

Testimony Opposed to SB 320 or HB 554

November 29, 2016

Prepared by Ned Ford Ned.Ford@fuse.net

9533 North Cincinnati Columbus Road

Waynesville, Ohio 45068

513-600-4200

The Ohio legislature has no business further weakening the Ohio efficiency and renewables standards until all COSTS and BENEFITS resulting from the original 2008 law are accurately reported and fully considered.

From 2009 through the end of 2015 Ohio's distribution utilities have spent \$975 million on efficiency programs. This resulted in the installation of hardware in industrial facilities, businesses and homes across Ohio which had, by the end of last year, saved over \$2.7 billion, and which will continue to save electricity until they wear out. Savings will be approximately \$5.7 billion. However, this is only the direct energy savings.

All this saved energy also eliminates the need for new power plants by avoiding capacity or "demand" during peak hours. The PUCO reports 1350 MW's of avoided capacity at the end of 2014. 1350 MW's of avoided capacity also avoids the reserve margin required for that capacity. And it also avoids the need for a proportional amount of transmission and distribution equipment. It is impossible to be precise about the value of a major generation investment that isn't made, but today's technology would require approximately three to three and a half billion dollars to serve that avoided capacity need.

This capacity benefit is important because it results in lower regional wholesale power costs. This means that all customers, regardless of whether they participate in a program or not, save money. And whether or not you think \$3 billion or so is accurate, the true savings are clearly more than the \$975 million in costs, plus the \$500 million or so in shared savings that the utilities are allowed to recover in direct proportion to their verified net savings. These shared savings are controversial, mostly because the PUCO has never reported them clearly in public. Several of the utilities have negotiated away their right to some or all of these dollars, and it is not appropriate to assume that the average amount over the last seven years is representative of the current amount.

The fact that these programs save more money than they cost for all customers undermines the flawed concept behind the no-regrets opt-outs in the 2014 SB

210, and any similar proposals. The original law contained an opt-out which required a demonstration of equivalent savings to be achieved. That was fair. Because efficiency programs are required by existing law to be cost-effective, all customers benefit because efficiency is the cheapest form of resource acquisition. Therefore the no-regrets opt outs result in large customers being subsidized by smaller customers for no particular reason except that they were able to suggest language in legislation which serves no legitimate public purpose.

Lawmakers may have seen the cost of clean energy compared to the energy costs on Ohio electric bills. This is not the right way to examine these costs. It would be fair to compare the cost of renewable power to the cost of energy, but efficiency saves both energy and distribution costs, and of course the value of energy savings does not appear on the bill because it has not been reported.

On October 11th 2016 the Public Utility Commission of Ohio (PUCO) filed its report on 2014 compliance with Ohio's renewables standards. This report confirms a dramatic drop in the cost of renewable electricity in Ohio¹.

This report is PUCO's compliance with its legal obligation to summarize the filings made by all affected generators who are required to comply with the renewables standards. Under Ohio law any third-party generator who participates in the retail electricity market (approximately 90 Competitive Retail Electric Service or CRES providers filed reports in 2014) plus the seven major utility generators are required to prove compliance with the renewable standards in filings due April 15th of each year for the prior year. The PUCO is more than a year behind its statutory responsibility and should release the 2015 report as soon as possible.

In 2014 Ohio's standards required 2.5% of Ohio's electricity to come from renewables. Yet the total cost of meeting the standard was less than it was in 2011 when the standard required only 1% of Ohio's electricity to be renewable. **Ohio's renewables standards in 2014 cost \$42.6 million. This is three tenths of one percent (0.3%) of the \$14 billion Ohio citizens and businesses spend on electricity each year.** (Individual bills will reflect slight differences between different electricity providers and among different rate categories).

The chart below summarizes data from PUCO reports for all years to date. PUCO did not report any cost data for 2009 and 2010. The Renewable Energy Credit (REC) market is the mechanism PUCO uses to ensure compliance with Ohio's Renewable Energy standards (solar and other). A REC is 1000 Kilowatt-hours of electricity from a qualified renewable generator.

Year	Standard (% of generation)	Cost	Estimated Cost (based on Public REC Price Information)	Average Cost Per REC
2009	0.25			
2010	0.5			
2011	1	\$44.7 million		\$33.07
2012	1.5	\$52.4 million		\$26.66
2013	2	\$65.1 million		\$24.56
2014	2.5	\$42.6 million	\$50 million	\$14.81
2015	2.5		\$25 million	

While there are minor differences (above and below 0.3%) in the bill impact for renewables between utilities and customer classes, the renewable energy standard in 2014 still resulted in substantially cheaper renewable power across the board, and this evidence should be considered by Ohio's leaders who set energy policy that will affect Ohio's economy for years to come.

There is other information which is interesting and important in the PUCO report. The REC market represents a subsidy to renewables. Ohio's 425 MW's of wind turbines are mostly selling into the market without receiving any subsidy at all from the Ohio standard. The total amount of Ohio wind REC's used for compliance in 2014 was the output of a mere 55 MW's of wind turbines – approximately, since we don't know the exact performance of the specific turbines in question. That's less than 15% of Ohio's wind generation.

¹ PUCO Case No 16-143 <https://dis.puc.state.oh.us/CaseRecord.aspx?CaseNo=16-0143-EL-ACP>