MEEA
Midwest Energy Efficiency Alliance
20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

Testimony on Behalf of the Midwest Energy Efficiency Alliance

Ohio Energy Mandates Study Committee

September 4, 2015

Dear Co-Chair Kristina Roegner, Co-Chair Troy Balderson and Members of the Ohio Energy Mandates Study Committee:

The Midwest Energy Efficiency Alliance (MEEA) seeks to submit this written testimony related to the committee's study of Ohio's energy efficiency mandate in preparation for the committee's report with recommendations on legislative action due September 30, 2015.

MEEA is a non-profit membership organization based in Chicago, Illinois and founded in 2000. MEEA covers thirteen states in the Midwest and our members include investor-owned, cooperative, and municipal utilities; energy efficiency service and technology providers; manufacturers; state energy office representatives; and, academic, advocacy and research organizations. With more than 150 members, we work to advance energy efficiency policies and facilitate energy efficiency program creation and delivery.

<u>Executive Summary</u>

On June 13, 2014, Ohio Gov. John Kasich signed Senate Bill 310 (SB 310) which put a two-year freeze on Ohio's renewable and energy-efficiency standards. SB 310 also created the Energy Mandates Study Committee, a committee of six legislators from the Ohio House of Representatives, six legislators from the Ohio Senate, and the Chairman of the Public Utilities Commission of Ohio, charged with holding hearings to study Ohio's renewable energy, energy efficiency and peak demand reduction mandates. Senate Bill 310 instructs the committee to produce a report with recommendations on legislative action due September 30, 2015. In the absence of any legislative action prior to December 31, 2016, the energy efficiency mandate will be automatically reinstated.

MEEA recommends that Ohio lift the freeze and reinstate their energy efficiency resource standard (EERS) following the September 30 report deadline. In states that have repealed their efficiency standards and rely solely on voluntary efforts, consumers/ ratepayers realize fewer cost-effective benefits. Ohio need only look to her neighbor Indiana to see the importance of maintaining an EERS.

MEEA
Midwest Energy Efficiency Alliance
20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

Following Indiana's repeal of its energy efficiency standard in 2014, investment in energy efficiency programs in Indiana declined substantially and the overall cost-effectiveness of energy efficiency programs was reduced, which means lower energy savings and a loss of jobs and related economic development. Carrying out Ohio's energy efficiency standard through 2025 will save Ohio consumers nearly $5.6 billion in avoided energy costs- far exceeding the cost for utilities ($2.8 billion) to implement the programs.[1] Maintaining Ohio's EERS is itself an investment in the state's burgeoning energy efficiency industry and keeps Ohio in a good position to achieve the EPA's August 3, 2015 Final Clean Power Plan targets.

<u>Energy Efficiency Resource Standard</u>

Senate Bill 221 (SB 221), which created Ohio's EERS, was enacted in 2008 thanks to overwhelming bipartisan support - the bill passed the Ohio Senate 32-0 and the Ohio House on a 93-1 vote. The law requires investor-owned electric utilities and retail suppliers to achieve savings through energy efficiency programs equal to at least 0.3% of sales, gradually ramping up to a cumulative 22% in electricity reduction by 2025. In the few years since its passage, SB 221 has been tremendously successful; annual electricity savings increased twelve-fold since 2008 after years of virtually no energy efficiency savings.[2] Ohio utilities have collectively exceeded the savings targets every year since 2009, by an average of more than 50% above the target.[3]

[1] *Ibid.*
[2] Neubauer et al. April 2013. http://www.ohiomfg.com/legacy/communities/energy/OMAACEEE_Study_Ohio_Energy_Efficiency_Standard.pdf.
[3] *Ibid.*

