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OHIO SENATE ENERGY AND NATURAL RESOURCES COMMITTEE
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Good afternoon Chairman Balderson, Ranking Member O'Brien and members of the committee. Thank you for the opportunity to testify before you today.

In preparing to testify today I did some research and I think my first testimony before this committee on today's issues was in October 2013, and I think this debate goes back to November 2012. ELPC believes that we need to settle these important issues and move forward. While we oppose HB 114 as written, we are very close to a bill that will allow us to move forward with a reasonable, compromise energy policy.

From day one Environmental Law and Policy Center has had the same message. When we have strong energy efficiency and renewable energy standards, we protect the environment and we protect Ohio consumers. Energy efficiency is not only cleaner than fossil fuel generation, it is less expensive. The law requires efficiency to be cost-effective, which means it must cost less than the generation it replaces. Efficiency is not a tax or an added cost; utilities buy efficiency instead of buying generation. Energy efficiency reduces electricity costs for all customers, whether or not they participate in the programs, by lowering the amount of electricity used at peak times from the most expensive sources. The PUCO estimated in a letter to the Joint Study Committee that when efficiency programs reduce demand by 1%, it translates to 5.7% lower prices for all customers (see endnote).

Similarly, on the renewable side we do not advocate shutting down all the coal, natural gas, and nuclear plants. We advocate a renewable target of 12% by 2026. To put that in perspective, neighboring Michigan is already at 14% today and plans to go to 15% by 2021. Even keeping the 12% standard, Ohio will still be getting 88% of its energy from fossil fuel and nuclear a decade from now. While the prices for those energy sources may go up, customers can remain confident that the prices locked in with renewables in the meantime will stay the same for years to come.

To be clear, this is not a clean energy bill, but ELPC will support it with a few critical changes because we need the certainty that will allow energy efficiency and renewable energy businesses to be able to put their business plans in place. The first of those changes I want to address is the mercantile opt out provision.

HB 114 would drastically lower the threshold for companies to opt out of the utility energy efficiency programs. Currently, commercial customers that use above 45 million kilowatt-hours a year can opt out. The substitute bill would lower that level by more than 98%, to 700,000 kwh

annual usage. While these numbers sound big, that level of user gets down to the level of a local library, a senior home, a single retail store, a medium-size office building, or a walk-up apartment. The bill would also open up the opt-out to customers at *any* usage level that are part of a “national account,” which just means that the customer has more than one utility account, whether in Ohio or anywhere in the country. So, that would include Condado Tacos down on High Street, or the Winking Lizard Tavern in Columbus and Cleveland, or any local chain with 2 or 3 locations. These are not companies that have an energy manager or consultants who would identify cost-effective energy efficiency measures. Expecting them to do energy efficiency on their own is just not realistic, and we believe that the opt-out should be set where businesses have the wherewithal to do efficiency without the utility run programs.

There are several thousand of these types of “mercantile” customers in Ohio. Utilities tell us that half or more of their load would be eligible to opt out from the utilities’ efficiency programs, which would make them extremely difficult to run. Most importantly, the result of expanding the opt-out will be higher prices for all customers, since the lost energy savings will be replaced by more expensive generation.

Meanwhile, to the extent the efficiency programs still produce substantial energy savings, opt-out customers will be enjoying the lower prices that result without paying their fair share for that benefit. The opt-out should not be a loophole for thousands of companies to become free riders. It should be targeted at only the largest energy users who we can credibly believe will do energy efficiency on their own and do their part to keep electricity prices low for all Ohioans. If other companies can truly demonstrate they are achieving energy savings, they already have the option to opt out through existing utility “self direct” programs.

The second issue I want to address today is the provision in section 4928.6621 that allows utilities to count banked savings toward shared savings. The whole concept behind shared savings is to give utilities a bonus for achieving success beyond the requirements. This has always been based on annual achievement and it was meant to give utilities an incentive to perform each year. I don’t know of any business that rests on its profits from one year and uses those profits as an excuse to underperform the next year. Consider General Motors telling shareholders we had a great year in 2018, and we want the right to carry over those profits for the next decade so we can lose money and still be profitable. What industry pays bonuses for performance from two or five or ten years ago? Ohio customers pay those bonuses every year and they should receive real benefits in return.

Finally, on the energy efficiency standards themselves we can accept a reduction from the 22% in 2027, but a reduction down to 17% is too low. HB 114 reduces the goal for the later years from 2% to 1.5%, and we can accept that lower target. However, the current proposal eliminates the requirements from 2027 and ends efficiency programs in 2026. We recommend simply adding 2027 back in to the law and setting the final number at 18.5%, which still constitutes a significant reduction from 22%.

CONCLUSION

This bill has been a long time coming, and it's time to set a reasonable energy policy for Ohio that will give clean energy businesses the opportunity to plan for the future. With our suggested amendments, HB 114 will by no means make Ohio a leader on clean energy, but it will allow us to move forward with a balanced policy.

Finally, in case this is the last time I testify before your committee, I want to close by thanking the members for their hard work on this legislation. You have given ELPC and our colleagues great access to express our views. Special thanks to Chairman Balderson and Public Utilities Chairman Beagle for your extraordinary efforts. If you make the changes ELPC recommends, I really believe Ohioans will benefit from a sound energy policy. This would be a win for all involved, with compromises by all.

Endnote:

PUCO letter to the Joint Study Committee Feb. 26, 2015, p.12:

Market price suppression

Market price suppression is an added benefit of energy efficiency projects. Price suppression occurs when the demand for electricity is reduced. As less generation is needed to meet demand, market prices for electricity decrease. Through a series of forecasts, the potential effect of price suppression from energy efficiency on the wholesale market may be examined. The PUCO forecasted how an overall 1 percent reduction in demand affects wholesales pricing. The forecast began with an average wholesale market cost of \$52.71 per MWh, and then held all variables constant but reduced the load or demand for energy by 1 percent. The resulting change was an annualized cost forecasted at \$49.87 per MWh—a reduction of 5.7 percent. The forecast is a high level evaluation into the wholesale market with a multitude of variables and assumptions made to evaluate the potential market price suppression.