

**TESTIMONY OF ROBERT KELTER
ENVIRONMENTAL LAW AND POLICY CENTER
OHIO HOUSE PUBLIC UTILITIES COMMITTEE
PROPONENT TESTIMONY HB 79
WEDNESDAY, APRIL 26, 2023**

Chairman Stein, Vice Chair Robb Blasdel, Ranking Member Weinstein and members of the committee, thank you for the opportunity to testify today. My name is Robert Kelter and I am a Senior Attorney for the Environmental Law and Policy Center (ELPC). ELPC is a regional organization that works on energy issues in states across the Midwest. ELPC has consistently supported energy efficiency as the foundation for clean energy policy in Ohio, because when customers use less energy they save money on their bills and we reduce pollution.

In terms of my personal experience working on energy efficiency, I have worked on programs in Ohio, Illinois, Michigan and Iowa. I litigated or supervised ELPC attorneys on the last two rounds of energy efficiency cases for all four Ohio electric utilities and Columbia Gas.

I want to do a couple things in my testimony today. First, I want to discuss how energy efficiency programs work. What do they actually do to help customers save energy and lower their bills? Second, I want to explain the process that the programs go through to ensure they save customers money on their bills, including non-participants – those customers who don't actually take advantage of the utility's discounts and rebates.

Utility Run Energy Efficiency Programs

Air conditioning, dishwashers, and other appliances run on electricity, and the theory behind efficiency is that if you help customers make their homes more energy efficient they lower their bills. Energy efficiency programs help customers get the same comfort and convenience they enjoy today, but using less electricity. Efficient appliances generally cost more, but save customers money over time. The utility rebates and discounts help cut down the pay back period, and influence customers to purchase efficient appliances. Efficiency programs also help customers weatherize their homes.

An easy example of a utility efficiency program is the program discounting smart thermostats. A smart thermostat retails for approximately \$150, and has a pay back period of a year and half to two years. A utility program will discount the thermostat by \$75 to lower the price, and customers will then start saving money the first year they purchase it. The smart thermostats help customers save money by reducing how much customers' air conditioners run when their homes are empty. In a typical Ohio utility service territory 50,000 to 100,000 customers currently have smart thermostats. In a territory the size of FirstEnergy for example, that number should be over a million. Besides discounting the thermostats, utility programs include educating customers on

how smart thermostats work and how they save money, to help develop interest in purchasing these devices.

The utilities base their programs on potential studies that analyze areas where consumers are not currently making energy efficient choices. Moreover, HB 79 specifically emphasizes smart technologies that will help drive market changes. In the past, utility run programs helped customers move from purchasing incandescent bulbs to CFLs and then LEDs. Today, the programs focus on innovative technologies that not only reduce overall usage, but reduce usage at peak times when prices are high. I also want to note that this bill addresses concerns raised by legislatures during the hearings on HB 6, and makes improvements over the previous generation of utility programs. For example, it prohibits utilities from sending out energy saving kits to customers who don't request them. It also changes the measurement of savings to ensure that the programs don't overstate savings.

Non-participants Benefit from the Programs

One of the questions legislators often raise is do customers benefit even if they don't directly participate in the programs? The answer is yes. Using the smart thermostat program as an example, when you have hundreds of thousands of customers using smart thermostats, it means the utilities need to purchase less electricity to serve their customers. The thermostats lower demand at peak times (on the hottest days of summer, or coldest days, like we saw last December), when electricity prices sky rocket. That means the utilities need to purchase fewer expensive kilowatts, and it actually lowers the market price per kilowatt hour.

A recent report entitled "*Energy Efficiency Benefits to All Customers – Price Mitigating Effects for Ohio*" commissioned by Ohio non-profits, concluded that "price mitigation, which is also sometimes called price-suppression, estimated benefits for all Ohioans from the state's 2017-2020 utility energy efficiency programs – independent of any other benefits – are estimated to be approximately \$2 per month for a typical residential customer." This analysis is consistent with the finding by the Commission Staff's analysis for the Ohio Legislature's Energy Mandates Study Committee that the Ohio programs drove down the market price customers paid for electricity by 5.7%. (Commission Staff Letter to Energy Mandates Committee, February 26, 2015.)

Additionally, by lowering demand the utilities save money by making less investment in the grid. Lowering customer demand translates to fewer transmission lines, substations and transformers, and less wear and tear on the grid. It also means fewer power plants that customers ultimately pay for in their rates.

How Do We Know the Programs Actually Produce Savings?

Obviously, if customers would purchase energy efficient lighting and appliances or weatherize their homes on their own, the programs don't save customers money. Hence, it's important to understand the process the programs go through to ensure

savings. A fundamental principle in this law is that the efficiency programs must be cost-effective, which means that they must cost less than the electricity they replace. The review process ensures the utilities meet this standard.

First, the utilities base their programs on potential studies conducted by third parties they hire to survey the market. This ensures the utilities discount lighting and appliances that customers are not already buying today.

Second, the utilities file energy efficiency plans that include programs designed to benefit as many customers as possible, and reduce overall usage and peak demand.

Third, the programs get reviewed by Commission Staff and must be approved by the Commission after a hearing process, to ensure they produce actual savings. Then the Commission reviews the program results every year to ensure they produced those savings.

In AEP's most recent analysis of its voluntary energy efficiency program, it estimates the programs cost 2.7 cents per kwh compared to generation costs of 12 cents. It also estimates that it will spend \$43.4 million dollars on programs that will produce benefits of \$144.7 million. The bottom line here is that the less energy customers use, the better for everyone. HB 79 ensures that the utility programs produce results, and that all customers save on their bills.

I thank the Committee for its attention today, and welcome any questions you may still have about this bill.