Substitute House Bill 114
Senate Energy and Natural Resources Committee
Prepared Statement of Sam Randazzo
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Chairman Balderson, Vice Chairman Jordan, Ranking Member O'Brien and Members of the Senate Energy and Natural Resources Committee, my name is Sam Randazzo and I am here today in my capacity as General Counsel for the Industrial Energy Users-Ohio ("IEU-Ohio"). IEU-Ohio is a trade association that was created more than 25 years ago to help Ohio businesses address issues affecting the price and availability of energy.

The purpose of my testimony is to express our support for the energy efficiency reforms contained in Substitute House Bill 114 ("Sub HB 114"). As you know, this is an important issue for Ohio because the cost of these mandates is paid by Ohio retail electricity customers served by electric distribution utilities regulated by the Public Utilities Commission of Ohio ("PUCO"). Unfortunately, without further reform, Ohio's energy consumers will be forced to pay higher electric bills as a result of the escalating costs associated with these government mandates that block the ability of customers to act on their own preferences. My perspective on this topic is that of a person who has walked the Ohio energy beat for the better part of five decades and someone who was "in the room" when Ohio, regrettably, made arbitrary portfolio mandates and their hidden taxes part of Ohio law. If you want to know how much the mandates are currently costing customers each month, IEU-Ohio's mandate cost calculator (http://www.ieu-ohio.org/mandate-cost-calculator.aspx) may be helpful.

Among other things, Sub HB 114:

- Expands local land use regulation for “private wind projects” (projects less than 20 megawatts for a single “self-generator”);
- Modifies the Ohio Power Siting Board’s (“OPSB”) rulemaking obligations so as to add some procedural steps to the wind farm certification process;
- Modifies the current minimum setback requirements for wind farms that must be certificated by the OPSB by restoring measurement from a habitable residential structure if it is located on adjoining property at the time the wind farm developer certification application is filed, modifies the current minimum setback waiver requirements and retroactively subjects certificates amended after September 15, 2014 to the modified minimum setback requirements;
- Reduces the portion of the renewable mandate that must be met from solar energy resources;
- For years beyond 2022, modifies the mandated renewable resource compliance percentage so that it is stable each year after 2022;
- Modifies the escalation of the efficiency mandate compliance percentage for years 2021 through 2026 with 2026 identified as the last year for mandated compliance;
- Allows an electric services company (competitive supplier) to apply, on behalf of its customers, for energy efficiency programs offered by an electric distribution utility and states that an electric distribution utility shall be able to count compliance secured through the actions of an electric services company;
- Restricts rebate eligibility to customers located within the relevant electric distribution utility’s services area;
- Expands the “streamlined opt-out” opportunity, effective January 1, 2020, so that all “mercantile customers”[1] have the right to elect to not obtain the benefits and pay the costs of mandated energy efficiency and peak demand reduction programs and expands the reporting requirements applicable to mercantile customers that become eligible to make such an election effective January 1, 2020;
- Requires electric distribution utilities to file an annual report on the status of the utility’s renewable, energy efficiency and peak demand reduction mandates and for the PUCO to provide an annual report to the General Assembly (and Consumers’ Counsel);
- Gives electric distribution utilities authority to bank over-compliance and enhances the opportunity for utilities to obtain incentives for over-compliance; and,

[1] A “mercantile customer” … “means a commercial or industrial customer if the electricity consumed is for nonresidential use and the customer consumes more than seven hundred thousand kilowatt hours per year or is part of a national account involving multiple facilities in one or more states.” R.C. 4928.01(A)(19).

- States (in the uncodified portion of the legislation) that Sub HB 114 shall not require any modification or amendment of any portfolio plan in effect on the effective date of the legislation.

On behalf of IEU-Ohio and its many mercantile customer members, I ask that this Committee favorably report legislation for consideration by the full Senate that will permit **<u>all</u>** mercantile customers to elect to opt-out of the benefits and costs of the energy efficiency and peak demand reduction mandates effective January 1, 2020. As you may recall, Ohio's larger businesses already can make this election. It is IEU-Ohio's view that all mercantile customers should have the opportunity to act on their own energy efficiency and technology preference rather than be forced to pay for these government mandates.

As is the case for Ohio's larger businesses, mercantile customers that may make the opt-out election effective January 1, 2020 must prepare and file with the Staff of the PUCO a verified initial report and every twenty-four (24) months thereafter, an updated report. The initial report summarizes the projects, actions, policies or practices that the customer may consider implementing, based on the customer's cost effectiveness criteria, for the purpose of reducing the customer's energy intensity. The verified updated report must include a description of any cumulative amount of energy-intensity reductions achieved by the customer after the effective date of the opt-out election and prior to the preparation of the updated report.

For customers that become eligible for the opt-out election effective January 1, 2020, Sub HB 114 requires that the verified initial and updated reports include information on the customer's energy-intensity tracking and benchmarking approaches and how the approaches facilitated energy-intensity reductions.

Sub HB 114 retains PUCO oversight over the opt-out elections and continues to allow the PUCO Staff to request information regarding any initial and updated report. Sub HB 114 continues to allow the PUCO to suspend the opt-out election when the customer fails to achieve any substantial cumulative reduction in energy intensity provided that the failure is not excusable for good cause.

Under current law, when a customer elects to opt-out of the benefits and costs of the energy efficiency and peak demand reduction mandates, the utility's compliance obligation is reduced so as to remove the customer's energy usage and demand from the utility's compliance obligations. Sub HB 114 continues these baseline adjustments for any streamlined opt-out that becomes effective January 1, 2020 or thereafter. The required adjustments to the utility's compliance baselines work to manage the risk that the cost of the utility's compliance obligations will be shifted to other customers.

Mr. Chairman, members of the Committee, unfortunately, at customers' expense, Ohio's electricity portfolio mandates continue to pick winners and losers based on expectations that existed in 2007 and 2008. And the expectations that existed in 2007 and early 2008, when Ohio adopted electricity supply-side and demand-side mandates, are very different than today's realities. They are also very different than reasonable expectations about the future.

With regard to Ohio's portfolio mandates, the energy efficiency, peak demand reduction and renewable mandate provisions contained in the current version of Sub HB 114 can best be characterized as another step in the direction of controlling the damage that continues to be inflicted on Ohio's economy by arbitrary portfolio mandates and the implementation of such mandates.

Thank you for your service and your attention. If you have any questions. I will do my best to provide answers.