



OEC [Action Fund]

**Proponent Testimony
Ohio House Bill 389 (Leland/Seitz)
Ohio House Public Utilities Committee
September 29, 2021**

Good morning Chair Hoops, Vice Chair Ray, Ranking Member Smith; I am Miranda Leppla, Vice President of Energy Policy for the Ohio Environmental Council (OEC) Action Fund. Our organization, celebrating its 52nd anniversary this year, works to secure healthy air, land and water for all who call Ohio home. Thank you for allowing me to provide proponent testimony on Ohio House Bill 389 (HB 389).

The OEC Action Fund has long supported policies that reduce the amount of energy wasted by inefficient equipment, buildings and processes. Energy waste reduction, also known as energy efficiency, helps Ohioans control their energy consumption and to lower their electric bills.

Despite the fact that Ohioans received over *\$7.06 billion in energy savings on their utility bills between 2009-2019*¹ as a result of utility-run efficiency programs run under Ohio's Energy Efficiency Resource Standard (EERS), House Bill 6 reduced the target the utilities were required to reach, effectively ending programs entirely at the end of 2020. Future bill savings and energy savings have now been wiped out for Ohioans because none of the electric distribution utilities currently have energy waste reduction programs in place. During the debate on HB 6, proponents and interested parties often claimed that utilities would be able to continue running efficiency rebate programs *voluntarily*.

However, since the passage of HB 6 it's been unclear as to whether the utilities could run voluntary energy waste reduction programs. Despite adequate authority under Ohio Revised Code 4905.70, utilities that have sought a voluntary program have been effectively blocked. Applications for voluntary programs have been submitted by AEP Ohio, AES Ohio (formerly Dayton Power & Light), and Duke Energy to the Public Utilities Commission of Ohio (PUCO), yet PUCO Staff recommended removing the voluntary programs due to "legislative

¹ *Energy Efficiency in Ohio Energy & Bill Savings for Customers, 2009-2019*, Midwest Energy Efficiency Alliance, available at https://www.mwalliance.org/sites/default/files/meea-research/2009-2019_ohio_energy_and_bill_savings_august_2020.pdf.

uncertainty”.² As a result, there are currently no voluntary energy waste reduction programs in place for Ohioans either.

How does HB 389 help Ohioans and why do we need it?

The loss of any energy waste reduction programs, and broad-based investments in efficiency measures that reduce our reliance on coal and natural gas-fired power plants equates to higher air emissions coming from the power sector. Additionally, it means we are forgoing easily-achieved savings for customers. With the effective full-stop on efficiency investments in Ohio, there is more urgency than ever to get utilities - who can achieve an economy of scale like no other entity can - back in the business of reducing energy waste.

Since HB 6 passed and Ohio’s mandatory energy waste reduction programs ended, Ohioans have been without energy waste reduction programs that help consumers reduce their energy consumption and their electric bills in the process. We appreciate that HB 389 recognizes that House Bill 6 went too far, and that this bipartisan legislation would reinstate energy waste reduction programs for Ohio residential customers and small businesses. Among the chief benefits of reinstating these programs are combating air pollution by reducing energy waste, and lowering electric bills for Ohioans.

A recent report by Gabel Associates³ quantifies the benefits energy waste reduction programs could bring to Ohio in four main ways: (1) economic and jobs benefit, (2) air & health benefits, (3) electric bill savings, and (4) utility system benefits. The report analyzed what those savings would be if we reduced our energy consumption by 1%, 1.5% and 2% per year. While HB 389’s target is 0.5% per year, this report is a guide to exactly what benefits Ohio could reap if we choose to reinstate these important programs and expand upon them.

Critically, the report found that energy waste reduction programs “produce substantial environmental benefits through reduced air pollution from power plants. As demand for electricity is reduced through energy waste reduction programs, fossil-fueled power plants reduce output, which reduces emissions (air pollution) associated with power generation.”⁴ The report found that the primary power plant emissions displaced include carbon dioxide, nitrogen oxide, sulfur dioxide, and particulate matter, all pollutants which exacerbate asthma attacks, hospital visits, heart attacks, and respiratory diseases, making it more difficult for Ohio residents to breathe and driving up the cost of health care. Under the middle range scenario, the report found that reducing energy waste would result in \$14.2 billion in public health benefits, and prevent the emissions of more than 140 million tons of carbon dioxide, 103 thousand tons of sulfur dioxide, and 93 thousand tons of nitrogen oxide.⁵

² See, for example, *In re Ohio Power Company for an Increase in Electric Distribution Rates*, PUCO Case No. 20-585, et al., Staff Report at 21.

³ *Estimating the Benefits of Energy Waste Reduction in Ohio*, Gabel Associates, Brendon Baatz and Isaac Gabel-Frank, (March 2021), available at <https://www.ohioenergywastereduction.com/report>.

⁴ *Id.* at 7.

⁵ Air & Health Benefits Factsheet: *Estimating the Benefits of Energy Waste Reduction in Ohio*, Gabel Associates, Brendon Baatz and Isaac Gabel-Frank, (March 2021), available at

The report also found that, under the middle range scenario of 1.5% energy savings, ramping up investments in energy waste reduction programs would save Ohioans \$9 billion over the next ten years, result in \$3.6 billion in economic benefits, and avoid \$5.3 billion in investments Ohio electric utilities would have to spend on infrastructure upgrades (which would be paid for by Ohioans). Even at 0.5% energy savings under HB 389, the benefits Ohio stands to reap are enormous based upon this analysis. Passing HB 389 would provide real benefits for Ohio families and small businesses, allowing them to reinvest the money they would otherwise have to spend on their electricity bills to stimulate the economy, while providing cleaner air and a healthier environment for Ohioans.

