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# POLICY MATTERS OHIO

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**Testimony of Amanda K. Woodrum  
on SB221 before the Public Utilities Committee  
February 5, 2008**

Chair John Hagan, Vice Chair Shannon Jones, Ranking Minority Member George Distel, other members of the committee: My name is Amanda Woodrum, and I am the Policy Liaison for Policy Matters Ohio, a nonprofit, nonpartisan research institute with offices in Cleveland and Columbus. Policy Matters Ohio is the Ohio partner for the Apollo Alliance, a coalition of business, labor, and environmental groups. I am here today to testify as an interested party in regards to Senate Bill 221.

Policy Matters Ohio and the Ohio Apollo support Governor Strickland's goal to encourage clean "Energy, Jobs, and Progress" by creating renewable energy and energy efficiency standards—standards that aim to reduce the amount of energy used in Ohio, and increase the amount of renewable energy in Ohio's energy portfolio. We also support the more aggressive renewable energy and energy efficiency standards found in House Bill 357 as proposed by Representative Jim McGregor.

Policy Matters Ohio and Ohio Apollo also applaud Speaker Husted for recognizing that it will take a public investment to stimulate Ohio's clean energy economy. Given Ohio's troubled economic outlook, we believe that Ohio should invest in its infrastructure and its workforce to become more energy independent, fight climate change, and put Ohioans to work in the process.

Rather than creating a new energy fund based on an income tax increment financing scheme—a funding mechanism that is questionable for both theoretical and practical reasons—we encourage you to consider instead strengthening Ohio's Advanced Energy Fund. Ohio's Advanced Energy Fund is housed within the Energy Office at the Ohio Department of Development, and funds are collected through a surcharge on Ohioan's energy use, with the economic underpinning that the surcharge captures some of the external costs of using conventional energy, namely pollution. Generating traditional energy to meet our energy demands produces pollution. Putting a surcharge on every kilowatt-hour of energy we use then better reflects the true cost of conventional energy use. Economists refer to this concept as internalizing the external costs (of energy use). By pooling these public energy funds, and using them to invest in renewable energy and energy efficiency measures, the Advanced energy surcharge works to reduce the social costs of future energy use (with a bonus of stimulating Ohio's economy). An income TIF would not share this same economic logic.

Speaker Husted proposes to use income taxes from new jobs created from growth in the renewable energy industry to invest further in the renewable energy industry. However, any economic growth in Ohio that results from developing the Ohio's economy should be dedicated to ensuring shared prosperity, such as making sure our children get health care, a good education, and have their basic needs met. An employment TIF funding mechanism would divert money from the general revenue fund, and reduce efforts to create shared prosperity. Secondly, many of the jobs created from



stimulating the renewable energy economy would involve expanding Ohio's current infrastructure capacity, such as expanding facilities at companies already making component parts such as bearings and gearboxes, to make bearings and gearboxes for wind turbines. Therefore, it may be difficult to identify new jobs due to solely to expansion in the renewable energy industry. Third, once the door is opened to an employment tax increment financing mechanism, every perceived growth industry will knock at your door for their own exception to income tax collections to create income TIF funds to further growth in their respective industry.

Strengthening our public investment in renewable energy and energy efficiency, preferably through the already existing Advanced Energy Fund, will complement both the renewable energy and energy efficiency standards found in Senate Bill 221, by helping to reduce market barriers to renewable energy and energy efficiency products and services. A strong Advanced Energy Fund can be used to increase public awareness regarding clean energy options, develop the renewable energy and energy efficiency supply chain, use green energy projects to train green collar workers, and reduce upfront capital costs for renewable energy and energy efficient equipment. It will likely take more than \$10 million to jumpstart Ohio's clean economy, and make Ohio more energy independent.

At current energy prices, we are sending nearly \$20 billion every year out of Ohio in order to fuel our economy. We purchase two-thirds of our coal, 89 percent of our natural gas, and 98 percent of the oil and petroleum products we use from out of state or out of the country. Rather than sending billion of dollars out of Ohio each year for conventional energy, we should expand our clean energy fund, in conjunction with adopting renewable energy and energy efficiency standards, and use it to make our economy more energy independent. Doing so will make Ohio more energy efficient and will allow Ohio to replace some of our polluting energy sources with renewable energy resources such as wind, solar, and biomass, which can be produced in Ohio.

Ohio has over 2000 firms producing component parts similar to the component parts found in wind, solar, geothermal, and biomass equipment. Ohio also has firms producing energy efficiency products such as insulation. Strong renewable energy and energy efficiency standards will send a signal to these firms that there will be continued and increased demand for renewable energy and energy efficient products, and encourage these firms to expand their capacity to produce these products, and hire more of Ohio's workers in the process.

Eighteen states and Washington D.C. are together spending nearly \$2 billion each year in public benefits funds for clean energy to help break down existing market barriers to energy efficiency and renewable energy products and services. Each dollar invested in renewable energy and energy efficiency creates more manufacturing, construction, retail, and service jobs than an equivalent dollar spent on conventional energy. And every public dollar spent for clean energy leverages an additional \$3 in related business and consumer investment, according to the American Council for an Energy Efficient Economy (ACEEE).

These clean energy funds, including Ohio's Advanced Energy Fund, are used to reduce equipment costs for clean energy products through consumer rebates, grants, and low-interest loans; to conduct statewide public-awareness campaigns; to provide support for the industrial production of clean energy products; and to train workers for the green economy.

Clean energy funds, across the 18 states, range from \$2.3 million to \$440 million per year. Ohio is near the bottom of that pack. Other industrial states collect more money than Ohio annually in order to



jumpstart their economies, Michigan over \$66 million, New York \$175 million, and Wisconsin over \$82 million.

