



January 9, 2018

The Honorable Troy Balderson
Chairman, Ohio Senate Energy and Natural Resources Committee
1 Capitol Square, 1st Floor
Columbus, OH 43215

RE: Written Only Opponent Testimony – Ohio House Bill 114

Dear Chairman Balderson and Members of the Senate Energy and Natural Resources Committee:

The Alliance for Industrial Efficiency (the “Alliance”) appreciates the opportunity to provide comments to the Senate Energy and Natural Resources Committee regarding House Bill 114. The Alliance is a diverse coalition that includes representatives from the business, environmental, labor and contractor communities, including over 100 electrical and sheet metal contractors in Ohio alone. Our coalition is committed to enhancing manufacturing competitiveness and reducing emissions through industrial energy efficiency, particularly through the use of clean and efficient power generating systems such as combined heat and power (CHP) and waste heat to power (WHP).

As businesses and employers in Ohio, we strongly oppose House Bill 114, a bill that would make Ohio’s renewable standards voluntary, weaken energy efficiency standards and allow commercial and industrial customers who use more than 700,000 kilowatt-hours per year to opt out of energy saving programs.

We are concerned that Ohio House Bill 114 could undermine Ohio’s potential to lead on energy efficiency, resulting in lost economic opportunity for Ohio businesses. HB 114 is antithetical to the state’s interest in curbing energy costs for all consumers, and growing an industry currently employing approximately 78,000 Ohioans, including many of our members. All customers and utilities must participate in efficiency programs to realize this potential.

Recognizing that crafting a comprehensive state energy policy is a difficult task, we are writing now to encourage you to understand the greater context for Ohio’s energy efficiency standard before making any additional changes to the policy.

Ohio Senate Bill 310 (SB 310), enacted in 2014, included provisions that reduced the amount of energy savings achievable by the state’s efficiency standard in half. For instance, SB 310 allowed electric utilities to claim energy savings that would have occurred absent state law because of federal efficiency standards for manufactured appliances and other electrical equipment, and efficiency investments made by customers without the prompting of a rebate or incentive. If Ohio utilities take advantage of these provisions, they will be less motivated to work with their customers to find cost-effective savings or to assist their customers in finding ways to save energy and money at their home or business.

Ohio Senate Bill 310 also allowed certain electricity customers to receive a special exemption from participation in utility-administered efficiency programs. Customers eligible for this special exemption are very large consumers of energy, using at least 45 million kilowatt-hours per year.



As a matter of best practice, state efficiency programming works best when all types of customers - residential, commercial, and industrial - participate. This is because industrial efficiency programs are some of the least expensive options in a utility's portfolio, costing on average 2.7 cents per kilowatt-hour compared to 3.5 cents per kilowatt-hour for residential programs. Exempting those large energy users will increase the cost of compliance for all customers.

When some customers are allowed special exemptions because of their size, all other customers have to pay more to achieve the same efficiency goals. House Bill 114 would expand eligibility for this special exemption to "mercantile" customers – or those who consume more than 700,000 kilowatt-hours per year. The mercantile customer class is large and diverse. It includes small manufacturers as well as customers that have aggregated their energy use across a number of sites (e.g., gas stations or dry cleaners) across the state. This provision would exclude a huge swatch of Ohio's energy users from the state's efficiency standard. Allowing such a broad exemption without studying its potential impact on other non-eligible customers could have unintended consequences.

A recent study by the American Council for an Energy-Efficient Economy (ACEEE) found that expanding eligibility under Ohio's industrial opt-out to include mercantile customers could result in \$1.85 billion in increased utility costs, and a staggering \$3.3 billion in lost utility bill savings for participants.

Further modifications to this standard could have unintended consequences for consumers, businesses, and economic opportunity in the state. For these reasons, we urge you to re-examine the provisions in Ohio House Bill 114 and reject modifications to the efficiency standard that would cost consumers billions and leave economic opportunity on the table.

Sincerely,

Jennifer Kefer, Executive Director
Alliance for Industrial Efficiency

Attachments: Opt-Out Fact Sheet

Cc: The Honorable John R. Kasich, Governor of Ohio
The Honorable Troy Balderson, Chair, Senate Energy and Natural Resources