# Proponent Testimony by Tom Bullock on House Bill 79
## Executive Director, Citizens Utility Board of Ohio
## Senate Energy and Public Utilities Committee
## December 2, 2024

Chairman Reineke, Vice Chair McColley, Ranking Member Smith, and members of the Senate Energy and Public Utilities Committee, my name is Tom Bullock, and I am executive director of the Citizens Utility Board of Ohio (CUB Ohio). Thank you for your work on this proposal and for the opportunity to testify. CUB Ohio is a non-partisan, non-profit consumer advocate working on behalf of residential and small business utility customers with members across the state in all utility service territories. We work for cheaper bills, reliable service, transparency, consumer rights, an energy system that delivers power equitably to all Ohioans and that reduces emissions by leveraging new technology as well as new and old energy sources.

At a time where energy costs and PJM capacity concerns are both on the rise, HB 79 would reduce energy waste, save consumers money, and support grid reliability by allowing utilities to run voluntary energy efficiency programs for their customers. HB 79 would improve Ohio's current energy system by creating a means, currently lacking, for electric utility consumers receive a monthly savings via energy waste reduction through voluntary programs proposed by electric distribution utilities (EDUs) and reviewed by the Public Utilities Commission of Ohio (PUCO).

**The market alone is not enough:** CUB Ohio supports the approach proposed in HB 79: quality-controlled, utility-scale, cost-effective energy efficiency programs. While we believe in a market approach to energy policy, at the speed and scale necessary to address the rising costs and PJM's capacity shortage, to reap the benefits of energy efficiency, **the market alone is not enough**. Utility-run programs can increase savings by getting more consumers to participate, lowering usage statewide that lowers costs for everyone.

A study by American Council for an Energy-Efficient Economy names a series of market failures and market barriers that stand in the way of widespread adoption:

- **imperfect information**, including knowledge of the performance of different equipment, technologies, and buildings; difficulty in measuring energy savings; unknown future energy prices;
- **imperfect (split) incentives**, in which person or organization making decisions on efficiency investments or actions does not pay the energy bills, and thus has little incentive to reduce them, such as in the landlord-tenant relationship;
- **imperfect competition**, meaning the lack of a fully competitive market for a product or service, so prices may be inefficient or availability may be limited.

Ultimately, we believe that utility discounts and rebates *together with* the market often produce the best results for consumers utilizing energy efficiency. For now, though, the *voluntary* programs proposed by HB 79 provide tangible **energy cost savings** everyday Ohio residential and small business customers need. The programs are to be designed to harness the next generation of efficiency technology to reduce peak demand use and energy waste, while **strengthening the reliability and capacity of the grid**. Moreover, the bill provides for **quality control** mechanisms to ensure that the cost and energy savings and benefits are realized by all Ohioans.

**Energy efficiency is a form of electricity generation:** Just as a penny saved is a penny earned, a kilowatt-hour saved is a kilowatt-hour delivered. It is the business of utilities to deliver reliable power to consumers, and they do so using electricity generated from a variety of different sources. Ohio consumers pay the generator a price for the power produced and they also pay the distribution utility a fee for delivering the power over the grid—on time and reliably. Energy waste reduction is simply a different form of power that utilities deliver, and, in fact create plans in a dozen Midwestern states to incorporate into their forecasts for power demand, capacity, and ability to reliably deliver[1].

The financial structure proposed in HB 79 for energy waste reduction kilowatt-hours is analogous to that for power generated from a fuel source: a fee for the power created via savings as well as a fee to the distribution utility for arranging these savings. The net cost to consumers is advantageous because energy waste reduction—the kilowatt-hour saved—has a strong advantage over all other forms of power: as Leader Seitz stated in sponsor testimony, this is "the cheapest form of energy that exists: the energy that isn't used by reason of conservation and efficiency."[2] That means the more we can use energy waste reduction, the more consumers save.

**Energy Cost Savings.** The most affordable unit of power is the one we don't use, with energy efficiency measures saving an average of about 3 cents per kWh—33 to 260 percent cheaper than traditional energy generation. Energy efficiency not only saves consumers more than the electricity it replaces but also provides substantial returns on investment, with every $1 spent on energy waste reduction yielding between $2 to $3.30 in benefits. These benefits extend to all customers, even those who choose not to participate, as reduced peak demand lowers electricity costs across the board. High peak demand, by contrast, raises prices for everyone, regardless of individual efficiency efforts. Additionally, energy efficiency programs decrease the need for costly transmission and distribution infrastructure upgrades, benefiting all utility customers. Importantly, HB 79 requires that efficiency portfolios include programs tailored for low-income households, helping to reduce energy waste and deliver critical savings to those who need it most.

