Before
The Ohio Senate Energy and Natural Resources Committee
Testimony in Opposition to Substitute Senate Bill 320
By
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Chairman Balderson, Vice Chairwoman Jones, Ranking Member Gentile, and Members of the Ohio Senate Energy and Natural Resources Committee, thank you for the opportunity to testify today.

Advanced Energy Economy (AEE) is a national association of businesses working to advance policies that make the energy we use more clean, secure, and affordable. Our membership includes companies that manufacture and develop advanced energy technologies such as energy efficiency, demand response, solar, wind, storage, and natural gas. Additionally, our membership includes national companies and businesses based in Ohio that buy, sell, and manufacture clean energy like Amazon, Honda, First Solar, and Apple to name a few.

AEE and our membership strongly support policies that accelerate the adoption of advanced energy technologies that can both lower costs to consumers over the long term and create a more reliable grid. Unfortunately, Substitute Senate Bill hinders the adoption of advanced energy in Ohio by turning the state's energy standards into voluntary goals and eliminating compliance obligations for three years until 2021. The proposed legislation would functionally extend the freeze initiated by SB 310 without providing a sense of policy certainty. For these reasons, we are here today to oppose Substitute Senate Bill 320.

Today, I would like to highlight the ways in which we can attract more businesses to Ohio, add the 100,000 clean energy jobs that are already here, and save consumers money by optimizing advanced energy in our energy resources. Other states are doing this; most recently, the Michigan Senate voted to raise their renewable energy standard to 15% by 2025. Though some people suggest that advanced energy technologies are expensive and inefficient, the facts say otherwise.

When meeting with policymakers throughout this year, we heard repeatedly that Ohio needs a fact-based set of energy standards. To meet this need, AEE's affiliate, Advanced Energy Economy Institute (AEEI), developed an open source cost model that analyzes publicly available investor-owned utility (IOU) planning documents to determine the rate impacts of adding renewable energy and energy efficiency to the state's generation mix between now and 2027.

The model factors in thousands of variables, including the current and future price of natural gas (as forecasted by U.S. Department of Energy), current policy barriers to

investments in advanced energy, and any planned retirement of aging coal facilities that have been reported to the Federal Energy Regulatory Commission (FERC). In the specific modeling runs, we made certain key assumptions. We assumed the 2030 price of natural gas at $4.15/MMBTU, as projected by the U.S. Energy Information Administration, up significantly from the $2 to $2.50/MMBTU historic low prices of today, though the price of this highly volatile commodity could well go even higher than EIA's projection.[1] The energy efficiency potential used by the model was derived from each of the IOUs' individual studies of economic energy efficiency potential.[2]

The modeling concluded that consumer electricity rates would increase significantly if lawmakers decide not to capitalize on a diverse energy portfolio of renewable energy, energy efficiency, and natural gas. This cost increase to consumers would result in a 2.83 cent/kWh - pushing electricity rates in Ohio up to 12.72 cents/kWh from the current price of 9.62 cents/kWh.[3] By contrast, the state could meet its energy demands and save consumers money by diversifying its generation mix to include renewable energy and energy efficiency by 2027. More specifically, the model shows that the state could achieve 18.5% renewable generation by 2027 and save consumers 2.13 cents/kWh when compared to the model maintaining current legislative barriers. This would save the average household in Ohio $192 dollars annually and the state $3.3 billion a year by 2027 through avoided energy costs.[4,5]

Ohio's uncertain energy policy over the last two years has cost the state jobs and investments that would have put money back into the pockets of all Ohioans. Moreover, we consider a goals-based approach without alternative compliance payments to be a continuation of the freeze, further weakening the state's ability to meet its growing energy demands. Without a diverse energy portfolio and stable energy policy, the cost of energy in Ohio will undoubtedly increase, raising electricity rates on consumers. Ohio, with its many natural resources could be an attractive market for the advanced energy industry.

In closing, this complex issue requires your leadership and a robust, thoughtful debate – not a hurried process that does not adequately consider future implications. The decisions that you will reach will impact the next decade of Ohio's energy policy. We are concerned that without clear, thoughtful consideration of any possible unintended consequences, real harm could be done to the state's consumers and its long-term economic competitiveness.

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[1] Annual Energy Outlook, Energy Information Administration. http://www.eia.gov/forecasts/aeo/.

[2] Duke Energy, Duke Energy Ohio: Market Assessment and Action Plan for Electric DSM Programs (Prepared by Forefront Economics Inc. and H. Gil Peach & Associates LLC, January 7, 2013; FirstEnergy Corp., Appendix D. Market Potential Study: Energy Savings and Demand Reduction for Ohio Edison, Toledo Edison, and the Illuminating Company (Prepared by Black & Veatch Holding Company), June 22, 2012; AEP Ohio, Volume 2: Appendices 2015 to 2019 Energy Efficiency/ Peak Demand Reduction (EE/PDR) Action Plan, March 26, 2014; Dayton Power & Light, 2013–2015 Portfolio Plan Appendix A: Market Potential Update (Prepared by Cadmus Consulting), 2013.

[3] "Ohio's average price per kWh"- https://www.eia.gov/electricity/data/eia860/.

[4] Assuming the average household consumes about 750 kWh per month, under Scenario D of our model (available at http://info.aee.net/four-paths-to-ohios-energy-future-study), residential customers in Ohio would save about $16 per month (or $192 for the year) in 2027 compared to business as usual.

[5] Scenario D of AEEI's modeling (available at http://info.aee.net/four-paths-to-ohios-energy-future-study) shows that 153.9 TWh of generation 2027 and 155.8 TWh of demand in 2027. Under Scenario D, Ohio ratepayers would save an average of $0.0213 kWh compared to business as usual. At this rate of savings, the state would save $3.3 billion in avoided electricity costs.

We also request that you support policies that remove barriers to the RPS & EERS and restore wind setback requirements to allow competition to drive Ohio's energy market. Removing barriers and allowing renewable energy and energy efficiency to compete would spur innovation, diversify the energy portfolio, and attract new jobs and billions of dollars in new investment across the state. While coal and natural gas will continue to play major roles in Ohio's energy future, policy measures that add renewable energy and energy efficiency to the generation mix would give Ohio a long-term energy strategy that promotes affordable and reliable power that also benefits the state's economy.
I appreciate your time and consideration today. I welcome any questions the committee may have.