

**Senate Energy and Natural Resources Committee  
Written Testimony of Eric Thumma  
Director of Policy and Regulatory Affairs  
Avangrid Renewables, LLC**

**October 18, 2017**

**Opponent Testimony on House Bill 114**

Chairman Balderson, Vice-Chairman Jordan, Ranking Member O'Brien and members of the committee, thank you for the opportunity to present written testimony on House Bill 114. Avangrid Renewables LLC (formerly Iberdrola Renewables LLC) is one of the nation's largest owners and operators of commercial scale wind farms, including Ohio's largest wind farm, Blue Creek, in Van Wert and Paulding counties. Avangrid Renewables is also developing commercial-scale solar facilities across the country. For the reasons described below, Avangrid Renewables respectfully requests members vote "no" on House Bill 114.

Globally, renewables represent the technology of the future as countries push to meet their energy needs through plentiful, clean, and increasingly affordable energy resources. In 2015 half of the world's new power capacity was from renewables.<sup>1</sup> While global investments in renewables trailed 2015's record year, renewable generation accounted for the majority of 2016 capacity additions in the United States. According to the Energy Information Administration for the third consecutive year more than half of new capacity additions are renewable technologies, especially wind and solar.<sup>2</sup>

This growth has been fueled by rapidly declining prices for renewable energy. As the following chart shows, wind energy has never been cheaper. Since 2009 the average cost of wind energy has

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<sup>1</sup> <https://www.iea.org/newsroom/news/2016/october/iea-raises-its-five-year-renewable-growth-forecast-as-2015-marks-record-year.html>

<sup>2</sup> <https://www.eia.gov/todayinenergy/detail.php?id=29492>

declined by 66%.



Across the United States, Renewable Portfolio Standards, which mandate that load-serving entities purchase a certain, usually increasing, percentage of their electricity supply from eligible, renewable energy sources have proven to be an effective policy to encourage competitively supplied renewable energy investments. While the concept of renewable energy mandates has raised concerns it is the case that even mandated renewable energy investments have faced far more competitive pressures than historic conventional forms of electricity generation as this chart demonstrates.

Power Plant Type	Capital Costs	Fuel and O&M Costs	Capital Cost Recovery	Fuel and O&M Cost Recovery
<b>Existing Coal Plants</b>	High	Low-Moderate-High	<b>Government Guaranteed Rate of Return</b>	<b>PJM Energy Market</b>
<b>Existing Nuclear Plants</b>	Highest	Low	<b>Government Guaranteed Rate of Return<sup>3</sup></b>	<b>PJM Energy Market</b>
<b>Existing Gas Plants</b>	Moderate	Moderate-High	<b>Government Guaranteed Rate of Return</b>	<b>PJM Energy Market</b>
<b>New Gas Plants</b>	Lowest	Low	<b>PJM Capacity Market</b>	<b>PJM Energy Market</b>
<b>New Wind Farms</b>	High	Lowest	<b>PJM Energy Market/Government Incentives</b>	<b>PJM Energy Market</b>

Since the adoption of Ohio’s Alternative Energy Portfolio Standard in 2008 there has been uncertainty as to the direction of the state’s renewable energy policy as each year revisions, significant changes, or repeal efforts have been introduced by the legislature. In order to take full advantage of the benefits of renewable energy it is imperative that Ohio adopt a durable renewable energy policy that enables stakeholders to plan for the state’s energy future. HB 114 does not achieve this objective.

The provisions of HB 114 which make the renewable energy targets voluntary and enable customers to entirely opt-out of the targets make the bill’s implementation impossibly complex. To

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<sup>3</sup> In some states nuclear power plants also received stranded costs payments during the transition to competitive markets to ensure that they recovered all their capital costs.

efficiently meet RPS targets it is essential that load-serving entities are able to plan for the future with certainty and recover their costs. The opt-out provisions make this impossible since load-servers will not know from one year to the next how big their renewables targets are or what percentage of their load will have opted-out of the standards. This will make it impossible for load servers to plan long-term. As a result, load-servers will be forced to meet their renewable energy obligations by relying solely on volatile spot market renewable energy certificate purchases, potentially raising prices well above what they would be if load servers could plan for future targets and customer load. Cost-recovery may prove a challenge for load servers as well. Competitive suppliers will have to re-price their products based on their number of opt-out customers which could change from year to year. Utilities will be reliant on PUCO approving cost-recovery to meet the voluntary standard (in Virginia, the Corporation Commission on one occasion rejected an incumbent utility's request for cost recovery related to renewable energy purchases to help meet that state's voluntary renewable portfolio standard).

For the reasons cited, Avangrid Renewable respectfully requests that members vote "no" on HB 114. Avangrid Renewables thanks the committee for the opportunity to provide this written testimony.

Respectfully Submitted,



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Eric Thumma

Director, Policy and Regulatory Affairs

Avangrid Renewables, LLC