**Strengthening the reliability and capacity of the grid.** Energy efficiency delivers significant savings while enhancing grid stability. Had the energy efficiency standards established by SB221 of the 127th General assembly continued beyond 2020, Ohioans could have reduced electricity consumption by 5.4 million MWh in 2023—equivalent to the annual output of the Kyger Creek Power Plant in southern Ohio. Now juxtapose that amount of electricity that did not need to be generated, with the exponentially increasing demand brought on by AI, data centers, and manufacturing. Without action, this trend will worsen the looming capacity crisis. However, HB 79's energy efficiency programs aim to address this challenge by potentially reducing demand by 400-600 MW, with demand response programs further cutting peak usage by up to an additional 400 MW. These programs go beyond traditional efficiency measures by incorporating new innovations and next-generation technologies, such as ENERGY STAR® qualified smart thermostats and appliance controllers. Furthermore, these initiatives not only deliver immediate savings during the year of installation but also provide long-term energy and cost savings throughout the lifespan of the measures. Over the next generation, these advancements have the potential to move Ohio closer to achieving a clean, affordable, and reliable grid for the future.

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[1] "Integrated Resource Plans Criteria for an Effective Planning Tool" by the Midwest Energy Efficiency Alliance, https://www.energy.gov/scep/slsc/articles/integrated-resource-plans-criteria-effective-planning-tool

[2] Leader Seitz made another important statement in a March 23, 2023 op ed in the Cleveland Plain Dealer: "The repeal of the 2008 energy efficiency programs was not a vote against the goal of encouraging customers to become more energy efficient in their homes and businesses; most all of us support that as a goal. Rather, it was an attempt to clear the field of the old program with the anticipation that either the legislature or the PUCO would implement new and improved energy efficiency programs."

**Quality Control.** The decade of utility-run electric energy efficiency programs in Ohio (from 2009-2019) after SB221, was proof-positive that saving energy saves consumers money. Ohio saw a cumulative savings of 67.8 million MWh of electricity and an energy cost savings of $7.03 billion for Ohio's residents and consumers. However, concerns arose about whether these mandated programs adequately protected consumers. In response, the sponsors of HB 79 introduced measures to address these concerns. The bill provides residential customers with the option to opt out of the programs upfront, with an opportunity to revisit their decision every three to five years if they had previously opted in. Additionally, it caps the maximum monthly fee for participating customers at $1.50 and limits the annual spending by each utility, both of which are subject to PUCO audits. Finally, HB 79 requires utilities to provide verifiable evidence, approved by the PUCO, that the programs deliver cost savings to customers exceeding the cost of implementation.

**The cost of inaction:** Without the programs proposed in HB 79, consumers will continue to pay unnecessarily higher costs:

- For every $1 invested in energy waste reduction, more than $2 is saved on customers' electric bills. (2020 data filed with PUCO shows savings greater than $3 in FirstEnergy and $4 in Duke territory. A 2021 analysis by Ceres projects saving savings of greater than $3 statewide.)
- Since the ending of Ohio's previous energy waste reduction programs, customers have been deprived of a projected $890 million dollars of energy efficiency savings.
- There is no regulatory relief in sight since PUCO has declined to approve any energy waste reduction programs since 2019, despite multiple proposals by utilities to implement them.

**Examples in other states:** Note that Ohio is not alone in seeking to achieve energy waste reduction savings. Two peer Midwestern states offer an example of voluntary programs such as those proposed by HB 79. According to the Midwest Energy Efficiency Alliance, Indiana and Missouri are most comparable, both with frameworks that allow for utilities to propose energy waste reduction programs but do not have any specific targets. Other voluntary states in the Midwest with modest levels of energy waste reduction include Kentucky, Kansas, and South Dakota. And as I testified at a previous hearing, experience by Citizens Utility Boards in other states shows the value and effectiveness of utility-run energy waste reduction programs:

- In Illinois, GWh saved through energy efficiency jumped twenty-fold;
- In Wisconsin, a long-running energy efficiency program that is funded by utility customers at 1.2% of utility revenues has been achieving customer savings successfully for 20 years, winning praise by outside evaluators for its work, including the Lawrence Berkeley National Lab as the most cost-effective such program in the country several years ago.
- In Michigan, programs are successful, with the Michigan PSC publishing annual reports on energy waste reduction programs, including a summary of program benefits. For example, from 2019: "For every dollar spent on EWR programs in 2019, customers should realize benefits of $3.30. Data provided to the Commission in EWR provider annual reports indicated that EWR resources were obtained at a cost of $16.61/MWh, which is significantly less expensive than supply side options such as new natural gas combined cycle generation of around $42.80/MWh."

**Conclusion:** So let's do it: let's deliver the maximum possible savings to Ohio consumers. To do this at scale requires utility-run programs, an important tool—arguably the only practical way—to overcome market barriers. In our view, Ohio's energy system has already stuck consumers with avoidable inflation thanks to the Ukraine war since we have failed to sufficiently diversify the fuel mix in our power system.

Implementing the programs proposed in HB 79 is an important start. We are confident in saying so thanks to the quality controls incorporated in the legislation.

Energy efficiency is essential to Ohioans, impacting their finances, health, welfare, economic prosperity, and the sustainability of the electric grid they depend on. Without the large-scale efficiency programs outlined in HB 79, Ohio utility consumers risk losing billions in potential savings, tens of thousands of job opportunities, and substantial reductions in harmful emissions. Given these significant benefits, we strongly encourage the Committee to support HB 79 this year.

Thank you for the opportunity to provide proponent testimony.