



## **Amend SB 315 to Protect Ohio's Successful Energy Efficiency Standard**

**Ohio's energy efficiency standard is lowering electricity bills, cutting pollution, and creating jobs. By amending Senate Bill 315, we can encourage the development of the Combined Heat and Power and Waste Energy Recovery projects *without* diluting the successful energy efficiency standard.**

Ohio's energy efficiency standard (Revised Code Section 4928.66) requires electric distribution utilities to offer programs that help customers save energy. This benefits Ohio because saving energy is the cheapest and cleanest way to serve Ohio's energy needs. For example:

- AEP-Ohio's 2012 to 2014 energy efficiency effort, just approved by the Public Utilities Commission of Ohio, will reduce customers' energy bill by \$450 million and save energy at a cost of less than 2 cents per-kilowatt hour. Generating that energy in a power plant would cost more than three times that amount.
- Utilities' 2009 and 2010 energy efficiency efforts saved customers nearly \$5 dollars in energy costs for every \$1 dollar of utility investment in the programs, and saved enough energy through the end of 2010 to power more than 180,000 Ohio homes.
- The energy efficiency standard is creating jobs. A forthcoming analysis by energy economist Skip Laitner conducted for the Natural Resources Defense Council (NRDC) and the Ohio Environmental Council estimates that electric utilities' energy efficiency efforts created more than 3,800 jobs through the end of 2011 and will create more than 32,000 jobs by 2025.

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### **How do energy efficiency programs create jobs?**

They shift investment from one of the least job-producing areas of the economy (per investment dollar)—the electricity system—to the broader Ohio economy, including manufacturing and construction industries. These sectors create more jobs per investment dollar than electric utilities.

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But Senate Bill 315 would seriously dilute the energy efficiency standard by allowing Combined Heat and Power (CHP) and Waste Energy Recovery (WER) projects to count toward electric utility energy efficiency targets (Line 5038-5039).

**For existing CHP/WER:** S.B. 315 would allow electric utilities to count CHP and WER projects put in place as early as 2006 against their energy efficiency targets. This will do nothing to encourage development of new CHP and WER initiatives, and will displace energy efficiency programs that otherwise would have saved enough energy to power 60,000 Ohio homes and reduced Ohio's energy bill by more than \$200 million (in today's dollars).

**For new CHP:** S.B. 315 would allow electric utilities to count new CHP projects against their energy efficiency targets, even though CHP is already included in Ohio's advanced energy standard. Counting new CHP as energy efficiency could displace energy efficiency programs that otherwise would have saved enough energy to power 300,000 Ohio homes and reduced Ohio's energy bill by more than \$1.1 billion.

**For new WER:** S.B. 315 would allow electric utilities to count new WER projects against their energy efficiency targets, even though WER projects cost three times as much as energy efficiency projects and would suck up incentives that otherwise would have supported cheap energy efficiency projects. Counting new WER as energy efficiency could displace energy efficiency programs that would have saved enough energy to power more than 75,000 Ohio homes and reduced Ohio's energy bill by around \$275 million.

### What is Combined Heat and Power (CHP)?

CHP is a system that uses the same fuel source to generate both electricity and thermal energy (like hot water or steam). This uses much less fuel than generating electricity and thermal energy separately. There is already around 750 megawatts (MW) of CHP installed in Ohio. NRDC estimates that the remaining potential is around 500 MW.

### What is Waste Energy Recovery (WER)?

WER is a system that generates electricity from a source of energy that would otherwise be wasted, such as exhaust heat or flared gas from an industrial facility. There is already around 130 MW of WER installed in Ohio. NRDC estimates that the remaining potential is around 125 MW.

There is a much better solution. We can encourage the development of CHP and WER projects without diluting the energy efficiency standard:

- Do not count CHP projects as "energy efficiency programs." Ohio can support CHP by adding CHP benchmarks to Ohio's alternative energy standard, or by encouraging the Public Utilities Commission of Ohio (PUCO) to approve power purchase agreements between developers and utilities.
- WER projects should only count as "energy efficiency programs" if:
  - they were developed after January 1, 2012 (to encourage new projects),
  - they receive no more incentive than mercantile customer energy efficiency projects (to prevent WER projects from sucking up incentives that otherwise would have funded cheap energy efficiency),
  - the "savings" from WER projects excludes the portion of a project's output exported to the grid on a calendar year operating basis, and excludes any electricity produced from non-waste fuel.

Ohioans will have a cleaner, more prosperous, and more efficient energy future if we develop CHP and WER projects without diluting the energy efficiency standard.

