

TESTIMONY OF ROBERT KELTER
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Chairman Hoops, Ranking Member Smith and members of the committee, thank you for the opportunity to testify today. My name is Robert Kelter and I am a Senior Attorney for the Environmental Law and Policy Center (ELPC). ELPC is a regional organization that works on energy issues in states across the Midwest. ELPC has consistently supported energy waste reduction (energy efficiency) as the foundation for clean energy policy in Ohio, because when customers use less energy they save money on their bills and reduce pollution.

I started my career at the DC Office of the Peoples Counsel, and spent 12 years running the legal department at the Illinois Citizens Utility Board, which is the IL equivalent to OCC. I emphasize this because my background is in utility regulation and customer protection. ELPC works on these issues from both a consumer and environmental perspective. I have worked on these issues for over thirty years.

In terms of my experience on energy efficiency, I have worked on programs in Ohio, Illinois, Michigan and Iowa. I litigated or supervised ELPC attorneys on the last two rounds of energy efficiency cases for all four Ohio electric utilities and Columbia Gas. ELPC has not only litigated these cases, we participated in the collaborative processes that utilities engage in with intervenors when developing the programs, and then the quarterly meetings to review results as the programs develop. In all these cases the environmental groups had our own expert witnesses. And in all these cases the Commission staff had several people involved in all these steps. The point is that the programs received thorough review through a long regulatory process, before the Commission ultimately approved them.

Does the participation by these parties and the Commission Staff mean the utility plans were perfect and there was no waste? No, in each case we litigated we argued that the Commission should order the utilities to make improvements, including not sending out kits to customers. But those programs were good; they produced savings. They just could have been better. The new legislation puts in new protections to make sure they will be better.

The foundation for opponents OCC and NOAC's position at the last hearing is that consumers would do energy efficiency without the utility run programs. The market works, customers take savings into consideration when they make purchases, and customers already purchase the most energy efficient products. But the OCC and NOAC offered no evidence in their testimony to support their position, and they don't offer evidence because it either doesn't exist or it's not persuasive.

Today I want to try to explain how these utility programs get developed and implemented. The programs go through an extensive planning process starting with a potential study to analyze the market, and survey residential and commercial customers. FirstEnergy's 2017-2019 Plan describes the process as follows:

The Companies' plan development approach balances key sources of information:

- Program experience and results, captured through implementation of the previous portfolio of programs, similar programs in other jurisdictions, and best practice ideas from utility peers in Ohio and nationally;
- Industry experience provided by the Companies' Energy Efficiency consultants, contractors and program administrators;
- Customer attitudes and preferences obtained through mail, email and telephone surveys and interviews conducted as part of the 2016 Market Potential Study; and
- External stakeholder experience and opinions captured through a collaborative process.

(Docket No. 16-0743, Energy Efficiency & Peak Demand Reduction Program Portfolio Plans, April 15, 2016)

It's also important to point out that the utilities implement very few programs themselves. They generally hire a main contractor to oversee the Efficiency Plans, and subcontractors to run individual programs. A small number of these consulting companies do this work for utilities all over the country. This applies to the companies that do potential studies used as the basis for the measures that go into the programs, to determine how to spend the money. For example, FirstEnergy hired Harbourfront to conduct its potential study. Here is Harbourfront's description of its process:

Harbourfront also collected primary participation and appliance end use ownership data from statistically valid Residential and Commercial customer surveys that were conducted either through the internet or by telephone and, also conducted interviews with the Companies' large account representatives, large customers and local appliance retail store personnel. Store visits to major box store chains throughout the Companies' service territories also provided information regarding the availability of Energy Star appliances and LED and CFL lighting within the Companies' service territories.

(FirstEnergy Potential Study, April 2016 conducted by Harborfront)

One of the biggest residential programs each of the utilities implemented as part of their 2017-2019 plans was lighting. The potential study told us the following:

- Nearly two-thirds (64.9%) of the respondents in each of the Companies' service territories have compact fluorescent light (CFL) bulbs installed in their homes. The median number of CFL bulbs installed in respondents' homes is four.
- Approximately 45% of the homes have installed LEDs. The median number of LEDs installed in a home is five.

Id.

Given that the average home has 40 light bulbs, going into the 2017-2019 programs we knew that we had made good progress, but that most homes still had a high percentage of incandescent bulbs. We also knew the price on CFLs had come down considerably and that it made sense to shift more of the money to discounting LEDs, which had longer life but remained more expensive. In 2016 we knew that retail stores were selling Halogen/Incandescent bulbs for \$1.07, CFLs for \$1.74 and LEDs for \$5.00. (Testimony of NRDC Witness Neme, PUCO Docket 16-0743) Hence, we worked to get the utilities to shift the lighting discounts from CFLs to LEDs. While we were not entirely successful at first, the utilities eventually shifted most of that spending to LEDs.

ELPC anticipates that the new voluntary programs will not discount any standard LEDs because the price has come down, but would continue to discount specialty bulbs which are the bulbs in chandeliers, bathroom fixtures, and other non traditional fixtures. But, even then, the utilities would only discount specialty bulbs if the potential study and other analysis indicate that the discounts would drive additional sales.

This similar logic applies to all of the appliance programs. Thus, contrary to what NOAC testified to two weeks ago, we are not "paying for what customers do every single day on their own." NOAC also stated that, "a light bulb from FirstEnergy costs three times what the light bulb would have cost." This is also simply false. The utility programs discount bulbs down from their retail price. No one ever pays more for a product due to a utility program.

Finally, today I want to address the argument that only participants benefit from the programs, and that we are "socializing costs" unfairly to all Ohio utility customers. My colleagues will go into this in greater detail, but all non-participants benefit in two ways. First, through lower market prices, which benefit all customers. The market prices that can be affected by load reductions include electric energy prices, capacity prices, and the price of natural gas which affects the market-clearing price for electricity. Second, through reduction in the need for transmission and distribution investments, which also benefits all energy customers.

A recent report entitled "*Energy Efficiency Benefits to All Customers – Price Mitigating Effects for Ohio*" concluded that "price mitigation, which is also sometimes called price Price-suppression benefits for all Ohioans from the state's 2017 utility energy efficiency programs – independent of any other benefits – are estimated to be approximately \$2 per month for a typical residential customer." This analysis is consistent with the finding

by the Commission Staff's analysis for the Ohio Legislature's Energy Mandates Study Committee that the Ohio programs drove down the market price customers paid for electricity by 5.7%. (Commission Staff Letter to Energy Mandates Committee, February 26, 2015.)

While I realize it's not possible to address all the concerns that critics have raised, I hope that my testimony helps answer questions about the value of energy waste reduction to all customers. I also hope that it explains some of the safeguards in the system that protect consumers. While the system will never work perfectly, it does work; and Ohioans will be better off if the legislature passes HB 389. Thank you for the opportunity to testify today, and I encourage you to ask questions about my testimony and the sub bill.