 - The bill ignores the savings benefits enjoyed by all customers from the EERS, even if the customer does not receive a direct rebate or incentive from their utility. This is commonly referred to as the “wholesale price suppression” benefit which is the effect of a basic supply and demand mechanism. Efficiency lowers demand for electricity to be generated, lower demand means lower prices;
 - Without utilities investing in energy efficiency, they will be compelled to purchase more electricity generation to meet the needs of customers, which is inherently more expensive. Overall, utility cost of service could increase.
- **Dramatic decrease in energy efficiency investments that save people and businesses money:** Without the guaranteed cost recovery they receive now under the mandatory EERS, utilities will likely cancel most, if not all, of their energy-saving rebate and incentive programs, leaving a significant amount of cost-effective energy efficiency on the table.
- **Put private sector investment at risk:** Investment in the renewable energy sector has delivered over \$1 billion of investment to date. There are currently more than 112,000 clean energy jobs in Ohio. And recent studies demonstrate that over the next decade, renewable energy projects could add an additional 136,000 new jobs in Ohio and at least 6.7 billion to the state's gross domestic product.
- **Ohio Jobs at risk:** Ohio's clean energy sector is already vibrant, thanks in part to Ohio's EERS and RPS. Currently, there are over [112,000 Ohioans working in the clean energy sector](#). Dismantling these effective policies means we put Ohioans' jobs at risk, particularly the 80,000+ Ohioans employed in the energy efficiency sector. Many of these jobs are within companies that bid, and win, contracts with utilities to implement their energy efficiency projects (for example, HVAC, lighting, sheet metal and ductwork, insulation and motor upgrades, etc.).

Ohio's EERS and RPS are already delivering tremendous benefits to Ohioans, and should be strengthened, not dismantled if we desire to continue cutting carbon emissions from the power sector.

Provision #2: Creation of Ohio "Clean Air" Program

Ohio's electric sector is not immune to the regional and national trends towards cleaner, more efficient generation and away from older coal, nuclear, oil and natural gas peaking plants. Sub. HB 6 includes in it substantial subsidies for technologies of the past, and a great cost to Ohio families and businesses. These subsidies appear to disproportionately benefit one company - FirstEnergy.

FirstEnergy Corporation is one of the largest investor-owned utilities in the country, with subsidiaries and affiliates involved in all aspects of generating electricity, transmitting and distributing it to end-users, as well as other utility-related services. FirstEnergy Solutions, a subsidiary of FirstEnergy Corporation and owner of Ohio's two nuclear plants, has filed for bankruptcy, citing market conditions such as cheap natural gas and renewable energy, environmental obligations at its nuclear and coal plants, and flat electricity demand⁸. The business of generating electricity has been transitioning for years, and as other forms of generation have become cheaper, including natural gas and renewables, most generation companies started to diversify their generation portfolios to ensure rate stability. FES, on the other hand, made several business decisions to double down on coal and nuclear, investing millions in aging, expensive plants that were being beat out by cheaper forms of generation.

Since 2012, FES' parent company, FirstEnergy Corp. and its Ohio electric distribution companies (Cleveland Electric Illuminating, Ohio Edison, and Toledo Edison) have sought customer-funded subsidies and bailouts in various ways and venues in an effort to shore up the operation and maintenance of FES's uneconomic coal and nuclear plants.

FirstEnergy customers are currently on the hook for [\\$612 million](#) to FirstEnergy Corp. (over three years, 2017-2019) because the PUCO approved the company's proposed "distribution modernization rider" that will go to benefit the company's credit rating. In early 2019, FirstEnergy filed for a two-year extension of these, which is still pending at the PUCO.

What changes does HB 6 Propose and what is the impact?

- **The bill creates a new Clean Air Program** that will provide subsidies to qualifying "Clean Air Resources" and "Reduced Emissions Resources." Ohio's major utilities (FirstEnergy, AEP Ohio, Duke Energy, and DP&L) will charge their customers the monthly surcharge to fund this program, and pass it along to the state to administer. As defined in the bill, all of the new state revenue will go toward Ohio's two nuclear plants, coal plants, natural gas plants and possibly a narrow set of renewable energy projects.
- **Excludes most renewables from qualifying:** The substitute bill allows for large-scale wind and solar to qualify for new subsidies, as well as small wind projects built "behind the meter" (i.e., built to serve a single customer, such as a manufacturer or commercial business). However, smaller (under 50 megawatts) wind and solar projects are excluded from qualifying despite a sizeable market for small renewable projects such as rooftop solar.

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- **New charges on all Ohio customers' bills may never go towards renewable energy.** The charges issued upon the customers of investor-owned distribution utilities will generate hundreds of millions annually. Subsidies may be given only if sufficient funding is available, making it unclear how much would go to other resources after nuclear receives its share.

In conclusion, Sub. HB 6 poses many costs and risks to Ohio families and businesses. If enacted, it would: harm our health and the health of future generations; increase our monthly bills and wipe out opportunities to save money each month; hobble economic development and job creation opportunities in every corner of the state, and; entrench Ohio in energy systems of yesterday instead of embracing innovation and the technologies of today and tomorrow. Thank you again for the opportunity to testify, and I'd be happy to answer any questions at this time.