This is why OEC Action Fund supports House Bill 389 (HB 389). We believe this bipartisan legislation is important to ensure it is clear that Ohio utilities are encouraged to propose and implement voluntary energy waste reduction programs, and to ensure that Ohio residential customers and small businesses have access to these critical money- and energy-saving programs that they've been without since the end of 2020. While HB 389 does not restore the full, robust programs that were in place prior to House Bill 6, HB 389 ensures that Ohio puts energy waste reduction programs back in place and that Ohioans begin to again receive those benefits.

What does HB 389 do? HB 389 clearly states that the legislature “encourages” Ohio utilities to develop and implement energy waste reduction programs to help their customers save energy,⁶ creates clear guidelines around which voluntary energy waste reduction programs may be proposed by utilities, and creates an approval process at the PUCO so that those programs can be implemented. Much of HB 389 addresses prior critiques of the mandatory Energy Efficiency Resource Standards that were repealed by HB 6, and fixes the criticisms to bring back critical energy waste reduction programming to Ohio residents and small businesses. As part of an application for approval of a portfolio of energy saving programs, utilities are required to:⁷

- Describe the size and scope of the programs;
- Explain the costs, savings and cost-effectiveness (determined by the Utility Cost Test⁸, requiring the programs to save Ohioans more money than they cost);
- Project the number of customers opting out of the programs;
- Detail the costs, availability, and planned energy savings by program for residential and nonresidential classes, and any programs that impact all customer classes;
- Include a proposed mechanism for recovery of program costs and utility incentives, and for lost distribution revenue;

https://static1.squarespace.com/static/60268486dc92ef10a5ee5ed2/t/60498aea27f0d955e597157f/1615432427556/OhioEWRReport_Air%26HealthFactsheet.pdf.

⁶ Lines 72-74.

⁷ Lines 103-131.

⁸ Lines 195-204.

- Include a plan to improve customers' smart technology capability for demand side management and to improve utility control to reduce peak demand;
- Describe how the portfolio meets the requirement under R.C. 4928.6636 to include at least one program for residential customers with low income, and that at least 15% of the program budget is designed to reach customers with low incomes.

HB 389 sets a target of 0.5% gross energy savings,⁹ and while this is lower than the previous 1% target that was in place under the mandatory programs, 0.5% still sets an important target for Ohio utilities to reinstate programs that save customers money and save energy. Additionally, the legislation has other requirements that ensure the 0.5% is more innovative programming, including limiting behavioral programs to only 30% of the savings that can be counted, only permitting utilities to provide the controversial kits containing energy saving devices to customers upon request, and emphasizing smart technology measures like energy star qualified smart thermostats.¹⁰

The shared savings that utilities were able to earn under the mandatory programs were commonly criticized. Instead of shared savings, this legislation provides incentive payments for utilities that *shall not exceed* 10% of the program budget, with the final determination of what percentage the utilities should receive left up to the PUCO.¹¹ The budget has also been limited to 2.25% of the utility's annual operating revenues for the previous year to limit the program size further than prior years,¹² and caps monthly charges for residential customers at \$1.50/month.¹³ Finally, HB 389 does contain an opt-out provision¹⁴ making it voluntary for customers, while also permitting mercantile customers to opt in to the programs if they so choose.¹⁵

To be very clear about OEC Action Fund's position on HB 389: energy waste reduction efforts have been proven to save energy and money for Ohioans year after year after year, and for that reason alone, they are worth enabling in HB 389. However, there are provisions in the bill that we think don't go far enough, or put artificial limitations on these new portfolio programs. For example, the bill could be strengthened and the benefits of it multiplied if the 2.25% cap for the program were increased. Additionally, the opt-out provision weakens the bill. Efficiency programs help all customers by bringing down energy usage and lowering electric rates for all Ohioans through wholesale price suppression.¹⁶ Therefore, it's a smart

⁹ Lines 170-174. The gross annual energy savings is 0.5% of the gross annual energy savings of the prior year's retail electric sales to participating customers.

¹⁰ Sec. 4928.6639.

¹¹ Sec. 4928.6544, lines 205-213.

¹² Sec. 4928.6647, lines 219-235.

¹³ Sec. 4928.6650, lines 236-239.

¹⁴ Sec. 4928.6657, lines 270-287.

¹⁵ Sec. 4928.6655, lines 256-269.

¹⁶ *Energy Efficiency Benefits to All Customers: Price-Mitigating Effects for Ohio*, Paul Chernick, Resource Insight, Inc. (June 12, 2019), available at <https://resourceinsight.com/wp-content/uploads/2019/06/Energy-Efficiency-Benefits-to-All-Customers.pdf> (showing that the mandatory energy waste reduction programs prior to HB 6 saved \$2 per month for residential customers, in addition to various benefits listed in the study).

investment utilities should be making to lower the cost of electricity across the board. However, we also recognize how important it is that Ohio residential customers and small businesses have access to energy waste reduction programs, and we are very supportive of putting programs back into place that we can start to build upon as we see the success these programs will have again in reducing energy bills and energy waste. HB 389 puts us back on track and we hope to see these programs grow as we see the results.

OEC Action Fund supports passage of HB 389. Thank you for allowing me to testify in support of House Bill 389 today. The OEC Action Fund sees this bill as critically necessary, putting us on a path to greater energy waste reduction and the many benefits it brings for Ohioans. We hope that the success of these programs will be a building block upon which Ohio can expand these critical energy waste reduction measures and reduce Ohioans' bills and our energy consumption even further.