20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

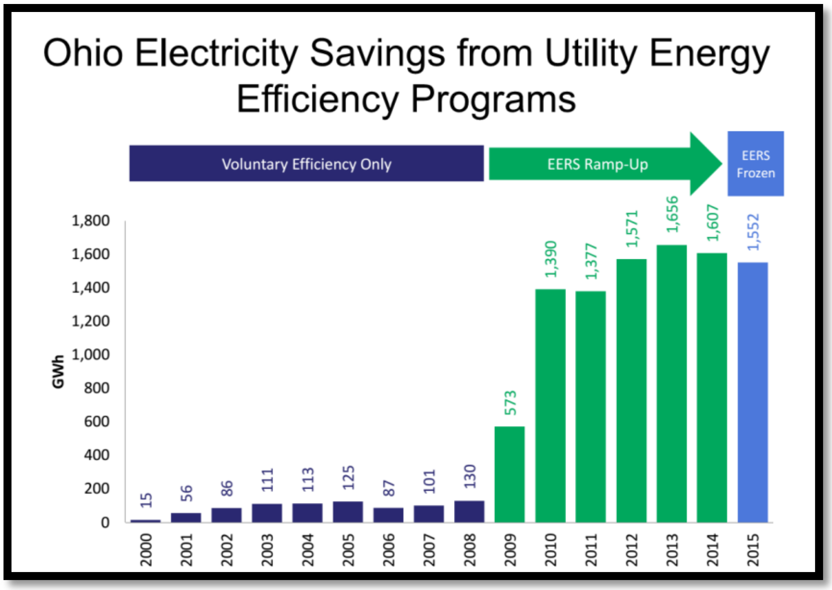

Figure 1: Electricity Savings in Ohio

Moreover, Ohio utility-run energy efficiency programs have been very cost-effective. One analysis found that the levelized cost of conserved energy had been less than 2 cents/kWh, with net benefits to Ohio ratepayers already exceeding $1 billion.[4] Ohio is an energy-intensive state.[5] Accordingly, it is important to the state's economy that the legislature ensures Ohio's energy needs are met in a low-cost and reliable ways. At an average of $14 per megawatt hour, energy efficiency is three times cheaper than new natural gas and coal fired power plants and two times cheaper than wind generation, as seen in Figure 2.[6] It is because of Ohio's high energy needs that the EERS established by SB 221 has had a profoundly positive impact on the state. The EERS drives the delivery of cost-effective programs that allow Ohio's residents and businesses to take advantage of the state's cheapest energy resource – energy efficiency.

[4] American Council for an Energy-Efficient Economy. May 1, 2013. http://www.aceee.org/research-report/e138.
[5] Neubauer et al. April 2013. http://www.ohiomfg.com/legacy/communities/energy/OMA ACEEE_Study_Ohio_Energy_Efficiency_Standard.pdf.
[6] Lazard. August 2013. http://gallery.mailchimp.com/ce17780900c3d223633ecfa59/files/Lazard_Levelized_Cost_of_Energy_v7.0.1.pdf

20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

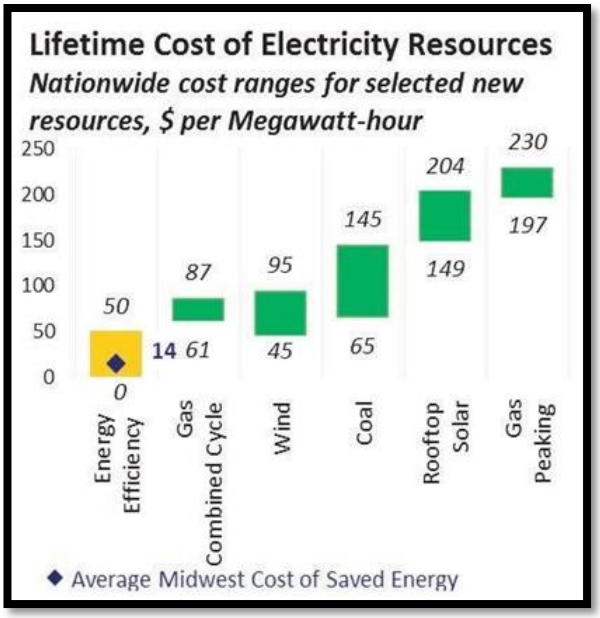

Figure 2: Lifetime cost ranges of new energy resources

In 2013, for every $1 spent on energy efficiency programs in Ohio, residents and businesses reaped $1.80-$3.56 in benefits.[7] The calculated benefits include energy and capacity related avoided costs such as the cost of building new generation, transmission, and distribution facilities. All of these benefits are highly localized and remain in-state. This return on investment for energy efficiency programs is derived from an independent third-party evaluation of utility energy efficiency programs and is a result of a highly analytical and scrutinized process. In addition to energy savings, energy efficiency investments improve business competitiveness, save consumers money on their bills, and make homes and businesses more comfortable places to live and work.