Ohio's Energy Efficiency and Renewable Energy Standards Save Lives

BY 2029, OUR STANDARDS WILL HELP AVOID:

**335,375
LOST WORK
DAYS**



**4,470
HEART ATTACKS**

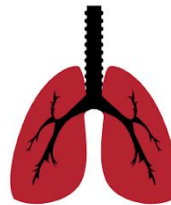
**2,820
PREMATURE
DEATHS**



**2,060
HOSPITAL VISITS**



**2,420
ASTHMA VISITS TO THE ER**



**44,390
ASTHMA
ATTACKS**



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Source: <https://www.nrdc.org/sites/default/files/ohio-clean-energy-standards-benefits-report.pdf>

The Real Monthly Cost of House Bill 6: \$6.11 per month increase per Ohio Family

A total cost of \$312 million per year to Ohio families

CURRENT LAW: Average Monthly Electricity Bill Impact of Residential Renewable Portfolio Standards (RPS), Energy Efficiency & Peak Demand

Electric bill without surcharges	\$100
RPS Charge	+\$0.74
Energy Efficiency/ Peak Demand Charge	+\$3.36
Total	\$104.10*

*Per Fiscal Note to House Bill 6, pages 5-6

Energy Efficiency SAVINGS **-\$7.71**

Total bill \$96.39/month

HOUSE BILL 6 (As Introduced): Average Monthly Electricity Bill Impact

Electric bill without surcharges	\$100
Ohio HB 6 Bailout Charge	+\$2.50

Energy Efficiency Savings **0**

Total bill \$102.50/month

NOTE: Not included in the calculation above is the further savings achieved from energy efficiency and renewable energy's "wholesale price suppression effect" on the market price of electricity because of reduced overall demand. The PUCO Staff has estimated that the price suppression effect of the energy efficiency standard alone is to reduce wholesale electricity market prices by 5.7% for every 1% energy savings achieved.

Explanation of Chart:

The fiscal note for House Bill 6 outlines the average monthly bill charges for residential customers that are attributed to Ohio's Renewable Portfolio Standard and to the Energy Efficiency Standard and Peak Demand Reduction requirements. Those combined charges - when averaged across utility service territories - are \$4.10 per month. The \$4.10 charge includes \$0.74 for the renewable energy standard and \$3.36 for energy efficiency and peak demand reduction requirement.

House Bill 6 eliminates the \$4.10 renewable energy and energy efficiency charge and replaces it with a \$2.50 monthly fee on residential customers that would go to new subsidies for nuclear and coal power plants under an "Ohio Clean Air Program Fund." Sponsors of the bill, therefore, claim it will save Ohioans money by reducing their bills from an average of \$4.10 to \$2.50.

However, this claim ignores the benefits and actual bill reductions that Ohioans are receiving from utility investments in energy efficiency. Every year, Ohio utilities file reports with the PUCO documenting the savings from their energy efficiency programs. According to calculations based on the most recent available set of reports for the utilities' 2017 programs, those programs produce actual savings of \$7.71 per month on average. When combined with the cost of \$4.10, the programs today result in a NET SAVINGS to Ohioans of \$3.61 - meaning Ohioans' bills are \$3.61 LOWER per month than they would be

without the programs. Because House Bill 6 eliminates the energy efficiency standard, Ohioans will lose the \$7.71 in monthly savings that these programs generate. As noted above, under Ohio's current clean energy standards, customers pay \$4.10 in monthly charges but earn \$7.71 in monthly savings for a net savings of \$3.61. Under HB 6, the monthly charge is reduced from \$4.10 to \$2.50, but *all \$7.71 in energy efficiency savings is wiped out.*

Even when accounting for the \$1.60 difference between what Ohioans currently pay for clean energy programs (\$4.10) and the proposed \$2.50 fee for HB 6, *Ohioans' bills will still be \$6.11 per month higher than they are today.*

The energy efficiency standard is currently saving Ohioans money and lowering their electric bills. For every \$1 that utilities spend on energy efficiency, Ohioans save \$2.65. According to utility data filed at the Ohio Public Utilities Commission, from 2009 to 2017 the energy efficiency standard has already saved Ohioans \$5.1 billion.

A Brief Explanation of Efficiency Savings:

Customers benefit from energy efficiency programs in a number of ways. The programs fund discounts on lighting, appliances and heating and cooling measures available to all Ohioans, and there are few customers who do not take advantage of these programs. Hence, customers benefit in three significant ways: the programs benefit customers who participate by reducing their energy usage; the programs help utilities avoid making investments in transmission and distribution; and the programs help reduce the expensive power needed on the hottest days of summer when prices peak.

Not included in the calculation is the further savings achieved from energy efficiency and renewable energy's "wholesale price suppression effect" on the market price of electricity because of reduced overall demand. The PUCO Staff estimated this price suppression at 5.7%.