

**TESTIMONY OF ROBERT KELTER
ENVIRONMENTAL LAW AND POLICY CENTER
OHIO HOUSE ENERGY COMMITTEE
IN SUPPORT OF HB 427
OCTOBER 8, 2025**

Good afternoon, Chair Holmes, Vice Chair Mathews, Ranking Member Rader and members of the committee. My name is Robert Kelter and I'm a managing attorney at the Environmental Law and Policy Center (ELPC). Thank you for the opportunity to testify today. HB 427 is a timely bill that will benefit all Ohio utility customers by lowering electricity demand, and I want to give you some background on the bill today.

It has been widely publicized that PJM faces capacity shortages in the next few years. Capacity refers to the demand for electricity at peak times, which generally occur on the hottest days of summer. HB 427 will address these issues, and supplements the provision in HB 15 that ensures utilities will continue to run the current commercial interruptible load programs.

Given both reliability issues and high prices from the data center boom, all Ohio utilities face new challenges. As Representative Klopfenstein and Chair Holmes have both noted, we need to address the problem by both lowering demand and increasing supply. While it generally takes five to six years to build a new gas plant, we can implement demand response programs in approximately a year.

Generally speaking, utilities around the county run a few different types of demand response programs, but fundamentally they all work to reduce demand at peak times.

When PJM is challenged to meet customer demand for electricity at peak times, the utility contracts with customers to roll back their usage in return for cash payments. For industrial customers this may entail shutting down an industrial motor or slowing a manufacturing process. For residential and small commercial customers, by far the greatest percentage of usage is air conditioning, and customers can also roll back their hot water heating.

Residential and commercial demand response programs allow the utilities to control customers smart thermostats by 1-3 degrees on days when Ohio potentially faces power shortages or other stress on the grid.¹ The programs essentially work as follows:

The utilities offer customers a payment for the summer, in HB 427 it would be up to the utility to design the payment but generally it would be about \$40 for the summer. Customers voluntarily sign up.

¹ Hot water heaters and other smart appliances can also be added to the program which would further reduce demand.

The utility can call up to a set number of events per summer – usually a max of ten. But, most summers the utility calls very few and sometimes no events.

The events last from 1 to 4 hours, and the customers can override the utility's adjustment if they need to do so. The evidence shows they rarely do.

Having the ability to call the events allows the utility to bid that amount of demand it can control into PJM, and PJM takes that into consideration when determining the region's electricity needs and capacity prices. Most importantly, not only do the participating customers save, but **all customers benefit** from both grid reliability and utilities and CRES needing less expensive power at peak times.

AEP Is Running a Demand Response Program That Started in April 2025

As part of its ESP case settlement AEP (PUCO Case No. 23-0023) is currently running a new demand response program, approved by the PUCO, that PUCO filings describe as follows:

Residential customers enrolled in the demand response program agree to permit AEP Ohio to call events on their thermostat to reduce (winter) /increase (summer) the temperature of their home by no more than 3 degrees for no more than 4 hours during times of peak usage determined by AEP Ohio ("Demand Response Event"). AEP Ohio has the ability to call Demand Response Events to implement a PJM directive, to protect its distribution system, to limit or avoid distribution outages, to reduce load on localized constrained distribution circuits, and to reduce the coincident peak demand of the distribution network...

This summer, with AEP doing virtually no marketing, relying almost exclusively on marketing by Nest, the company has 19,000 customers signed up. As we all know it was a very hot summer and AEP called several events. The problem is that AEP runs this program as part of its last ESP case, and with the ESP law going away, we need the General Assembly to clarify its intent for utilities to run these programs.

In the final analysis, while building a new gas fired power plant will take approximately 5-6 years, utilities can implement Demand Response programs quickly and produce results in a few months. Just from the residential and small commercial programs, the Ohio utilities should be able to deliver about 400 MW of savings, which is the equivalent of a mid-size power plant. Under current PJM prices, that would save Ohio ratepayers almost \$40 million.² Recent results from Michigan show that their residential DR programs saved 400 MW last year, as we project for Ohio.³

²\$40 million based on the capacity price from the most recent PJM auction (\$269 per MW-day = \$98,520 per MW-year) times 400 MW.

³ Attached is a Consumers Energy solicitation from its program as an example of its offer.

Thank you and I'd be happy to answer any questions.