The economic reach of programs driven by the EERS is deep. An entire industry has developed in Ohio around the energy efficiency standard and the associated annual savings targets – program implementers, evaluators, contractors, and manufacturers, among others. These savings targets create the predictability and certainty companies in the energy efficiency industry need to continue to invest in Ohio and attract new investment. Currently, the Ohio clean energy industry – defined as renewable energy, energy efficiency, advanced transportation, and greenhouse gas emissions management and accounting – employs 89,000 workers at more than 7,200 clean energy business establishments in

---

[7] *Ibid.*

MEEA
Midwest Energy Efficiency Alliance
20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

Ohio.[8] The energy efficiency sector alone supports more than 56,000 Ohio workers, representing 63.5% of the Ohioans working in the clean energy industry.[9]

If Ohio's EERS is repealed, the impact will be immediate and significant. In 2014, Indiana repealed its statewide energy efficiency standard. Since that change, total utility energy efficiency budgets decreased by 30% while total energy savings decreased by 47%. These reductions led to an overall lowering of the cost-effectiveness of the energy efficiency program delivery for customers.[10] Additionally, a recent independent report by GoodCents estimated that Energizing Indiana saved about 11 million megawatt hours, resulting in significant cost savings and created approximately 18,679 jobs.[11] Following Indiana's repeal of their energy efficiency standard, Johnson Controls expects to lose half of their 2,257 jobs created under the standard.[12] Assuming the repeal similarly impacts other major Indiana companies, a 50% reduction in jobs created under the standard would result in the elimination of over 9,000 jobs.

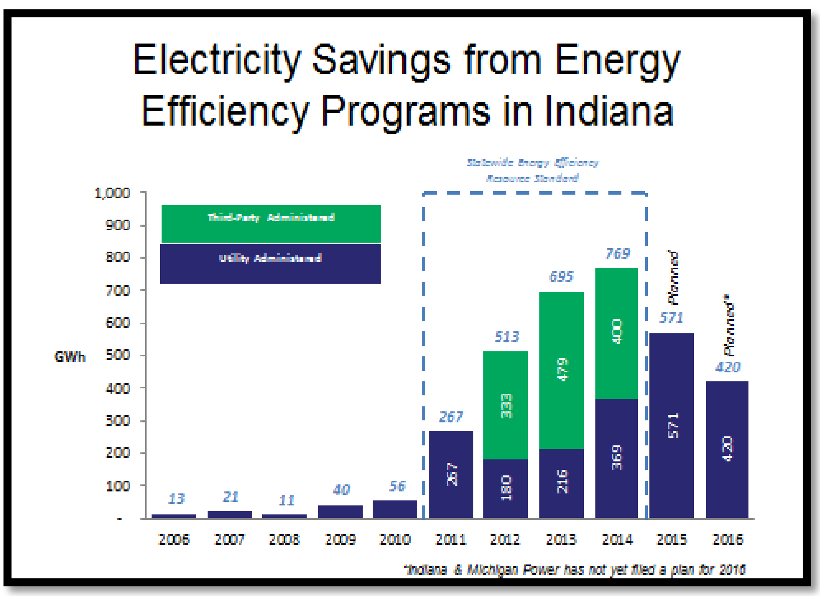

Figure 3: Indiana Savings Reductions Post-repeal of Energy Efficiency Standard

---

8 Environmental Entrepreneurs. *Clean Jobs Ohio.* May 2015. http://www.e2.org/ext/doc/CleanJobsOhio_FINAL_HiRes.pdf
9 *Ibid.*
10 Midwest Energy Efficiency Alliance. *Energy Efficiency in Indiana after Repealing the Statewide Standard.* April 24, 2015. http://www.mwalliance.org/sites/default/files/uploads/advokit/MEEA_2015_Advokit_Energy-Efficiency-Indiana-After-Repealing-Statewide-Standard_April2015.pdf.
11 Indiana Statewide Core Program Evaluation Team. *2014 Energizing Indiana Evaluation Report*. P.161. May 2015.
12 Lydersen, Kari. "Who's behind the effort to kill Indiana's efficiency law? March 17, 2014. http://midwestenergynews.com/2014/03/17/whos-behind-the-effort-to-kill-indianas-efficiency-law/.

