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June 18, 2019

Ohio Senate
Energy and Public Utilities Committee
1 E Capital St.
Columbus, OH 43215

Chair Wilson, Vice Chair McColley, Ranking Member Williams, and Members of the Committee,

My name is Mark Walter, Director of Legislative & Regulatory Affairs for Savion. Thank you for the opportunity to speak with you today as an opponent to Substitute House Bill 6, particularly the language which removes the Alternative Energy Portfolio Standard, commonly referred to as the AEPS.

Savion is a solar and energy storage development company based in Lenexa, Kansas. Our company is the result of a recent split from another development company, Tradewind Energy, which is responsible for the successful development of over 5,600 MW of renewable resources across 13 states representing over \$8.6B in capital expenditures. Savion is active in Ohio, developing a portfolio of over 700 MWs of solar and over 100 MWs of storage. Those numbers represent nine individual projects, all located in rural counties, for a combined total investment of greater than \$1b. We are currently planning for these projects to reach maturity over the next five years with the first project filing for approval with the Ohio Public Siting Board this fall.

Though Savion's investment numbers for Ohio are sizeable, they represent only a fraction of the overall renewable energy investment planned for in-state development in the near future. The PJM interconnection queue shows that there is currently more than 10,000 MWs of solar and 4,500 MWs of wind planned for development in Ohio. Though not all of these projects will be built for various reasons, those that do end up reaching construction will equate to many thousands of jobs across multiple sectors and hundreds of millions of dollars in new property taxes.

These planned investments are due in no small part to the market stability created by Ohio's AEPS, which has been in place since 2008. The AEPS has established a predictable demand for our industry using a conservative, market-based approach to setting compliance costs. The standards are met by utility procurement of Renewable Energy Credits, or RECs, with each REC representing 1 MWh of renewable generation. The RECs are tracked through the PJM Generation Attribute Tracking System (GATS) system, which ensures the fidelity of the RECs. Similar to the stock market, supply and demand establish the price for each REC as utilities and other market participants bid for a limited amount of available RECs. This process has been functioning well for years now and is understood by the finance world. Essentially, it creates the stability necessary for entrepreneurs to feel comfortable funding Ohio projects to the tune of billions of dollars.



I have heard from those advocating for the passage of HB 6 that the AEPS must be stripped because the cost for compliance will continue to rise year after year. The industry data and the PUCO's annual AEPS reports show this to be incorrect. Due to the market-based approach of competition for RECs, the PUCO's annual reports show that REC prices have dropped by approximately 80% since the policy's inception. The average Ohio ratepayer pays approximately \$0.52 per month in AEPS compliance costs and that number will continue to decline with the industry's progress.¹

The data from the Solar Energy Industries Association shows that the cost for installed solar has dropped by more than 70% in the last decade alone. All projections show that this price decline will continue as solar continues to scale up globally.² Bloomberg New Energy Finance, the standard of excellence of market projections for the renewable energy industry, projects that there will be another drop of over 50% in solar project costs just between now and 2025 due to an enormous increase in global demand.³ To put it simply, there is no evidence that AEPS compliance will increase in the future and there is ample evidence to reach the opposite conclusion.

Another criticism I have heard about the AEPS is that it is not achieving its intended goal of creating jobs in the state of Ohio. Looking at the history of Ohio policy, this appears to be by design. Until recently, wind energy was the most cost-effective way for utilities to meet their REC demands. Since Ohio removed its in-state requirements for AEPS compliance and established heavy regulations on wind siting, utilities made the rational decision to comply primarily with RECs from projects in nearby states. Now that the cost of solar has dropped enough to be competitive against regional wind generation, however, Ohio is on the brink of seeing the annual increases in the AEPS met through a significant influx of in-state, low cost solar generation from companies like Savion. This will result in an even greater number of renewable energy jobs in Ohio than the nearly 10,000 which already exist.⁴ That jobs number grew 5% between 2017 and 2018 and will continue to grow if the AEPS is allowed to remain in place. A fact worth noting is that according to the US Bureau of Labor Statistics, the fastest growing jobs in the country last year were "wind turbine technician" and "solar installer".⁵ Now is the exact *wrong* time to pull the rug out from the AEPS in Ohio as it is poised to take advantage of solar's cost decline and create a boom in rural jobs and economic development.

Ohio's AEPS is indeed functioning as designed and we hope the legislature allows the market to continue expanding. While there may well be a problem regarding the state's nuclear fleet that the state decides is worthy of intervention, that discussion should be separate and apart from the broader discussion of how Ohio's overall energy future should look. The

¹ Renewable Portfolio Standard / Rate Impacts 2nd Quarter 2019. <https://www.puco.ohio.gov/industry-information/industry-topics/ohioe28099s-renewable-and-advanced-energy-portfolio-standard/renewable-portfolio-standard-rate-impacts-2nd-quarter-2019/>

² Solar Energy Industry Data. <https://www.seia.org/solar-industry-research-data>

³ Bloomberg New Energy Finance – "2018 Long-Term PV Market Outlook: Solar's Shining Future." August 24, 2018.

⁴ 2019 Clean Jobs Midwest Report. <https://www.cleanjobsmidwest.com/state/ohio>

⁵ US Department of Labor, Bureau of Labor Statistics. <https://www.bls.gov/emp/tables/fastest-growing-occupations.htm>





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stable, market-based framework that has been in place since 2008 was thoughtfully done and has been given time for businesses like mine to make large investments across the state. Should the legislature decide to that a policy that is currently enabling billions of dollars of investment and supporting thousands of jobs needs to be updated, it is my belief that this should be done with more intention and discussion than has been part of the discussion of HB 6 or the state risks disrupting this large and growing economic sector.

I appreciate your time and ask that the Committee vote No on HB 6.

Sincerely,

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