



House Alternative Energy Committee

Testimony

Presented by:
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Chairman McGregor, members of the Alternative Energy Committee, thank you for the opportunity to present testimony to you today on the important topic of developing an energy strategy for Ohio that includes alternative energy, renewable energy and energy efficiency.

There has never been a time as compelling as now in the history of our energy landscape for the State of Ohio to take the reins and forge a sensible energy roadmap to guide and protect our need for reliable and affordable energy now and into the future. Consider the following facts:

- There are approximately sixty-seven years of economically recoverable supplies of natural gas remaining in North America. Do we want to be competing in the world market with Europe, China and India for supplies of natural gas coming from Venezuela, Nigeria and Algeria?
- By 2030, the demand for electricity is expected to double. This is due to emerging countries like China and India. In the United States, electricity demand is expected to grow by 40% by 2030.
- A fifteen percent national Renewable Portfolio Standard would save consumers nearly \$100 billion by 2020.
- An aggressive energy efficiency program encompassing eight Midwest states including Ohio would save all consumers over \$4.4 billion annually by 2010. (In Ohio, the annual savings would total \$790 million).

The time is right for Ohio to develop a comprehensive energy policy that fully incorporates the following elements:

- An aggressive energy efficiency program for all customers that includes programs available to all end-use customers – residential, commercial and industrial. Examples include home audits, weatherization programs, rebates for energy efficient appliances, efficient motor programs and installation of state of the art energy efficiency programs for business customers.
- Installation of smart meters so that electricity customers can receive the right price signals. Instead of paying a flat rate irrespective of the electric providers' actual costs, smart meters would allow customers to pay based on the actual cost. This will provide customers with the opportunity to control their utility bills by choosing to consume energy

at times when it is cheaper to generate. This will have the benefit of reducing the need for the utilities to fire-up their least efficient generating plants and will save all customers money. The smart meters will also enable companies to offer load control programs that allow them to cycle down a customer's air conditioning unit, for example, in exchange for a discounted rate. This has the same effect of reducing a customer's peak demand.

- A renewable portfolio standard that would mandate increasing percentages of the power to meet Ohio's need to come from renewable sources. The best way to meet this need is for utilities to competitively bid for the power so as to assure the least cost renewable energy market and also to encourage renewable energy companies to locate or serve Ohio. It is critical that a level playing field be developed and that no special treatment be given to any entity. The power from the renewable energy source should be paid for at the time of receipt. In other words, consumers should not be required to prepay for the construction of renewable energy for doing so would provide the local utility with a competitive advantage over other bidders.
- Promote alternative energy such as clean coal technologies and the use of waste coal which will provide economic development opportunities by using Ohio's coal supplies. It is just a matter of time until carbon regulations are passed that will require utilities to dramatically reduce their carbon output. Given this, it is important that Ohio take the lead in developing alternative technologies. However, this must be done in a fair and equitable manner so that not all the risks for new technologies are shouldered exclusively by Ohio's already over-burdened ratepayers.
- Promote the development of alternative energy by customers through distributed generation and combined heat and power that allows customers to either generate their own electricity using renewable sources or by encouraging manufacturers to utilize waste heat to create energy. The latter process increases plant efficiency from the 30% to 35% range of traditional centralized power plants to the 65% to 80% range. To make this happen, utilities must be required to remove the barriers to interconnection with their systems and they must offer reasonable rates for back-up service when the self-generators are not operating. The prices utilities have typically charged for back-up are so onerous as to make it economically disadvantageous for a manufacturer to self-generate.

All of these energy solutions must be developed in concert. There is no single silver bullet. Rather, it will require a portfolio approach to yield the best results for Ohioans. Such a portfolio offers the potential of providing customers reasonable and reliable power now and in the future through a balanced approach.

The reasons for getting serious now and developing a portfolio of options are manifold:

- Diversity of fuel supplies can hedge against the possibility of one fuel source becoming very highly priced. For example, approximately 85% of Ohio's electricity is fueled with coal. As environmental regulations increase and as Ohio utilities work towards compliance with existing regulations, the cost of electricity will rise. Having other sources of supply – such as renewable energy which has no fuel costs, will be a good hedge.
- As emerging countries compete with the United States for global energy supplies, the cost will increase. China, for example is building a power plant every week. To the extent that we can minimize our reliance on foreign sources of energy, the more energy independent we can become. Moreover, of consideration is the impact from a foreign policy statement of our reliance on fuel from countries with which the United States may not have the strongest relationship. In Ohio, we import approximately 61% of our coal and 85% of our natural gas.
- Moving towards alternative energy sources will also help relieve the burden on our transmission system which increases the reliability of the system in terms of delivering the power where it needs to go.
- A smart energy strategy is good for the environment because it reduces the utilization of less efficient power plants, thereby reducing air emissions. If environmental externalities are factored in, everyone saves through a decrease in health care costs associated with respiratory ailments, etc.

The Office of the Ohio Consumers' Counsel supports the development of a diversified energy portfolio that maximizes our potential to be energy efficient and to invest in alternative energy. Over the long-run, customers will be the beneficiaries of such a policy. This Office stands ready to provide whatever assistance you may need as this Committee considers legislation. Thank you.