TESTIMONY OF ROBERT KELTER
ENVIRONMENTAL LAW AND POLICY CENTER
OHIO SENATE ENERGY COMMITTEE
IN SUPPORT OF SB 2
APRIL 8, 2025

Good morning Chair Chavez, Vice Chair Landis, Ranking Member Smith 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 15 is a strong bill that will benefit all Ohio utility customers. It will provide better oversight of utilities and it will encourage competitive suppliers to build new power plants in Ohio. We testify today in support of the bill, but urge you to add one additional provision to reduce demand and increase reliability.

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 15 will address these issues, but it can take an additional step to do that by including the residential and small commercial demand response program from SB 2.

In terms of demand reduction, HB 15 already includes an amendment that allows utilities to run interruptible rate programs for industrial customers. As the Ohio Energy Group explained, the amendment allows utilities to run programs that compensate large customers for using less electricity at peak times when the utilities face potential power shortages. The demand response program for residential and small business customers correlates closely to the interruptible rates provision, and we strongly believe residential customers should have the same access to these tools as larger energy users.

When PJM is challenged to meet customer demand for electricity at peak times, it 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.

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 stress on the grid.[1] The programs essentially work as follows:

> The utilities offer customers a payment for the summer, in SB 2 it would be $40 but the Commission has discretion to adjust it. 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 ten. But, most summers the utility calls very few and sometimes no events.
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> 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 the amount of demand it can control into PJM, and PJM takes that into consideration when determining the region's electricity needs and capacity prices.

AEP Is Implementing a Demand Response Program in April 2025

As part of its ESP case settlement AEP (PUCO Case No. 23-0023) is currently starting a new demand response program, approved by the PUCO, that does the following:

> 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…

The problem is that AEP will run this program as part of its last ESP case and with the ESP law going away, we believe the General Assembly should clarify its intent to continue 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]

We realize that the Senate wants to move this bill quickly, but the House is familiar with this issue and this amendment would provide immediate help to reduce demand, increase reliability and save customers money.

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

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[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.