



**Ohio Senate Energy and Natural Resources Committee
Testimony of Terrence O'Donnell
Legislative Counsel, Ohio AEE**

Interested Party Testimony on Substitute House Bill 114
Wednesday, June 6, 2018

Chairman Balderson, Ranking Member O'Brien, Vice Chair Jordan and members of the committee, thank you for the opportunity to provide testimony today. My name is Terrence O'Donnell and I represent the Advanced Energy Economy (AEE), a national business association representing 120 companies with operations and facilities in the state of Ohio and across the nation. Ohio AEE represents the interests of local and national AEE member companies in Ohio.

Our business organization is unique, advocating for an approach that values technologies that diversify the state's energy portfolio and improve the grid's reliability. The businesses that make up our membership currently produce, deploy, or purchase over 50 different energy technologies including battery storage, solar, wind, demand response, energy efficiency, combined heat and power, electric vehicles, and smart grid technologies, among many others. In addition, many businesses with corporate commitments, like Facebook, Microsoft, Apple, and Amazon, have joined AEE to reduce barriers preventing them from purchasing fixed-cost renewable resources, like wind and solar, not susceptible to price fluctuation.

AEE and our member companies applaud the Committee's work improving the wind siting standards in the amended version of House Bill 114. By easing this burdensome regulation, Ohio could stand to benefit from more than \$4 billion in economic development for the state. Access to advanced energy is a key consideration for the majority of Fortune 100 and 500 companies when considering where to locate or expand operations, in terms of meeting their sustainability goals. Today, 71% of Fortune 100 and 43% of Fortune 500 companies have renewable or sustainability commitments.¹

Though improvements have been made to the Senate's amended version of HB114, there remain multiple policies included that must be improved in order for this legislation to qualify as a comprehensive approach that embraces an all-of-the-above strategy for Ohio. These policy changes, specifically the reduction of the RPS, the reduction and subsequent elimination of the EERS in 2026, and efficiency opt-out for Ohio's larger energy users will have lasting consequences for all Ohioans. Consumers and businesses alike are keenly interested in managing and reducing their annual energy costs; however, the revisions included in HB114 will do the

¹ Corporate Advanced Energy Commitments, March 2016 - http://info.aee.net/growth-in-corporate-advanced-energy-demand-marketbenefitsreport?utm_campaign=Press%2FMedia+Outreach&utm_source=hs_email&utm_medium=email&utm_content=38742484&hsenc=p2ANqtz-8FIVir3slvGhsZMuZnUXCDBF2XBtDa67EDFfp989Fq5GOr-LGa2KpiCNR3TsoTqR6KJIG4MXRdvOPz_qy0XVDiFAWvg&hsmi=38742484.

exact opposite. Below, we will address three key concerns and propose specific changes that would drastically improve this legislation in the eyes of the business community.

We ask the Committee to make the following changes:

- **Remove the energy efficiency opt-out that discourages the state’s largest energy users or “mercantile” customers from investing in efficiency technologies which reduce their annual energy costs**
- **Remove the reduction of the EERS from 22.5% by 2027 to 17.2% by 2027 and subsequent termination of the efficiency program**
- **Remove the reduction of the RPS from 12.5% by 2027 to 8.5% by 2022**

Energy efficiency is the lowest cost and most readily available resource to meet energy demand. Both energy efficiency, which creates savings by reducing energy waste, and demand response, which provides compensation to businesses that are willing to curtail their energy use during periods of peak demand, can save money for residents and businesses, and create jobs in Ohio. Energy efficiency not only saves consumers money, it’s also a major economic engine and significant employer in Ohio. Since 2008, energy efficiency programs have saved Ohioans hundreds of millions of dollars, before reaching nearly \$5 billion in savings by 2020.² The energy efficiency sector employs over 81,500 Ohioans – more than the number of those employed by the Cleveland Clinic Health System and the Kroger Company combined.

Allowing Ohio’s largest energy users to opt-out will shift the financial burden onto consumers, increasing energy rates for all by limiting opportunities to manage and reduce energy consumption.

