Chairman Seitz, Vice Chair Carfagna, and Ranking Member Ashford, thank you for allowing me the opportunity to provide sponsor testimony on H.B. 114. I will give a brief overview of the bill, some basic history, and finally the overall philosophy behind it.

The following represents a list of the bill's highlights:

- Energy Efficiency (EE) and Peak Demand Reduction (PDR)
  - The energy efficiency benchmarks are reduced to 17.2% from 22.2% by 2027
  - 2017, 2018, 2020, 2021, 2023, 2024, and 2026 are not true reporting years for the EE benchmarks Basically compliance is every 3 years
  - New and retroactive counting requirements for EE and PDR
  - Mercantile customers, subject to a number of requirements, may opt-out of the EE and PDR requirements Note to self, a major requirement is those opt out customers must show proof to PUCO as to what they do on their own. They are not doing nothing.
  - Repeals language that could be interpreted to mean that the EE requirements extend indefinitely beyond 2027
- Renewable Energy (RPS)
  - Permits, rather than requires, Electric Distribution Utilities (EDUs) and Electric Service Companies (ESCs) to provide portions of their electricity supplies from renewable energy (RE) resources, subject to the 3% cost cap Remember this is current law. We did not add this. It is alright to mention. Just wanted you to know.
  - Beginning January 1, 2019, all customers may opt-out of paying any cost recovery mechanism designed to recover any EDU or ESC cost of providing RE Keep in mind
    - Cost recovery continues for those contracts to procure RE that were entered into prior to the bill's effective date
  - By January 1, 2018, the PUCO must adopt rules governing disclosure to customers the costs of electricity provided from RE This disclosure of costs include the cost of EE/PDR cost as well. I would refer to it as disclosure of the cost of all mandates on bills. Also, I would probably just leave this out of the testimony. The PUCO late last year actually got around to creating these rules and now the utilities have this on their bill. So, the language is not really needed. I just wanted to make sure it was clear they remained on the bill.
- Reporting Requirements
  - Beginning in 2018 (July 1st of each year) every EDU must report to the PUCO it's status of compliance with the EE/PDR provisions and every EDU and ESC must report to the PUCO the amount of electricity provided from RE during the prior calendar year
  - The PUCO must submit one report each year by August 1st to the General Assembly and Ohio Consumers' Council based on the EDUs' and ESCs' reports, public information, and the average annual cost of RE credits purchased by EDUs and ESCs in the prior year
  - The PUCO chair must provide testimony to the House and Senate Public Utilities committees by September 1st of each year on the August 1 report
- Home Weatherization Funding

- Changes how federal funds are allocated so more goes to funding low-income home weatherization programs

Regarding the history, SB 221 was passed into law in 2008 establishing the original EE, PDR, and RPS. In 2014 Ohio passed SB 310 which, among other things, established a two year freeze on the mandates and created a bipartisan Energy Mandates Study Committee. In September of 2015 the committee issued a report of its findings. HB 114 adopts many of the recommendations found in this report. My office will provide copies of this report upon request.

The fundamental idea behind HB 114 is that Ohio prioritizes EE, PDR, and RE and should do so through goals and incentives rather than mandates, which have proven costly and are largely unnecessary in today's environment. The utilities have spoken to me about these issues and they certainly plan on continuing EE and RE programs provided they can recover the costs. In fact, it's likely more accurate than not to say that the utilities are on the same page with many of the environmental groups. As for consumers, they can go as green as they'd like right now. Rooftop solar and net metering, for example, not only allow for a consumer to generate all of their electricity at certain points of the day – interestingly enough, at times when peak demand is higher – but allow for excess electricity to be sold back to the utility, avoiding a whole host of taxes and surcharges. Then there are the CRES providers who, thanks to Ohio deregulation of electric generation, allow customers to tailor their electricity needs however they choose: if you want 100% renewable energy then you are free to buy 100% renewable energy.

Besides the inequitable nature of the mandates – certain energy sources are deemed more worthy than others in statute – there is the problem of wholesale price suppression. On its face this sounds like a good thing: lower wholesale prices for electricity should be good for everyone. Unfortunately, it doesn't quite work that way. It may come as a shock to some, but the trend has been towards less energy usage. Flooding an already well-served market with heavily subsidized (hence cheap in the eyes of the wholesale market) electricity has caused wholesale prices to plummet. The catch is that wind and solar operate intermittently. In order to ensure reliable power, traditional electricity sources: coal, natural gas, hydro, etc. must operate during these down times. However, they're more and more unprofitable as they are not subsidized to the extent that renewables are, have fuel costs that renewables don't, and are more inefficient as increasing irregularity of demand is hard on the infrastructure. They will likely need additional subsidies in the future to keep the lights on when the wind isn't blowing and the sun isn't shining. Additionally, grids will have to be modernized to work with the increasing usage of renewables, which will create even more costs.

In reducing the EE benchmarks, we're simply following the recommendations of the mandates study committee and a report prepared by the Greenlink Group; we'll furnish that report to anyone interested. While it is true that this bill leaves intact a mandate, it should be noted that the Greenlink report showed three scenarios that not only reduced the benchmarks in Ohio, but complied with the Clean Power Plan as well. Energy efficiency is also the cheapest way to save on energy costs and has the least harmful impact on the environment, so it stands to reason that we would be more favorable towards this resource. The opt-out for mercantile customers makes sense as businesses have the capital to work on their own EE programs, but have the most to gain from doing this on their own: shaving costs here and there is simply what businesses do to remain competitive. Residents, on the other hand, may not have access to capital in order to do their own EE programs, so it makes sense to take advantage of economies of scale through programs run by the utilities. This is also why we added funding for home weatherization services in the bill. The thinking is that if we're going to be paying for the costs of energy for low income Ohioans then we want them to be as efficient as possible.

Finally, I would like to emphasize that I want to work with this committee to craft the best legislation possible. A long standing, yet unwritten, rule is that once a bill is referred to committee it becomes the committee's bill. Given the heavy hitters on this committee I truly believe that great things will be accomplished in this bill. With that, I would like to thank the committee once again for hearing my testimony and would be happy to answer any questions.