



# Ohio Environmental Council

## Ohio Senate Energy & Natural Resources Committee Opponent Testimony - Ohio Substitute Senate Bill 320 November 29, 2016

Good afternoon, Chairman Balderson, Vice Chair Jones, Ranking Member Gentile, and members of the Ohio Senate Energy & Natural Resources Committee. I am Trish Demeter, Managing Director of Energy Programs for the Ohio Environmental Council (OEC). The OEC is a statewide organization that advocates for clean air, safe drinking water, and healthy, thriving communities. Thank you for allowing me to testify today in opposition to Substitute Senate Bill 320.

**Since the beginning of the freeze in 2014, the energy landscape has changed significantly.** Market trends are increasingly going *towards* clean energy, not away. The price for renewable energy continues to rapidly decline. Older coal-fired power plants are struggling to compete against cheaper, more efficient resources. Consumers of all sizes are increasingly exercising their right to self-generate through small distributed energy systems located at their home or business. And, last year the global capacity for renewable energy surpassed that of coal for the first time ever<sup>1</sup>.

Ohio's monopoly distribution utilities regulated by the Public Utilities Commission of Ohio (PUCO) are responding to this changing landscape, as seen through recent cases at the commission. Three utilities have pending rate design proposals<sup>2</sup> that undercut the benefits customers see when they use energy more efficiently, or when they meet their own power needs through on-site distributed generation systems such as rooftop solar. This is an attempt to limit customers' ability to exercise energy choice, take control of their energy costs, and lower their bills through energy efficiency. This year, two of Ohio's distribution utilities were given what amounts to a multi-billion dollar handout that effectively forces Ohioans to pay more on their utility bills over the next three to five years.<sup>3</sup> The handout was given for nothing more than to make up for these companies' bad business bets they made years ago in favor of aging, inefficient power plants. To boot, at least two of Ohio's utilities (AEP-Ohio and FirstEnergy) are talking publicly about law changes that would re-regulate Ohio's power sector, which would limit, or eliminate, what is now a competitive marketplace for electricity generation.

With so much that's changed since 2014, it would be short-sighted to enact even more changes to Ohio's energy policies. Doing so would be taking the issue of Ohio's clean energy standards (the Renewable

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<sup>1</sup> <https://www.iea.org/newsroom/news/2016/october/iea-raises-its-five-year-renewable-growth-forecast-as-2015-marks-record-year.html>

<sup>2</sup> See Dayton Power & Light Company, Pub. Util. Comm. Ohio Case No. 15-1830-EL-AIR; AEP Ohio, Pub. Util. Comm. Ohio Case No. 13-2385-EL-SSO; FirstEnergy, Inc., Pub. Util. Comm. Ohio Case No. 14-1297-EL-SSO.

<sup>3</sup> FirstEnergy, Inc., Pub. Util. Comm. Ohio Case No. 14-1297-EL-SSO, *Fifth Entry on Rehearing* (Oct. 12, 2016); AEP Ohio, FirstEnergy, Inc., Pub. Util. Comm. Ohio Case No. 14-1693-EL-SSO, *Opinion and Order* (Mar. 31, 2016).

Portfolio Standard or RPS, and the Energy Efficiency Resource Standard or EERS) completely out of context of these other, larger issues at play.

The proposed change in SB 320 that would allow voluntary compliance with the clean energy standards for a period of three years, reduce the cumulative savings target for the EERS from 22% to 17%, and expand the industrial opt-out (enacted in SB 310) to include customers falling into the mercantile customer definition. Such changes would have detrimental effects on consumers, the environment and public health, and so for this reason, the OEC is opposed to Senate Bill 320.

**We have a real choice. Harness market and policy trends, or get left behind:** Senate Bill 320 takes Ohio in the exact wrong direction; pumping the brakes on clean energy at a time when everyone else is accelerating their investments in efficiency and renewables. Consider this: Earlier this summer, Washington, DC became the fifth jurisdiction to enact a 50% renewable energy target<sup>4</sup>, and just recently, the Michigan Senate enacted a 15% renewable portfolio standard (RPS) to be reached by 2022.<sup>5</sup> Further, in 2015, eleven states generated at least 10% of their power from wind farms: Iowa (31%), South Dakota (25%), Kansas (24%), Oklahoma (18%), North Dakota (18%), Minnesota (17%), Idaho (16%), Vermont (15%), Colorado (14%), Oregon (11%), Maine (10%). To boot, since 2010, the U.S. has increased its national portfolio of wind energy from 2.3% to 4.7%<sup>6</sup>. A voluntary RPS, even for a short time, is simply an extension of the freeze on clean energy in Ohio, and would put Ohio far behind other states.

**I urge you to restore proven standards for the benefit of our health, Ohio workers, and Ohio businesses.** Despite the years of testimony, study, and debate over the costs and benefits of these policies, Ohio's renewable energy and energy efficiency standards delivered exactly what they were promised to deliver when first enacted in 2008: Lower electric bills, reduced air pollution, new jobs in the clean energy industry, fewer asthma attacks, and a more efficient and diversified electricity portfolio.

