



**Ohio Senate Public Utilities Committee
Testimony of Seth Kaplan
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Opponent Testimony on House Bill 114

Chairman Balderson, Vice-Chair Jordan, Ranking Member O'Brien, and members of the Senate Energy and Natural Resources committee, thank you for the opportunity to present today's testimony. EDPR is one of the largest developers of commercial scale wind farms in the country, including the operational Timber Road and Amazon Wind Farms in Paulding County, Ohio. We testify in opposition to House Bill 114—at a minimum, it should be amended to fix the state's onerous wind setback laws, passed with no input in a budget bill three years ago.

Wind energy has never been cheaper. In 2014, the last year for which we have full data, the average cost of wind energy nationally (with the federal production tax credit) was \$23.43 per MWh. For context, compare this price to the average day-ahead energy price in PJM (the power grid and wholesale market which serves Ohio). In 2013, the average day-ahead energy price was \$38.66 per MWh. In 2014 the price increased to \$53.14 per MWh,¹ before falling back to \$36.16 per MWh in 2015.²

As a result of the falling price of wind energy, many corporate customers are recognizing the enormous value of wind. These companies are more than ever engaging in direct purchases of wind energy, just like Amazon has done right here in Ohio. Other major brands are purchasing wind energy not just to meet their environmental goals, but also because it is cost competitive. Just a few of these companies include: Google, Facebook, General Motors, Walmart, Microsoft, Proctor and Gamble, and Owens Corning. Notably, our company recently entered into such a contract with Cummins, the company

¹ http://www.monitoringanalytics.com/reports/Market_Messages/Messages/2014-som-pjm-press-release.pdf

² http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2015/2015-som-pjm-volume2.pdf p. 1.

that makes the engines that power so many of the tractors and trucks used in the fields and on the highways of Ohio.

Given the low cost of wind energy, some ask why the RPS / EERS are still necessary. The answer to this question relates to the nature of today's electricity market structure. First, electricity market price signals are primarily short-term. Wholesale markets send an energy price signal to the market a day-ahead and in shorter real-time intervals. Slightly longer-term forward markets do exist for approximately two to three years, but are based on a very limited number of transactions the further out one goes. As a result, existing energy markets do not account for the long-term value of wind energy's low fixed price for terms of up to twenty years or twenty five years. In addition, natural gas is becoming the dominant price setting fuel across the country. Data from the National Renewable Energy Laboratory and Energy Information Agency's Annual Energy Outlook reveals that in the near-term, the projected price of energy from natural gas will fall within the same range as the price of wind energy. Wind energy is not only competitive with natural gas, but provides fuel diversity and a long-term fixed price in case natural gas prices increase even more than expected.

Second, retail energy suppliers are not well equipped to do long-term procurement. Most retail electricity suppliers have limited balance sheets, which mean they procure energy *when needed* to deliver to their customers. Additionally, retail energy suppliers do not know from year to year how many customers they will have. This makes long-term planning and procurement impossible. A competitive supplier is not motivated to examine the market for the best long-term energy price-- meaning it is both impractical and unlikely that most or any retail energy suppliers will choose to voluntarily purchase low cost wind energy to serve their customers. The retail electricity market is not set-up to reward that type of behavior. In short, today's electricity markets do not send a price signal to retail energy suppliers that encourages the purchase of low-cost, long-term wind energy. Renewable energy mandates redress that market shortcoming and are the most efficient way to ensure that every day Ohio customers benefit from low cost wind energy.

Finally, HB 114 does nothing to remedy the prohibitive property line setbacks for wind turbines set forth in current law. The setbacks imposed in 2014 under HB 483 have created a *de facto* moratorium on wind development in Ohio and are preventing companies like ours from making even more significant investments in local communities across the state.

For the reasons outlined above, EDP Renewables opposes HB 114. Ohio's approach to renewable energy deserves a holistic analysis that results in a comprehensive approach to meeting the state's energy future. By continuing the RPS freeze and failing to address the current property line setbacks for wind turbines, the legislature is missing a significant opportunity to modernize the state's energy mix, provide savings to ratepayers and shape a business climate attractive to local chambers of commerce and Fortune 500 companies alike.

Thank you.