

December 28, 2016

## Governor Turns Out Lights On Sensible Energy Reform

Regrettably, Gov. John Kasich on Tuesday vetoed House Bill 554, legislation that would have reduced the costly burden on businesses of Ohio's existing energy mandates. These eight-year old energy mandates require annual increases in both energy efficiency and the amount of power generated from renewable sources. The Ohio Chamber is especially concerned about the energy efficiency mandate, as it is mostly non-bypassable and threatens to drive up electricity costs for all ratepayers.

Legislation was enacted in 2014 that paused any escalation in both the energy efficiency and renewable energy mandates until January 1, 2017 so more study could be undertaken. Subsequently, the Ohio Chamber urged the legislature and administration to enact sensible but permanent reforms that would ensure affordable and reliable access to energy.

HB 554 was the product of nearly four years of discussion regarding the mandates. It was an incremental approach to addressing business cost concerns and removing marketplace uncertainty regarding state energy policy while still retaining the mandates in law. The bill's common sense reforms included an expansion of the ability of businesses to opt-out of a utility's energy efficiency (EE) plans, a decrease in the amount of electricity reduction required of utility customers by 2027 and an expansion of what energy reduction activities count towards compliance with the law.

Large energy users in Ohio already pay in excess of \$1 million per year to comply with the mandates. That figure is forecasted to rise to nearly \$500 million per year by 2022 to fund efficiency programs alone. This is why controlling these costs was a chief goal of HB 554.

While it is possible that the legislature will revisit this issue early in the new year, Public Utilities Commission of Ohio (PUCO) rules generally require Ohio's electric utilities to file three-year plans that detail steps customers will have to take – and how much they will have to pay – to comply with the mandates. If the PUCO approves the plans already pending, utilities and their customers will be locked into plans that comply with the existing requirements, effectively closing the window on rate relief for several more years.

The veto of HB 554, which allows the mandates to resume without any policy changes that would alleviate escalating compliance costs, will damage our state's economic climate as well as the ability of businesses to create jobs. That's no way to start off a new year.

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