If the freeze is allowed to thaw, the improvement we'd see in air quality due to less reliance on coal fired power would result in avoidance of approximately 2,230 asthma attacks, 120 Emergency room visits, 230 heart attacks and over 16,000 lost work and school days - just in the first year. Looking longer-term, the benefits grow exponentially. Through 2027, we could avoid over 44,000 asthma attacks<sup>7</sup>.

Secondly, energy efficiency has delivered the greatest value to Ohio's electric customers, due to the cost-effectiveness of Ohio's programs. By implementing energy efficiency measures at their home or business, and being incentivized to do so by their utility, customers can hedge against increasing costs, and still maintain some control over their energy costs. If the standards are allowed to resume, the mechanism for optimizing energy efficiency savings on utility bills will move forward once again. Prior to the freeze, electricity customers enjoyed \$4 billion in direct bill savings between 2009-2014. Weakening Ohio's efficiency standard in any way lessens customers' ability to maintain control over their energy costs.

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<sup>4</sup> Other jurisdictions include VT, HI, OR, and CA <http://www.utilitydive.com/news/district-of-columbia-mayor-signs-50-renewable-energy-standard/423265/>

<sup>5</sup> The legislation is pending in the Michigan House, and if enacted, must receive final approval by Governor Rick Snyder [http://www.mlive.com/news/index.ssf/2016/11/senate\\_passes\\_energy\\_overhaul.html](http://www.mlive.com/news/index.ssf/2016/11/senate_passes_energy_overhaul.html)

<sup>6</sup> <http://www.eia.gov/todayinenergy/detail.php?id=28512>

<sup>7</sup> <https://www.nrdc.org/resources/cleaner-air-and-better-health-benefits-ohios-renewable-and-efficiency-standards>

Lastly, Ohio is home to 100,000 Ohioans working in the clean energy sector, and we're ranked 1st in the Midwest for clean energy manufacturing jobs<sup>8</sup>. Getting Ohio back on track will secure, and possibly even grow, these jobs and business opportunities for Ohio companies.

**An expanded opt-out is premature and shortsighted.** Since 2009, industrial-sized electricity customers have enjoyed tremendous flexibility in how they participate - or not - in utility-run energy efficiency programs through the state's self-direct program. This program allows customers that consume 700,000 kilowatt hours or more of electricity per year to receive *either* an exemption from the energy efficiency rider *or* a cash rebate/incentive for energy efficiency projects that the customer has installed in their facility. The efficiency project has to be approved, and the energy savings verified, by the PUCO, but approval of these self-direct applications happens automatically within 60 days if the PUCO doesn't intervene to delay the application. Thousands of manufacturers and commercial businesses have participated in the self-direct program, and while not perfect, it has given these customers the ability to design efficiency projects that are tailored to their particular facility.

In 2014, Senate Bill 310 added a new option for Ohio's largest energy users (users of 45+ million kWh<sup>9</sup>) through the creation of an industrial opt-out. This policy, which doesn't go into effect statewide until January 1, 2017, permits these customers to exempt themselves from the energy efficiency rider, and thus, opt-out of energy-saving rebate and incentive programs. Qualified customers submit information to the PUCO regarding "energy intensity"<sup>10</sup> reductions they are pursuing on their own, but the energy savings are not verified. We call this provision in Ohio law "all trust, but no verify."

Because the industrial opt-out provision has yet to take effect statewide, it's difficult to say how many customers would actually take advantage of the opt-out. One thing is for sure, however, and that is allowing more customers to opt-out will shrink the amount of incentives that the utilities offer to all sizes of manufacturers in Ohio for both traditional energy efficiency projects (such as lighting, motor upgrades), and cogeneration projects (CHP and Waste Energy Recovery) that qualify for rebates.

Instead of using the blunt instrument that is an expanded opt-out, the impact of the existing opt-out should be analyzed once it's had time to percolate throughout the state. If industrial customers are feeling as though they do not have a faithful partner in their utility, perhaps we should be surveying actual small to medium-sized manufacturers to fully understand what kind of incentive would be attractive to them. Serving these customers appropriately, and to the level of customization that they require is essential to helping Ohio manufacturers control their energy costs, and increase their competitiveness.

In conclusion, because clean energy is happening and demand for it is soaring, Ohio has a choice. We can get on board with the transformation in the power sector, and reap the benefits in the form of healthier communities, increased economic opportunity and greater choice for Ohio consumers. Or, we can act hastily and out of context of the bigger picture, weaken these proven policies, and let other states and nations get ahead of us.

Thank you for the opportunity to testify today. I would be happy to answer any questions at this time.

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<sup>8</sup> <http://www.cleanjobsmidwest.com/wp-content/uploads/2016/03/CJM-Full-Story-Final-1.pdf>

<sup>9</sup> [R.C. 4928.6610\(A\)\(2\)\(a\)](#).

<sup>10</sup> "Energy intensity" is defined as "the amount of energy, from electricity, used or consumed per unit of production." [R.C. 4298.6610\(B\)](#).