House Energy and Natural Resources Subcommittee on Energy Generation
Chair Dick Stein and Chair Michael O'Brien
Opponent Testimony on House Bill 6
Testimony of Open Road Renewables
Mike Volpe, Vice President, Open Road Renewables

April 23, 2019

Chairmen and members of the Committee, Open Road Renewables is a developer of utility-scale solar farms. Our team has been working and investing in Ohio for the past five years and we are deeply committed to bringing economic development and clean energy opportunities to Ohio communities.

On behalf of the Open Road Renewables team, the hundreds of landowners, local community members, and workers whose prosperity depends on our efforts, we wish to express our **opposition to House Bill 6**, which guts Ohio's chief pro-renewable energy policy under the guise of promoting low-carbon energy. By exempting mandatory Ohio's Alternative Energy Portfolio Standard (the "AEPS") obligation and proposing to replace it with OAQDA funding for "Clean Air Resources", House Bill 6 removes state subsidies from job-creating renewable resources like new wind and solar facilities in order to prop-up existing power plants with a mix of existing low-carbon and fossil fuel resources, a major step back for ratepayers, the Ohio economy, and for the environment.

As a bit of background, the AEPS is a "market-based" approach to meet the state's renewable energy goals in the most cost-effective manner. This market-based approach brings together supply of renewable energy with demand for that energy: The demand comes from the 12.5% of electricity sales from renewable resources by 2027, and the supply is made up of new renewable generators that are brought online by companies, like ours, to meet the demand. As in any marketplace, the balance of supply and demand results in the market price. Under the AEPS, the balance of supply and demand results in the market price for Renewable Energy Credits or "RECs". The market price for RECs has consistently decreased over time in lock-step with the falling cost of renewable energy over the past decade. While the details of the AEPS market structure may seem less relevant to the conversation at hand, there are two key takeaways: i) the AEPS is the most cost-effective approach to meeting the state's carbon reduction goals and ii) the AEPS is the foundational driver of new renewable additions in Ohio.

How do we know that the AEPS is the most cost-effective approach to meeting the state's carbon reduction goals? The most recent 2Q 2019 rate impact information presented by the Public Utility Commission of Ohio indicates that the AEPS costs residential ratepayers a range of $.10 to $1.17 per month[1], with an average cost of $0.52 per month across the 6 electric distribution utilities. This analysis assumes that the average residential ratepayer uses 750 kWh per month and currently get 7.5% of their electricity from renewable resources per the AEPS statutory obligation. In comparison, the $2.50 per month funding mechanism proposed in HB6 is significantly more expensive than the equivalent amount of renewable energy added under the AEPS. How much more expensive? Our analysis concludes

1: https://www.puco.ohio.gov/industry-information/industry-topics/ohioe28099s-renewable-and-advanced-energy-portfolio-standard/renewable-portfolio-standard-rate-impacts-2nd-quarter-2019/

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that the cost of bailing out the nukes is roughly 40% higher than the equivalent cost of renewables under the AEPS without the added benefit of new jobs, economic investment, and tax dollars contributed to local communities by new renewable energy projects throughout the state whose continued growth relies on the AEPS.

How do we know the AEPS is the key driver of new renewable additions in Ohio? As a developer of renewable energy projects, our business relies on projects being economically viable. Looking forward, our view is that new renewable energy projects in Ohio (both wind and solar) will be economically viable if they earn both: i) the wholesale value of energy and ii) OH REC revenue. Looking at the PJM interconnection queue, we are not alone in believing that Ohio under the current AEPS is a good place for new investment: there are currently more than 4,500 MW of wind and 10,000 MW of solar projects under development in the Buckeye state, which represents potentially billions of dollars of new investments throughout Ohio representing thousands of new jobs and millions in annual property tax payments to local communities across the state. The abundance of investment by private companies as represented by the scores of wind and solar projects under development in Ohio is a direct result of the current AEPS obligation. Yet Open Road Renewables would not be alone in the view that projects like ours are at risk of failure under a repeal of the AEPS as HB6 has proposed. As a point of reference, just the projects Open Road Renewables has under development in Ohio represent roughly $1B in direct capital investment, $7.5 M in annual local tax revenue, and 2,500 new jobs in the state, all of which would be at risk under HB6.

In closing, we recognize the financial challenges that the nuclear plants are facing and recognize the efforts that the bill sponsors are taking to preserve the jobs associated with these two plants. We, however, are vehemently opposed to the repeal of the AEPS as HB6 is currently drafted. HB6 would gut an effective, least-cost means to support new zero-carbon renewable additions and would replace it with a funding mechanism fraught with challenges. Specifically, the remittance of funds from Clean Air Authority is conditioned upon there being sufficient money in the fund, a fact that results in an uncertain policy regime that would make renewable project financing impossible and would result in a major step back for the prospects of new renewable generators in Ohio.

If the intent of the legislature is to truly promote more zero carbon additions in the Buckeye state, we urge you to bifurcate the nuclear interests from the wind and solar interests. New wind and solar additions will continue under the existing AEPS statute and the nuclear interests can be served via the proposed OAQDA mechanism. Please do not rob Peter to pay Paul by gutting the AEPS in exchange for bailing out the nukes, especially given the renewable jobs and investment on the line.

For these reasons, we thank you for your consideration and strongly oppose HB6 in its current form.

Kind regards,

MVolpe

Mike Volpe
Vice President

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