



November 14, 2018

The Honorable Larry Obhof, President  
 The Ohio Senate  
 1 Capitol Square, 2<sup>nd</sup> Floor  
 Columbus, OH 43215

The Honorable Ryan Smith, Speaker  
 The Ohio House of Representatives  
 77 South High Street, 14<sup>th</sup> Floor  
 Columbus, Ohio 43215

Dear President Obhof and Speaker Smith,

As businesses with a stake in Ohio's energy efficiency economy, we are writing to urge you to reject the "mercantile opt out"—a specific provision within Ohio House Bill 114 that greatly undermines Ohio's energy efficiency opportunity.

We recognize that in the remaining days of the 2017–2018 legislative session that House Bill 114 could be considered for passage, or that the "mercantile opt out" could be considered as an amendment to a different piece of legislation. In either scenario we encourage you to carefully consider the context for Ohio's energy efficiency standard before making any additional changes to the policy.

Our companies have a significant interest in the availability and certainty of utility investments in energy efficiency improvements made in all sectors in Ohio. Our companies are involved in the design, installation, and maintenance of materials that are used to help make Ohioan homes and businesses more energy-efficient. Rebates offered by Ohio utilities create opportunities for our companies—and our employees are among the 78,000 energy efficiency employees in the state.

We are very concerned about language in HB 114 that would make "mercantile" customers eligible for a special exemption from utility-administered energy efficiency programs. The proposed policy change is unfair, unnecessary, and could directly impact our companies' ability to work with clients to help them save energy.

For background, Ohio Senate Bill 310, enacted in 2014, permitted certain "large industrial" electricity customers to receive a special exemption from participation in utility-administered efficiency programs. This special exemption extended to the state's largest energy consumers—those who use at least 45 million kilowatt-hours per year. House Bill 114 proposes to broaden the eligibility for this exemption to all "mercantile" customers (those who consume 700,000 kilowatt-hours or more per year), which could add up to be a substantial portion of an electric utilities' customer base. This represents a significant broadening of the opt-out and could bring unintended consequences for customers who are not eligible for the opt-out, such as small businesses and residential customers.

As a matter of best practice, state efficiency programming works best when all types of customers—residential, commercial, industrial—are participating in the programming. This is because industrial efficiency programs are some of the least expensive 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.<sup>1</sup>

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 seeks to expand eligibility for this special exemption to “mercantile” customers. This class of customers is very large, and very diverse. It may include small or medium manufacturers, a chain of small gas stations or convenience stores, a steel mill, or a dry cleaner. 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.<sup>2</sup>

Ohio House Bill 114 will lead to billions in lost economic opportunity for Ohio businesses. If the state has a genuine interest in curbing energy costs for consumers and growing a clean energy industry currently employing approximately 78,000 Ohioans,<sup>3</sup> all customers and all utilities must have a role to play in realizing this potential.

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

Sincerely,

Aarloom Energy Solutions  
Cleveland, Ohio

Castle Heating & Air  
Cleveland, Ohio

Dovetail Solar and Wind  
Cleveland, Ohio

Duct Fabricators, Inc.  
Cleveland, Ohio

Echogen Power Systems, LLC  
Akron, Ohio

Energy Optimizers, USA  
Tipp City, Ohio

Geauga Mechanical  
Chardon, Ohio

Gexpro  
Independence, Ohio

NuGen LED Solutions  
Bellville, Ohio

Sheet Metal and Air Conditioning Contractors’  
National Association, Cleveland Chapter  
Cleveland, Ohio

Sustainable Energy Services, Inc.  
Westlake, Ohio

T.H. Martin Inc.  
Cleveland, Ohio

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<sup>1</sup> Hoffman, G. Leventis, and C. Goldman, Trends in the Program Administrator Cost of Saving Electricity for Utility Customer-Funded Energy Efficiency Programs (Berkeley: Lawrence Berkeley National Laboratory, 2017). <https://emp.lbl.gov/publications/trends-program-administrator-cost>

<sup>2</sup> Large Customer Opt-Out: An Ohio Example, June 2017, at iv, Executive Summary <http://aceee.org/blog/2017/06/ohio-opt-out-will-cost-state-billions>

<sup>3</sup> Energy Efficiency Jobs in America, E4 The Future, Ohio details first appear on Page 10. [https://e4thefuture.org/wp-content/uploads/2016/12/EnergyEfficiencyJobsInAmerica\\_FINAL.pdf](https://e4thefuture.org/wp-content/uploads/2016/12/EnergyEfficiencyJobsInAmerica_FINAL.pdf)

Cc: The Honorable John R. Kasich, Governor of Ohio  
Members of the Ohio General Assembly  
John Barron, Ohio Senate Chief of Staff & General Counsel  
Shawn Kasych, Ohio House Chief of Staff  
Frank Strigari, Ohio Senate Chief Legal Counsel  
Goran Babic, Ohio Senate Policy Advisor  
Jimmy Wolf, Ohio House Policy Advisor