Ohio Senate Energy and Natural Resources Committee

**Testimony of Martin D’Eramo, United Technologies Corporation**

**and Jeff Schlegel, Consultant to United Technologies Corporation**

Interested Party on Substitute House Bill 114

Wednesday, June 6, 2018

Chairman Balderson, Vice Chair Jordan, Ranking Member O’Brien, and members of the Ohio Senate Energy and Natural Resources Committee, thank you for the opportunity to testify today.

My name is Martin D’Eramo, and I am the Director of State Government Relations at United Technologies Corporation. I am joined by Jeff Schlegel, our consultant who works with a coalition of Ohio businesses in support of effective energy efficiency policies and programs. United Technologies employs about 1,300 Ohioans, most of whom are engaged in the engineering, design, and manufacture of aircraft wheels and brakes. We are here to testify on behalf of United Technologies as an interested party on Substitute H.B. 114. As an interested party, United Technologies has not taken a formal position on the current language of Sub. H.B. 114, for or against.

We are supportive of energy efficiency and state policies that encourage energy efficiency. In particular, we have supported the Ohio energy efficiency standards currently in statute as an effective state policy for keeping business energy costs lower, and for providing market and regulatory certainty for large businesses like ours who take on complex, multi-year projects. We were one of the 20 Ohio businesses that signed the May 23rd letter supporting clean energy standards.

First we wanted to thank Chairman Balderson, Senator Beagle, and others on the committee for their efforts to date on developing a Senate solution for Ohio’s energy issues. We are in favor of a Senate substitute bill, and we appreciate the work that has been done to date on the substitute bill.

We understand, based on statements from both Chairman Balderson and Senator Beagle, that the current Senate sub version will not be the final bill. We recognize that revisions to the current language will happen and we are bringing our comments to the table with that in mind.

In that spirit, we offer three suggestions for improving the substitute bill language:

1. Utility incentives for banked savings.

Delete the newly-added provision allowing utilities to earn shared savings incentives for banked savings (i.e., those left-over savings from projects completed in prior years). Ohio utility customers, including Ohio businesses, will be required to pay the utilities over $500 million in shared savings incentives in 2019-2026. By allowing utilities to earned shared savings for banked savings, businesses and consumers will still be required to pay the utilities but we would get much less for our money, because utilities would be able to use banked savings for meeting a goal rather than generating new cost-saving projects with customers. We would keep paying, but we would get less.

2. Expanded opt out.

We understand the political reality that there will be an expanded opt out in the final bill. But the expanded opt out should be limited and targeted to the businesses who could best implement projects on their own, while retaining effective energy efficiency programs and services for many other Ohio businesses -- thereby reducing energy costs for all businesses, and also for Ohio consumers. We understand the opt out eligibility level will be reduced from the current level of 45 million kWh, but the eligibility should not be reduced so dramatically to the proposed level of 700,000 kWh annual usage, which is a reduction of over 98%. In the past we have suggested an eligibility level in the 15-20 million kWh range – a still-significant 44% to 67% reduction. Also, it is important to include the appropriate provisions for customer reporting and PUCO review of customer opt outs, and the language in the substitute bill is a useful start.

An expanded opt out is unfair to those of us doing our part to be energy efficient, and it would lead to higher costs for those of us contributing to a more efficient system because others would not be doing their part. Also, legislative approval of an expanded opt out sends a bad signal to the utilities that the energy efficiency programs they might offer do not need to serve medium and small businesses in Ohio – which would result in poor services to Ohio businesses in our supply chain. We need our suppliers to be more energy efficient and more cost efficient to compete in the national and global economies.

3. Energy efficiency standard percentage, and elimination of one year of the standard.

While we would accept the change to 1.5% savings annually (reduced from 2.0% in some years) and we understand there will be a reduction from the current 22% cumulative level, we have said for several years that the energy efficiency standard % needs to sum to about 19% as the stated number in state statute in order to deliver meaningful value to Ohio businesses and consumers. At a minimum, the bill needs to retain the last year (2027) of the energy efficiency standard (which would result in a sum of 18.7% through 2027) rather than eliminating the last year. This would also help to offset the negative impact of the expanded opt out. As currently drafted, the resulting real cumulative energy savings would not be 17%; the savings would drop to 14% with the expanded opt out, and to even lower % savings with shared savings incentives for banked savings. Please ensure that the level of real energy savings delivered to Ohio utility customers are not eroded by other provisions.

We encourage the Senate to continue its work on a Senate solution, and we would be supportive of a Senate substitute bill that incorporated our suggested improvements.

Thank you for the opportunity to provide testimony today and we are happy to answer any questions from the committee.