The state of Ohio currently collects \$5 million each year, through a 9 cent monthly surcharge on Ohio electric utility bills, to spend on clean energy projects and services. Compared to the \$20 billion we spend on conventional energy purchased from other states and other countries, \$5 million is a modest amount. We do spend in other ways: \$12 million yearly for low-income household weatherization and energy-efficiency and \$65 million over the past 5 years for energy-related research and development, but Ohio's Advanced Energy Fund should be strengthened.

The public benefits funds we have spent thus far on clean energy in Ohio indicate the potential for much more far-reaching gains. A little over \$5 million in public fund expenditures from Advanced Energy Funds leveraged an additional \$21 million in outside investment. Ohio consumers are eagerly using clean energy funds to invest in energy efficiency, solar power, wind power, and biomass equipment. Residential customers, housing developers, commercial and industrial businesses, local governments, educational institutions, nonprofit entities, and agricultural customers are applying.

I'll mention a few compelling examples of how the fund has been used:

- The City of Bedford Heights in Cuyahoga County took advantage of a \$50,000 grant from the business and institutional efficiency program to invest an additional \$150,000 in energy efficient water pumps at its water treatment facility, and reduce the \$750,000 the city spends on energy every year (a bill ultimately footed by the city's taxpayers). The city expects that investment to pay for itself in two years.
- With a \$25,000 grant, and \$27,000 in private funds, an architect built a model home in Hamilton County with a large solar electric unit, to offset a portion of his home's energy use and to use as a demonstration project for his clients.
- An Ohio manufacturer of HVAC systems, Melink Corp. in Clermont County, used grants to position itself as a leader in the green movement, investing nearly \$100,000 in outside funds to put 11kW of solar panels on its already energy efficient building with a little less than \$40,000 in grant money from Advanced Energy Funds through the Ohio Energy Office.
- In a small way, Advanced Energy funds helped Kent State University build a \$23 million combined heat and power plant, to reduce fuel consumption, decrease emissions, and lower the cost of electricity. In the winter, these CHP generators will provide 90 percent of the university's electricity needs. In the summer, they will provide 60 percent.
- With a \$20,000 Advanced Energy Fund grant from the Ohio Energy Office, and \$20,000 in private money, one family in southwestern Ohio power its home with a 20 kilowatt wind turbine. The turbine is connected to the power grid so the family can use traditional power when needed, and can be credited for any energy transmitted back to the grid (when the family produces more energy than it needs).
- The 577 Foundation in Wood County is planning to install a solar thermal water-heating system, in order to provide an example to the community for environmentally-friendly practices. They expect their solar thermal hot-water heating system to pay for itself in the long run, possibly enough to cover the costs of two traditional hot water tanks.



- Recently, \$5 million in grant funding was also allocated to aid in the creation of two large-scale wind farms to help provide electricity to 45,000 Ohioans.

One issue with the Advanced Energy Fund, however, is that only investor-owned electric utility customers are paying into the fund, and eligible to apply, so the program is not available statewide. This makes statewide public awareness campaigns and consumer rebate programs difficult to administer.

Ohio's Advanced Energy Fund should be expanded, made permanent, and used to encourage both the supply and demand, in Ohio, for energy efficiency improvements and renewable energy systems. A \$0.003 per kilowatt-hour surcharge on energy use, or 3/10 of a cent for every 1000 watts consumed for an hour, would generate an annual fund of over \$465 million. To the average residential consumer this would mean a \$2.80 increase in their monthly electric utility bill.

We recommend the provision found in House Bill 357 using alternative compliance payments to expand the Advanced Energy Fund. When utility companies are unable to meet renewable energy standards they can pay the difference into the Advanced Energy Fund in the form of an alternative compliance payment. Offering utility companies a choice to create renewable energy on their own in Ohio, or pay into the Advanced Energy Fund at the current market rate for renewable energy credits or a set fee per megawatt-hour, is a good method for developing a cohesive strategy to encourage Ohio's clean energy economy. However, the amount to be generated in alternative compliance payments will be unpredictable and should not be the lone mechanism to expand Ohio's Advanced Energy Fund. In addition, to ensure alternative compliance payments are properly made, regular oversight of utility company's investment in renewable energy and energy efficiency would be required.

A greatly expanded clean energy fund in Ohio could be used to implement a statewide outreach campaign to educate the public on energy efficiency and renewable energy options, and to provide free energy audits to Ohioans and simple customer rebates for green products such as solar panels. We can also expand Ohio's clean energy supply chain by providing financial support to potential suppliers of green energy products and services to retool their infrastructure and retrain their workers. The Advanced Energy Manufacturing Center, proposed in House Bill 357, would be a good mechanism to develop a cohesive strategy on this front. The manufacturing center could be linked to a Green Jobs Corps program that provides green employment services and weaves together vocational skills training programs, union apprenticeship programs, and recognized pre-apprenticeship programs that create pathways out of poverty.

Since Ohio is an enormous user of energy, we rank fourth among states for industrial energy use and sixth for total energy consumption, we ought to be leading in investing in our energy future. Besides reducing our dependence on diminishing resources largely purchased from outside of Ohio, investing in clean energy creates jobs. Clean energy products, such as wind turbines and solar panels, need to be manufactured, installed, and maintained. Many of these green collar jobs are not easily outsourced. Ohio's industrial infrastructure and skilled workforce poises us to capture thousands of clean energy jobs in manufacturing alone.

Ohio should get serious about investing in a clean energy economy investing to re-energize Ohio by creating a serious Advanced Energy Fund.

