

**TESTIMONY OF ROBERT KELTER  
ENVIRONMENTAL LAW AND POLICY CENTER  
OHIO SENATE ENERGY AND PUBLIC UTILITIES COMMITTEE  
PROPONENT TESTIMONY HB 79  
TUESDAY, DECEMBER 3, 2024**

Chairman Reineke, Vice Chair McColley, Ranking Member Smith 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.

I have worked on efficiency programs in Ohio, Illinois, Michigan and Iowa. Reducing customer demand for electricity is more important now than ever, given the high prices Ohioans face due to the recent PJM capacity price increases.

I want to do a couple things in my testimony today. First, I want to discuss how the new and improved energy efficiency programs under HB 79 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. And as we discuss these issues today, please bear in mind that the programs are optional – the utilities don't have to run them and customers will get two opportunities to opt out of them.

### **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, air conditioning units and furnaces generally cost more, but save customers money over time. The utility programs offer customers rebates and discounts that 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 and furnaces 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 customers reduce usage at peak times. In the past, utility run programs helped customers move from purchasing incandescent bulbs to CFLs and then LEDs. Today, the new programs under HB 79 will focus on innovative technologies that not only reduce overall usage, but reduce usage at peak times when prices are high. Utilities run programs that pay customers to voluntarily reduce their usage on the hottest days of summer and the coldest days of winter when power prices spike and the grid is stressed.

I also want to note that this bill addresses concerns raised by legislators 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 in December 2022), 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 found 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 needing to spend less on grid maintenance and expansion. Lowering customer demand translates to fewer transmission lines, substations and transformers, and less wear and tear on the grid. It

also means fewer expensive new 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 proposed 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. I hope you will read my full testimony, and welcome any questions you have about this bill.