MEEA
Midwest Energy Efficiency Alliance
20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

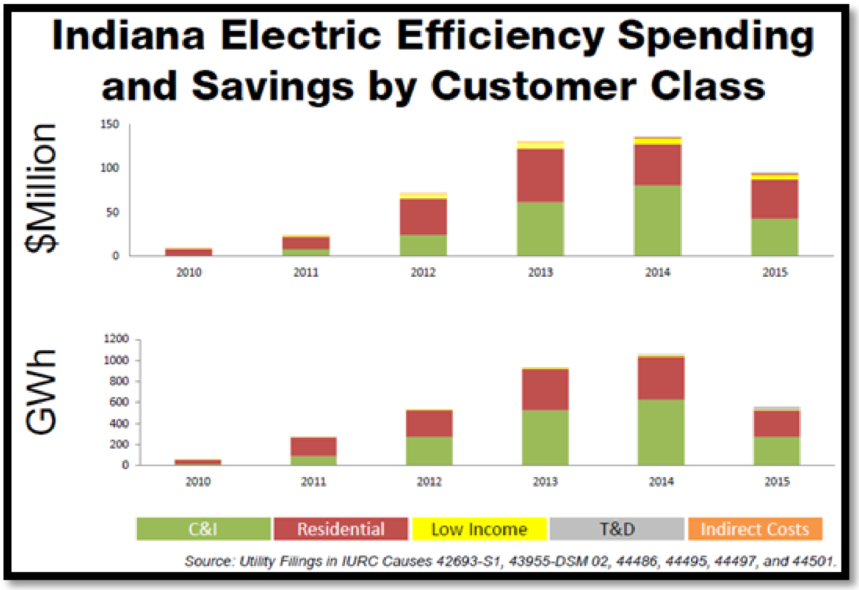

Figure 4: Electricity Spending and Savings in Indiana

The stakes are high in Ohio as the EERS has not only served as sound energy policy, but also as a proven economic development policy. Beyond the jobs within the energy efficiency industry, programs stemming from the EERS have empowered businesses to invest in energy improvements that lower operating costs and improve their bottom line. Such investments would not be possible without a standard driving the availability of cost-effective programs and the assurance of the EERS which allows for consistent availability of such programs. Energy efficiency programs deliver both the expertise necessary to make those investments and incentives that result in reduced payback periods for private investments; therefore, we believe the retention of Ohio's energy efficiency policy is the best course for the state in sustaining and increasing cost-effective programs that will lead to continued economic growth.

Conclusion

States across the country have pursued numerous approaches to drive energy savings, but none substitute for an energy efficiency standard for cost-effective energy savings programs. An EERS – a proven effective public policy – consistently delivers cost effective energy efficiency which benefits all consumers and reduces energy costs for all rate classes. Ohio's EERS has produced continued economic benefits for customers throughout the state. This policy delivers electric savings in a highly cost-effective manner and provides a single, predictable framework for achieving both gas and electric savings. MEEA is supportive of the legislature's desire to explore policy and regulatory

MEEA
Midwest Energy Efficiency Alliance
20 N. Wacker Drive
Suite 1301
Chicago, Illinois 60606
312.587.8390 *main line*
312.587.8391 *fax*
www.mwalliance.org

reform, but encourages you to build upon, not eliminate, Ohio's EERS. MEEA is happy to provide any additional information, as requested, and would like to serve as a resource for the Committee.

These comments reflect the views of the Midwest Energy Efficiency Alliance – a Regional Energy Efficiency Organization as designated by the U.S. Department of Energy – and not the organization's members or individual entities represented on our board of directors.