



BEFORE THE SENATE ENERGY & PUBLIC UTILITIES COMMITTEE
Testimony on House Bill 6
June 25, 2019

Chair Wilson, Vice Chair McColley, Ranking Member Williams, and members of the Senate Energy & Public Utilities Committee, my name is Keith Lake and I am the Vice President of Government Affairs for the Ohio Chamber of Commerce. I am here today to offer interested party testimony on House Bill 6.

The Ohio Chamber is the state's leading business advocate, and we represent nearly 8,000 companies that do business in Ohio. Our mission is to aggressively champion free enterprise, economic competitiveness and growth for the benefit of all Ohioans.

During previous hearings on this bill, this committee has heard from numerous Ohio Chamber member companies, some testifying as proponents, others as opponents. Their reasons for support or opposition are varied. The Ohio Chamber, therefore, is testifying as an interested party, and this testimony is focused primarily on a specific but critical component of this bill.

It was way back in November of 2013, in front of what was then called the Senate Public Utilities Committee, that the Ohio Chamber first testified in support of reforms to the state's energy efficiency mandates. In the intervening five and a half years, the Ohio Chamber has consistently asked successive General Assemblies to act to reform these expensive energy efficiency mandates. Unfortunately, for a variety of reasons, including a previous gubernatorial veto, only incremental changes designed to mitigate the cost impacts have been enacted.

As you know, the cost of compliance with energy efficiency mandates is passed on to all consumers through their electric bills. The largest, most energy-intensive customers – those whose electric usage exceeds 45 million kWh in a single location – can elect to

opt-out. The remaining Ohio consumers, including other business customers, are collectively paying hundreds of millions of dollars annually for energy efficiency programs designed to meet these aggressive mandates.

As PUCO Chair Sam Randazzo noted in his testimony given previously before this committee, electricity customers paid nearly \$1.2 billion in out-of-pocket costs for these mandates for the years 2014 thru 2017 – an average of approximately \$289 million per year. Further, as these mandates escalate, which they are required to do under the current law, so too will their compliance costs. Ultimately, the cost of compliance gets more and more expensive as the mandates grow. Beginning in 2021, the mandated reductions – and thus the compliance charges – will start increasing even more rapidly year-over-year.

Over the years, the Ohio Chamber’s ongoing push for reforms to the program has included several pieces. First, we have supported expanding the option of opting-out from the energy efficiency mandates to all industrial and commercial customers, sometimes referred to as mercantile customers. Ohio Chamber members face constant competitive pressure to reduce their energy usage and become more energy efficient. However, the mandates in current law force companies to pay to create a pool of money, and then ask for rebates of their dollars to put towards efficiency projects. This is not only inefficient, as these program dollars must also pay for the inevitable administrative costs, but it also forces businesses to effectively subsidize the efficiency upgrades of their competitors.

Further, Ohio is part of the PJM regional transmission organization, which has a footprint that covers all or parts of 13 states and Washington, D.C. The percentage of PJM’s annual load attributable to Ohio is approximately 20%, which means that 80% of any alleged benefits of Ohio’s energy efficiency mandates flow to customers outside Ohio – effectively “free riders” who do not have to pay for those benefits.

Second, we have urged the General Assembly to ensure that all practices that reduce energy consumption count towards compliance with the mandates. Allowing the utilities to count action that directly reduces electricity usage, such as transmission and distribution improvements, as well as other consumer reductions, would create flexibility and ensure that no energy-saving measure goes uncounted.

Finally, the Ohio Chamber has urged the General Assembly to recognize that, after 2020, the utilities' required savings increase from 1 percent yearly to 2 percent yearly. Reducing the slope of the increase in the energy efficiency mandates earned our support in a version of House Bill 114 during the last General Assembly.

Obviously, therefore, the legislation before you looks nothing like the mandate reforms I have just described, as it represents an outright repeal of the energy efficiency mandate. As currently constructed, HB 6 would nonetheless address the concerns our members have with the costs of the energy efficiency program.

As I mentioned earlier, Ohio customers are paying an average of approximately \$289 million per year – and rising – to comply with the energy efficiency mandates. Based on the LSC fiscal analysis for the House-passed version of HB 6, customers will pay a new charge of \$198 million per year into the Ohio Clean Air Program Fund. As a result, the Clean Air Program Fund represents a potential annual savings of more than \$90 million per year – a 31% reduction – due to the termination of just the energy efficiency mandate.

In fact, the Ohio Chamber believes that most of our members, once the legislation is fully effective, will see reductions in their electric bills – even if many of them cannot support HB 6's broader goals. So, whatever revisions the Senate considers to HB 6 going forward, the Ohio Chamber urges you to ensure that it still addresses the rising costs of complying with the energy efficiency mandates and still produces a significant overall net decrease in customer electric bills.

Another component of HB 6 supported by the Ohio Chamber – and one that is lacking in other states that have enacted similar proposals – is a cap on the costs that customers pay. Under HB 6, caps are written into the law and bring stability and predictability to businesses who must be sensitive to not only energy prices in Ohio, but to prices globally. The key feature of the cap – that the customer charges cannot increase except to reflect inflation – is critical to HB 6's goal of lowering electric bills.

Also critical to the success of HB 6 to lower costs is the structure devised to address how businesses that have multiple meters at a single location would be billed. HB 6 now guarantees that PUCO must establish a rate design that results in an average monthly charge across all same-class customers, alleviating the Ohio Chamber's initial concerns that some customers receiving a set monthly charge on their bill could have seen that

figure multiplied several times, thus upending the calculus that this bill delivers overall lower charges.

In addition, the Ohio Chamber applauds the House for including a 2026 sunset date for the Ohio Clean Air Program.

The bill's provisions on E-Check also deserve comment. The Ohio Chamber has long supported E-Check as a cost-effective tool to comply with federal air quality standards. Ohio is currently working towards meeting ozone standards that were tightened in 2015. HB 6 requires the Ohio Environmental Protection Agency to ask the U.S. Environmental Protection Agency to permit the Ohio Clean Air Program to serve as an alternative to E-Check.

While we certainly share the goal of reducing the burden of complying with federal air quality standards, we believe this requirement could result in the Ohio EPA having to perform extensive modeling to study the impact of the Ohio Clean Air Program on Ohio's air quality. This could be a costly use of agency resources, which may ultimately need to be reflected in the fees the agency charges to businesses as a condition of permitting.

Finally, there is one provision of HB 6 that must be removed, due to its likely detrimental impact on economic development. Currently, the bill permits a local referendum on wind energy projects after they've received Ohio Power Siting Board certification – and even after construction has begun. No other generation source is subject to a similar public referendum, and such a requirement would kill almost every wind project moving forward in the state. This represents a dangerous precedent and reverses the regulatory certainty developers and investors rely on to make business decisions and investments in Ohio.

Thank you for the opportunity to present the Ohio Chamber's perspective on certain provisions of HB 6. We appreciate that, after years of debate, the bill takes steps to provide needed relief from the escalating costs of complying with Ohio's energy efficiency mandates. If the Senate moves HB 6 forward, we urge that this long overdue action be preserved.