



The Honorable John R. Kasich
Governor of Ohio
77 S. High Street, 31st Floor
Columbus, OH 43215

November 30, 2016

Dear Governor Kasich:

The Alliance for Industrial Efficiency (hereinafter, “The Alliance”) is a diverse coalition that includes representatives from the business, environmental, labor and contractor communities. The Alliance is committed to enhancing manufacturing competitiveness and reducing emissions through industrial energy efficiency, particularly through the use of combined heat and power (CHP) and waste energy recovery (WER). We support efforts nationwide, yet have a specific interest in Ohio, America's industry and manufacturing powerhouse. Our national membership includes more than 450 contractors in Ohio.

Ohio's industrial sector - including manufacturing, mining, construction and agriculture - benefits greatly from state policies that encourage and incentivize energy-efficient technologies, including CHP and WER. Ohio's industrial sector consumes one-third of the electricity generated in the state, and Ohio's energy efficiency resource standard (EERS) has given industrial companies an important tool to save money on their energy bills.

We write you today because recent legislative proposals (Ohio Senate Bill 320 and Ohio House Bill 554) would limit the options that industrial companies can take advantage of to improve their efficiency, cut their energy bills, and encourage them to explore CHP and WER. In particular, we are concerned about proposals to expand the industrial opt-out to include all “mercantile”¹ customers and the proposed extension of the freeze on Ohio's EERS.

Until your landmark energy bill was enacted - Ohio Senate Bill 315 - in 2012, Ohio's electric utilities did not have a stake in CHP/WER project development. But now, because utilities can count the energy savings generated by these systems toward their annual savings benchmarks under the EERS, Ohio utilities have begun offering incentives and rebates to customers who install CHP and WER systems at their business or institution. For example, Dayton Power &

¹ Defined in Ohio R.C. Section 4928.01(A)(19) as a commercial or industrial customer that consumes 700,000 kilowatt hours per year or more, OR is “part of a national account involving multiple facilities in one or more states.”



Light is offering an incentive for small CHP projects,² and AEP-Ohio has proposed a budget of nearly \$10 million in incentives for CHP and WER systems in its next energy-efficiency portfolio.

Since the enactment of SB 315, at least three CHP projects have been installed at Ohio businesses, totaling more than \$42.8 million in capital investments. Each of these companies took advantage of utility rebates and, as a result, \$2.3 million in incentives are being paid to these industrial companies under the EERS.

Ohio's manufacturing base deserves to have multiple options offered by electric utilities to help them reduce their energy costs. But if Ohio were to expand its Industrial Opt-Out, or extend the freeze on the EERS, as proposed in both Ohio Senate Bill 320 and Ohio House Bill 554, ***incentives for CHP and WER could be taken off the table for Ohio's most energy-intensive businesses.*** Allowing all mercantile customers to opt-out of utility-run efficiency programs would inevitably shrink the budget for such programs. As a result, electric utilities will be less motivated to work with industrial customers to build and install energy-saving projects.

The Alliance has been encouraged by your support for industrial efficiency throughout your administration. Your 2012 energy bill embraced cogeneration technologies and energy efficiency as two of your ten energy pillars. We appreciate your recent statements that any extension of the freeze is unacceptable.

We urge you to continue opposing any extension of the freeze on Ohio's EERS, and to oppose any efforts to expand the industrial opt-out. These proposals will limit the options for industrial customers, CHP and WER developers, and energy innovators to increase the competitiveness of Ohio's industrial sector, and eliminate tools that help them reduce their annual energy costs. Under your leadership, Ohio has made great strides in advancing energy efficiency, and your opposition to these proposals in SB 320 and HB 554 is critical to the continued deployment of clean and efficient technologies, including CHP and WER.

Sincerely,

Jennifer R. Kefer
Executive Director

² Systems with nameplate capacity of 500 kilowatts or less can receive \$0.08/kWh produced, plus \$100 per kilowatt installed. The incentive is capped at 50% of total project cost or \$500,000, whichever is lesser. The incentive is available under the utility's customer energy efficiency programs for mercantile customers.



Alliance for Industrial Efficiency

cc: The Honorable Keith Faber, President of the Ohio Senate
The Honorable Joe Schiavoni, Minority Leader of the Ohio Senate
The Honorable Troy Balderson, Chair of the Ohio Senate Energy and Natural Resources Committee
The Honorable Kevin Bacon, Ohio Senate
The Honorable Bill Beagle, Ohio Senate
The Honorable Bob Hackett, Ohio Senate
The Honorable Frank LaRose, Ohio Senate
The Honorable Peggy Lehner, Ohio Senate
The Honorable Gayle Manning, Ohio Senate
The Honorable, Larry Obhof, Jr., Ohio Senate
The Honorable Scott Oelslager, Ohio Senate
The Honorable Joe Uecker, Ohio Senate
The Honorable Sandra Williams, Ohio Senate
The Honorable Cliff Rosenberger, Speaker of the Ohio House of Representatives
The Honorable Dorothy Pelanda, Majority Whip of the Ohio House of Representatives
The Honorable Fred Strahorn, Minority Leader of the Ohio House of Representatives
The Honorable Mike Dovilla, Chair of the Ohio House of Representatives Public Utilities Committee
The Honorable Nathan Manning, Ohio House of Representatives
The Honorable Mark Romanchuk, Ohio House of Representatives