

TESTIMONY OF STEVE MILLARD ON BEHALF OF THE COUNCIL OF SMALLER ENTERPRISES

BEFORE THE SENATE PUBLIC UTILITIES COMMITTEE

APRIL 23, 2013

Chairman Seitz, and members of the Senate Public Utilities Committee, thank you for the opportunity to provide testimony today on Senate Bill 58. My name is Steve Millard and I am the President and Executive Director of the Council of Smaller Enterprises (COSE).

For over 40 years, COSE has been a voice for small business. By providing resources such as peer-based education and networking for small business owners, research on the state of small business, and representation in local, state, and federal government, COSE works to support our 14,000 small business members as they work to achieve their ideas of success.

I would like to begin my testimony by providing some context to our interest in this important issue for small business.

For nearly 15 years, COSE has been a provider of electricity savings options to small and mid-sized businesses in the FirstEnergy Corp. service territories and is registered with the Public Utilities Commission of Ohio as a Competitive Retail Electric Service Provider. COSE started in the effort to support small business energy purchasing with the initiation of Ohio's Conjunctive Electric Service offering in 1999. Over years, we have continued to evolve our work with energy through a number of market support generation and retail choice programs and initiatives. Over time, COSE has grown its energy program to a block of more than 300 Megawatts of aggregated small business and residential combined electric load for approximately 3,500 commercial accounts and 2,000 residential accounts. Similarly, the COSE natural gas savings program launched in 2005 and now serves nearly 3,000 commercial and industrial accounts and 4,600 residential accounts.

Our work in this area goes beyond just helping small businesses save money on energy rates. COSE was designated as an Administrator in FirstEnergy Corp.'s Energy Efficiency Collaborative – a collection of organizations representing customers from the residential class and small commercial to mercantile customers, among others. As an Administrator, COSE is in a unique position to assist in the development and implementation of a variety of energy efficiency and demand side management initiatives that will

improve the way small businesses operate going forward. COSE's role in the Collaborative translates to extensive experience in small business energy efficiency programs, including energy audits of mercantile customers and a host of energy-saving initiatives for COSE members. In addition to COSE's work in the Collaborative, we are also providing auditing and energy support services to small business owners in the Dominion territories. COSE's dedicated energy team has experience in developing and managing these types of programs and delivering corresponding education for the benefit of reducing energy costs for small businesses in Northeast Ohio.

Based on our experience and the pending legislation, I would like to share our experience and ideas with you related to the opportunities and challenges that exist in the small business energy efficiency space.

Since the passage of SB 221, we have increased our efforts to help small business owners understand and implement opportunities to become more energy efficient. Our experience affirms that energy efficiency is important to small businesses because it helps them save on costs and allows them to focus their time and financial resources on the elements that drove them to start a business and achieve successes that will result in investment and job creation in our State. Energy costs are one of the things that come along with owning a business and COSE believes it is important to ensure that we, along with the legislature, the utilities, and other groups are working hard to develop and execute programs that make it easy for small businesses to understand and capitalize on energy efficiency opportunities.

While there were energy efficiency programs in place prior to the passage of SB 221, we believe that this legislation and the corresponding benchmarks have created a higher sense of urgency and awareness among utilities, businesses, and residents as it relates to the development, administration, and implementation of energy efficiency initiatives. While the heightened awareness is positive, we feel that there is more work to be done to address the root of the biggest challenges facing small business in the energy efficiency space – accessing capital and information about energy efficiency programs.

According to COSE's national affiliate, the National Small Business Association, 43 percent of small business owners are relying on bank loans and 31 percent are utilizing credit cards to finance their business. With tight margins and relatively small revenues, many small businesses find it challenging to undertake new investments, even if they will save money over time.

Fifty-two percent of small-business owners see cash flow as the primary barrier to investing in energy efficiency. Without this access to capital, small business owners are often unable to move forward with energy projects that would save them dollars in the long run. Senate Bill 221 created a portfolio of energy

efficiency programs for businesses of all sizes. However, only large energy users have the ability to avoid the cost of the riders on their electric bill. Given the opportunities and challenges small business face with respect to their ability to invest in energy efficiency programs, we believe that more must be done to broaden the scope of programs to help small businesses of all circumstances access the information and funding necessary to move forward with these projects.

The rebates created by utilities as a result of the DSE2 rider have helped to provide some small businesses with the incentives and assistance they need to complete energy efficiency projects they wouldn't have otherwise completed. For example, one of our members, a mattress store, had an opportunity to conduct a lighting retrofit. The total cost of the project was \$22,500, with a projected annual utility cost savings of almost \$15,000. The rebate value available to this small business of \$4,500 and was a strong factor in this small business' desire to move forward with this project. We support the continued availability of rebates for small business that create incentives and urgency to take action on these projects.

The rebates are a benefit and incentive to businesses with strong credit and positive cash flow. For those businesses without strong cash flow, energy efficiency measures sink to the bottom of their priority list – despite the benefit such programs could have on their bottom line. We believe that additional measures must be taken in order to bridge this gap for small businesses. On-bill financing is a program that could help to accomplish this goal. On-bill financing is a program that allows small business owners to access low to no interest capital from a financial institution or utility and repay the loan via their energy bill while paying the same average costs on the bill prior to the completion of the project. This type of financing makes loan repayment easy for small businesses by supporting their cash flow and has been successfully completed in a number of states around the country in providing small businesses with the capital they need to take an energy efficiency project from concept to completion. And, with a default rate of less than 1%, it proves to be a positive opportunity for the financial institutions involved as well. On-bill financing can be done a number of ways and we would welcome the opportunity to discuss these options with the legislature, utilities, and financial institutions.

Small businesses that lack positive cash flow and a strong credit history face even higher obstacles with respect to energy efficiency improvements. We believe that more must be done to assist these types of small businesses as well. One such opportunity is the creation of a loan fund developed through public and private partnership that creates access to capital for small businesses with less than stellar credit via a loan guarantee. Recognizing there is a need for this type of program, COSE is working on the development of

an Energy Loan Fund, which will provide loan guarantees to small businesses who are accessing dollars for qualified energy efficiency projects. This guarantee will allow partner banks to lend to small businesses with less than favorable credit without the risk involved in a traditional loan. COSE would welcome the opportunity to work collaboratively with the utilities to utilize a portion of the funds generated by the DSE2 rider to increase the pool of dollars available to small businesses via this loan guarantee program.

Finally, and perhaps most importantly, we believe that it is important to ensure that there is adequate attention paid to the distribution of resources to educate small business owners about their options and opportunities related to energy efficiency. Small business owners wear many hats and don't have the time to seek out energy projects unless they are overdue for one. Education empowers small business owners and allows them to understand the options in front of them so that they may capitalize on the financial savings generated by an energy project.

In closing, as this Committee continues to evaluate the energy efficiency benchmarks and other components of Senate Bill 221, we ask that you keep small business top of mind. While COSE is not opposed to edits to the existing process or benchmarks, we want to ensure that any modifications are done in a way that promotes the importance of energy efficiency and provides small businesses with access to programs, information, and resources they can utilize to engage in this practice. We hope to be a resource to you and this Committee as you work to determine the path forward and I am happy to answer any questions the committee may have at this time.