The ability to control energy costs and sources is a key priority for many companies, and a growing number of corporations are actively seeking opportunities to reduce their consumption to meet annual sustainability targets. But an expanded opt-out creates uncertainty, discouraging business from making investments in more efficiency technologies without cost-effective efficiency programs. The current threshold outlined in the amended HB114, which is set at 700,000 kWh, would impact nearly half of the state’s energy load. Allowing the state’s largest energy users to forego investing in energy efficiency programs beginning in 2020 could result in the termination of cost-effective programs, leading to higher electricity costs on small businesses and residential customers. It could also cost the state nearly \$600 million in economic benefits by 2027.

Instead, at a minimum, the committee should consider increasing the threshold that would trigger Ohio’s large energy users to withdraw from participating in these programs. Should these large energy users desire to seek an opt-out, the committee should secure strong reporting mechanisms to ensure the state’s largest energy users to continue achieving annual energy saving plans.

² Max Neubauer, Ben Foster, R. Neal Elliott, David White, and Rick Hornby; April, 2013; Ohio’s Energy Efficiency Resource Standard; Impacts on the Ohio Wholesale Electricity Market and Benefits to the State.

Reduction and elimination of the EERS is leaving money on the table for all Ohio consumers and creating investment uncertainty – costing the state billions in economic development opportunities.

Additionally, the amended version of HB114 would significantly reduce the efficiency benchmarks from 22.5% by 2027 to 17.2% by 2026 before ending the energy efficiency programs entirely. Any one of these provisions would have lasting negative consequences for all Ohio consumers. When paired together, these policies could increase costs to all consumers while diverting economic benefits away from Ohio – benefits that exceed a \$1 billion market potential through 2027.

An alternative solution the committee should consider that could improve the state's energy efficiency policy would be to continue the EERS through 2027 so the benchmarks reach 18.7% while ensuring programs are maintained every year thereafter.

Reduction of an RPS that has hardly scratched the surface of what is achievable in Ohio makes Ohio less competitive to attracting companies with renewable energy and sustainability goals.

Market certainty attracts private business investment. But since 2012, Ohio lawmakers have continuously debated and even frozen the state's energy policy, attempting to weaken the state's RPS and EERS. This continued uncertainty has drastically stalled investment in advanced energy projects and severely limited options for purchasing renewable energy to meet corporate demand.

The average monthly cost to Ohio's consumers for investing in renewable energy was \$0.34 in 2017 – an annual cost equal to a gallon of milk.³

Well-designed and stable energy policies send a strong signal to businesses across the country that Ohio is committed to competitive markets and new investment opportunities. This would signal to investors that Ohio is committed to creating economic growth by diversifying the state's energy portfolio. A recent report has found that Ohio enjoys the second-largest number of advanced energy jobs in the Midwest, boasting nearly 105,500 jobs in 2016 across the various advanced energy technologies.

While the committee's amended HB114 thoughtfully continues the state's RPS beyond 2027, reducing the overall benchmark from 12.5% by 2027 to 8.5% by 2022 presents a missed opportunity for Ohio to attract businesses looking to expand their operations to the state. Rather than reducing the RPS benchmarks, the Committee should stabilize the state's energy policy to provide businesses with the policy certainty required to make long-term investments.

Advanced energy technologies provide consumers with fixed energy prices that are not susceptible to the fuel price volatility. As costs continue to rapidly decline, corporate demand from Fortune 100 and 500 companies has significantly increased. In addition to long-term fixed energy costs, advanced energy technologies provide consumers and the grid with a number of economic and reliability benefits. Innovative technologies reduce consumer costs and energy

³ Ohio's Public Utilities Commission Annual Renewable Portfolio Standard Compliance Report. All of Ohio's Electric Distribution Utilities have filled average quarterly rate impacts for 2017 which were aggregated to provide an overall statewide rate impact.

consumption, enhance grid reliability, and meet new demand at a time when uneconomic energy resources are being retired.

AEE appreciates the opportunity to testify before the Committee today, and looks forward to working with each of you to ensure that technological innovation continues to thrive in the Ohio to ensure a reliable, resilient, and affordable energy system.