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BOUNDLESS ENERGY™

March 2, 2022
Before the House Public Utilities Committee
Opponent Testimony on House Bill 450

Chair Hoops, Vice Chair Ray, and Ranking Member Smith, my name is Steve Nourse and I serve as Vice President, Legal for American Electric Power. AEP operates in 11 states, including in Ohio where we have our headquarters in Columbus, 1.5 million customers and 6,500 employees. Thank you for allowing me to testify in opposition to House Bill 450 (HB 450).

While AEP Ohio has long supported policies in Ohio that encourage a diverse generation mix, protect customers and support economic development, HB 450 falls short of this goal and creates more problems than solutions. We oppose the bill because it will raise rates for customers not participating in the program while benefiting out-of-state developers through unjustified financial subsidies.

AEP Ohio completed a financial analysis, a summary of which is attached, of the impact HB 450 would have on nonparticipating customers. The review assumed that 1,100 MW of the total solar generation will be located in AEP Ohio's service territory. Even accounting for the recent reduction in the non-distressed solar allotment in the bill, the average non-participating residential customer would pay an extra \$4.30 monthly, a 3.2 percent bill increase (or \$51.62 annually). Separately but also significant is that the state also stands to lose \$4.3 million yearly in kWh hour tax collection from AEP Ohio customers.

HB 450 would not only perpetuate but would significantly expand the financial cost shift associated with net metering, because it would eliminate important restrictions that exist for net metering and expand the scope and scale of the subsidy program. Net metering originally sought to encourage adoption of emerging technologies "behind the meter" on customer premises. In the intervening 14 years that have passed since then, both rooftop solar and utility-scale solar developments in the region have thrived due to more favorable economics. Recently, the regional grid operator PJM announced that it is considering a multiyear pause to work through the backlog of solar projects in the interconnection queue. This is a clear signal that the net metering subsidies available for solar projects are no longer necessary. Other states have recognized the unfairness of raising rates for nonparticipating customers by taking steps to reduce subsidies. By eliminating the main premise of net metering that the generating facility be located behind the customer's meter and by expanding the scope and scale well beyond individual households, HB 450 would move Ohio in the wrong direction. Due to the additional grid impacts of virtual net metering for community solar facilities, this bill will cause additional rate subsidies beyond our analysis of direct rate impacts of the proposed subsidy.

Finally, there is nothing in the bill to provide opportunities for an electric distribution utility (EDU). This, along with other unclear provisions in the legislation, raises numerous issues that would make administering a solar program operated pursuant to HB 450 burdensome and counterproductive.

We continue to see adoption of renewable technologies across our service territory and our customers increasingly demand innovative solutions. Unfortunately, HB 450 would interfere with the distribution grid investments needed to meet these demands by raising rates and expanding outdated policies. We look forward to engaging in additional discussion with members of the committee.

Thank you for your time and I am happy to answer any questions.

House Bill 450 - Usage Impacts

| | | Non Distressed | Distressed | Total |
|---|-----|-----------------------|-------------------|--------------|
| Statewide Solar MW | | 1,000 | 1,000 | 2,000 |
| Projected Allocation to AEP Ohio Territory | | 40% | 70% | 55% |
| Solar MW Applied to AEP Ohio | | 400 | 700 | 1,100 |
| Allocation to Residential Customers | 40% | 160 | 280 | 440 |
| Annual Residential kWh Allocated to Customers Supplied by HB 450 | 24% | 336,384,000 | 588,672,000 | 925,056,000 |
| Projected Number of AEP Ohio Residential Customers Supplied by HB 450 | | 28,032 | 49,056 | 77,088 |

Total Subsidy for AEP Ohio Residential Customers Participating in HB 450

| | Rates | Non Distressed | Distressed | Total |
|----------------------------|-----------------|-----------------------|----------------------|-----------------------------|
| Energy Charge | \$ 0.0263 | \$ 8,851,104 | \$ 15,489,432 | |
| Total Base D | | \$ 8,851,104 | \$ 15,489,432 | \$ 24,340,536 |
| BTCR | \$ 0.029 | \$ 9,851,140 | \$ 17,239,495 | \$ 27,090,635 |
| DIR | 8.058% | \$ 713,212 | \$ 1,248,121 | |
| EDR | 2.791% | \$ 247,010 | \$ 432,268 | |
| ESRR | 3.071% | \$ 271,791 | \$ 475,634 | |
| Total Base D Riders | | \$ 1,232,013 | \$ 2,156,024 | \$ 3,388,037 |
| AER | \$ 0.004 | \$ 760,374 | \$ 1,330,654 | |
| USF | \$ 0.002 | \$ 811,594 | \$ 1,420,289 | |
| TSCR | \$ (0.000) | \$ (77,368) | \$ (135,395) | |
| Total kWh Riders | | \$ 1,494,599 | \$ 2,615,549 | \$ 4,110,148 |
| AEP Ohio Total | | \$ 21,428,857 | \$ 37,500,499 | \$ 58,929,356 |
| kWh Tax Avoided | \$ 0.005 | \$ 1,564,186 | \$ 2,737,325 | \$ 4,301,510 |
| Total Subsidy | | | | <u>\$ 63,230,866</u> |

Customer Rate Impacts

Subsidy for AEP Ohio Residential Customers Participating in the HB 450 Program

| | |
|--|---------------|
| Subsidy for Customers Supplied by HB 450 | \$ 63,230,866 |
| Projected Number of Residential Customer Participating in HB 450 Program | <u>77,088</u> |
| Annual HB 450 Subsidy for Participating Customers | \$ 820.24 |

Cost Shifted to AEP Ohio Residential Customers not Supplied by HB 450 Program

| | |
|--|--------------------|
| Total Cost Shift for Customers not Participating in HB 450 Program | \$ 58,929,356 |
| Residential kWh in 2021 | 14,625,564,715 |
| kWh Supplied by HB 450 Program | <u>925,056,000</u> |
| Remaining kWh | 13,700,508,715 |
| Dollar per kWh Rate Associated with Cost Shift | \$ 0.00430 |
| Average Annual kWh (Assuming 1,000 kWh a monthly) | <u>12,000</u> |
| Annual Rate Impact for Non-Participating Customers | \$ 51.62 |
| Monthly Rate Impact or Non-Participating Customers | \$ 4.30 |