



**Before  
The Ohio Senate  
Energy and Natural Resources Committee  
Testimony on House Bill 554  
(Renewable Energy, Energy Efficiency and Peak Demand Reduction  
Standards)**

**By  
Bruce Weston  
Ohio Consumers' Counsel  
Office of the Ohio Consumers' Counsel  
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Hello Chair Balderson, Vice Chair Jones, Ranking Minority Member Gentile, and members of the Committee. I am Bruce Weston, the Ohio Consumers' Counsel. Thank you for inviting stakeholder testimony on these issues involving the energy mandates that affect millions of Ohio residential (and business) electric customers. I appreciated the opportunity to testify regarding Senate Bill 320 on November 22, 2016. And I appreciate this additional opportunity to testify as an opponent to House Bill 554, now that the House of Representatives has passed it.

The Consumers' Counsel supports reinstating energy standards at reasonable levels. Our agency vision is for Ohioans to have "affordable, quality utility services with options to control and customize their utility usage." Energy efficiency and reducing peak demand for electricity can help meet our vision for Ohioans. These measures ("negawatts") are cheaper per kWh saved than energy supplied (megawatts). And energy efficiency can benefit both those participating in the programs and those who pay for the programs but do not participate. All customers benefit because efficiency can

be used to reduce the need for power generation. This can save all consumers from paying some costs of capacity (power plants) in the market. These benefits provide a reason for supporting energy standards at a reasonable level.

This value proposition for consumers can become challenged, however, in the absence of consumer protections. Those protections especially relate to what consumers pay on their electric bills. The priority should be a focus on enacting consumer protections, regardless of whether energy efficiency is mandated or provided in voluntary programs.

In this regard, there should be a limit on the profits that electric utilities can charge Ohio consumers. Accordingly, here are my additional recommendations for consumer protections, beyond those in my earlier testimonies before this Committee and before the House Public Utilities Committee.

Subsequent to my recent testimony in the House, H.B. 554 was amended to allow electric utilities to charge Ohio consumers and businesses more (millions of dollars) for profit based on the so-called “banking” of energy savings. These higher charges would result without a corresponding value to consumers. My position on H.B. 554 changed from interested party to opponent, when the banking amendment was added. I recommend that the Senate act to prevent the banking provision (lines 823 to 842) from becoming law.

The banking provision would enable electric utilities to use energy savings accumulated in earlier years to obtain higher profits from customers in later years. This approach to banking would circumvent yearly limits that may be set by the PUCO on what consumers should pay for energy efficiency. And it would allow utilities to use energy efficiency as a profit center instead of a customer savings program. To illustrate, a utility with no energy efficiency programs in a given year could use banking to charge customers for profits in that year. Thus, banking breaks the intended link between utility performance and the reward of profit. This issue has been debated at the PUCO,

with business and residential customers seeking protection from the utilities' use of banking to increase their profits at the expense of Ohioans' electric bills.

H.B. 554's banking provision would worsen an already bad situation for Ohio electric consumers who are paying profit to utilities at shocking percentage levels for energy efficiency. In 2015, Ohioans paid their electric utilities an additional 39% to 57% for profit, above the costs of the energy efficiency programs. Here is a chart showing the high profit levels that Ohio consumers (and businesses) have paid to their electric utilities. Duke is not listed as a result of a settlement limiting its profit (shared savings).

| Utility     | 2015 Program Spending | 2015 Profit (Shared Savings) | <b>2015 Profit Percentage</b> |
|-------------|-----------------------|------------------------------|-------------------------------|
| AEP         | \$65.1 million        | \$31.1 million               | <b>47.8%</b>                  |
| DP&L        | \$18.0 million        | \$7.0 million                | <b>38.9%</b>                  |
| FirstEnergy | \$27.3 million        | \$15.6 million               | <b>57.0%</b>                  |

I respectfully recommend that the General Assembly act to protect Ohioans' electric bills from these high utility profits, by prohibiting the use of banking and other measures that inflate utility profits at consumer expense for energy efficiency. Therefore, the banking provision (lines 823 to 842) should be removed and no other provisions that would increase consumers' bills should be added, consistent with my earlier testimonies. As you know, my general view has been that Ohioans' electric bills should be reflecting the lower prices in the competitive energy markets.

That concludes my testimony. Thank you again for the opportunity to make recommendations on behalf of Ohio consumers.