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Before the House Public Utilities Committee
Opponent Testimony on Substitute House Bill 197

Chairman Stein, Vice Chair Blasdel, Ranking Member Weinstein and committee members, my name is Jon Williams and I am the Managing Director of Customer Experience and Distribution Technology for AEP Ohio. AEP operates in 11 states, including in Ohio where we have our headquarters in Columbus, 1.5 million customers and 6,500 employees. While AEP has long supported policies in Ohio that encourage a diverse generation mix, protect customers, and support economic development, HB 197 falls short of this goal and we oppose the bill.

While we appreciate the continued work of the bill sponsors and this committee on HB 197, the bill contains multiple harmful provisions that raise rates for customers not participating in the program while benefiting out-of-state developers through unjustified financial subsidies.

HB 197 would require AEP Ohio to purchase all electricity generated by the community solar projects regardless of their price competitiveness and do nothing to reform Ohio's broken, outdated net metering framework that shifts costs from participating customers to non-participating customers. Instead, the bill adds additional costs by allowing projects to be located anywhere in the electric distribution utility's (EDU) territory. This concept would lead to customers receiving bill credits for generation, transmission, and distribution costs, paid by other customers, for electricity potentially generated hundreds of miles away.

AEP Ohio is currently experiencing significant economic and load growth in our service territory. As this committee knows, there are significant, interstate conversations ongoing about the need for reliable, dispatchable generation sources to continue to facilitate this economic growth. This bill does little to help Ohio meet the significant demands of a growing grid, regardless of passage.

AEP Ohio estimates that the potential shifted costs, even with the substitute bill changes, will be substantial and will raise rates for customers. An initial analysis estimates that our non-participating residential customers could see a $5 monthly bill increase should this legislation pass in its current form. During a previous interested party meeting many months ago, we were encouraged to hear that the proponents of this bill agreed to share their estimated potential bill impact to nonparticipating customers. We are disappointed that this has not occurred after many months, and we remain confident in our analysis.

Although the total size of the program has been reduced, the exemption that large industrial users of electricity have from paying for the costs of this program through the substitute bill is another indicator that this legislation will significantly increase the electric bills of Ohioans. It also means that even more costs will be shifted onto residential and smaller commercial customers.

A number of administrative provisions remain unclear in the legislation. For example, the bill would require the Public Utilities Commission to set a framework for utilities to purchase the unsubscribed output of community solar projects at the utility's wholesale energy cost. This risk should be on the developer and enrolled community.

Ohio is not alone in examining the impact of net metering policies, which this bill perpetuates. For example, our understanding is that Minnesota mandates that their utilities purchase the output of community solar projects developed by for-profit entities at above-market prices. Public reporting shows that the costs are rapidly escalating, leading to direct impacts to the state's residential customers. We continue to see states across the country take action to roll back cost shifting to nonparticipating customers. We have attached in our testimony a recent article highlighting the peril of unchecked cost increases that await AEP Ohio's customers should this legislation move forward.

Additionally, there is nothing in the bill to tie this program to an EDU through ownership, operations, or control. The bill does not address who will pay for the implicit subsidies or whether the mandated credits on participating subscribers' bills will be funded. This raises a number of administrative issues such as how to handle excess capacity and the issue of customers dropping in and out of the program, as well as challenging the ability of AEP to keep our employees safe while maintaining the integrity of the grid.

The substitute bill contains several other provisions that benefit specific interests at the expense of customers. For example, HB 197 would require that electric utilities hold the unsubscribed generation of the community solar developers on our financial books. This transfer of risk from private developers to utilities (that under the bill are explicitly prohibited from developing projects), is profoundly unfair, and would create incentives for the development of community solar projects regardless of demand and raises serious constitutional concerns given the state's prohibition on EDUs owning generation.

We continue to see adoption of renewable technologies across our service territory and our customers increasingly demand innovative solutions. For example, the Ohio Air Quality Development Authority was recently designated a state energy financing institution (SEFI). This makes loans available from the US Treasury for developers to deploy renewable energy systems. This allotment of federal funding is a much better opportunity to test demand for community solar rather than creating a program where residential and smaller commercial customers bear all risks and costs of community solar.

Alternatively, the legislation could be amended to solely allow Ohio's electric distribution utilities the ability to create and implement a community solar program. This framework would better match the positive attributes of distributed generation to system and customer needs, reduce costs and subject the program to greater regulatory scrutiny and customer protections.

Unfortunately, HB 197 would increase rates and greatly expand outdated and costly net metering policies. We look forward to engaging in additional discussion with members of the committee.

I appreciate the opportunity to testify today, and I am happy to answer any questions.