AMERICA'S RURAL ENERGY COALITION'S 2023 NATIONAL CONFERENCE

Manufacturing & Industry Issues and Needs: Energy Transition in West Virginia

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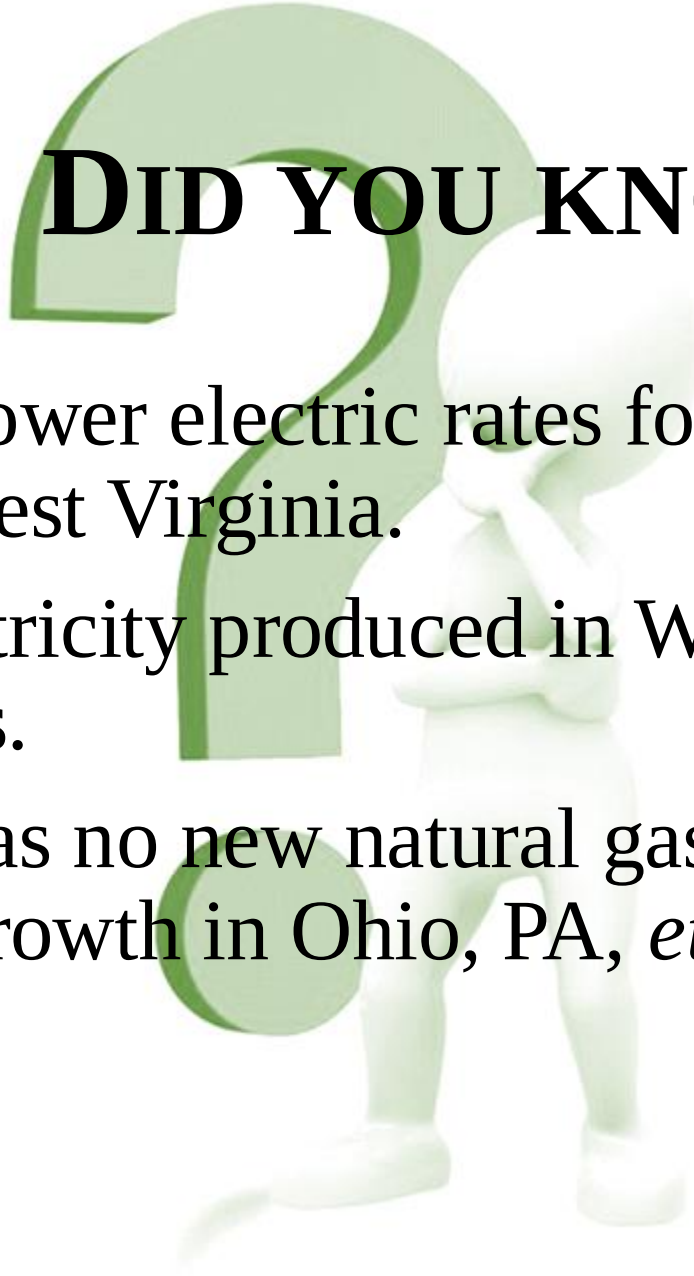
Did you know?



- New York has lower electric rates for manufacturing and industry than West Virginia.
- 91% of the electricity produced in West Virginia comes from coal-fired plants.
- West Virginia has no new natural gas fired power plants, despite sector growth in Ohio, PA, *et al*.

CURRENT ELECTRIC RATE CONTEXT

Current Options for Manufacturing and Industrial Customers

- Monopoly utility government regulated rates (AEP & FE)
- On-site generation (some renewables)
- Limited special contracts/interruptible rates
- Limited economic development rates
- No free market competition or customer choice
- No other alternatives, like bilateral contracting (for renewables or otherwise)

CURRENT ELECTRIC RATE CONTEXT

- *But isn't West Virginia an **energy state**?*
  - WV is 2nd in coal production
  - WV is 5th in natural gas production
  - WV is 5th in total energy production, with 5% of the nation's total
- None of it is relevant to WV regulated retail rates
- WV wholesale generators – gas or renewable – have no ability to serve WV ratepayers directly

WV Large User Electric Rates

- The average large user rate on the AEP (APCo/WPCo) system is 7.59¢/kWh
- The average large user rate on the FirstEnergy (Mon Power/PE) system is 6.96¢/kWh
- For a ten-year period, *West Virginia's electric rates increased* on a percentage basis more than any other state
- For 2001, the average manufacturing/industrial rate in WV was 3.76¢/kWh and in 2020 it was 6.09¢/kWh (now it is 7.48¢/kWh)
- By comparison, PA in 2001 was at 5.78¢, and it was 6.16¢ in 2020

WV Large User Electric Rates

- West Virginia's average industrial electric rate (7.48¢/kWh) now ranks 21st among the 50 states (EIA, Table 5.6.A., Apr. 2023 release)
- AEP's average "LCP/IP" rate of 7.59¢/kWh would rank 22nd (EIA, Table 5.6.A.)
- FE's rate of 6.96¢/kWh would rank 15th (EIA, Table 5.6.A)

❖But both may increase **precipitously**!

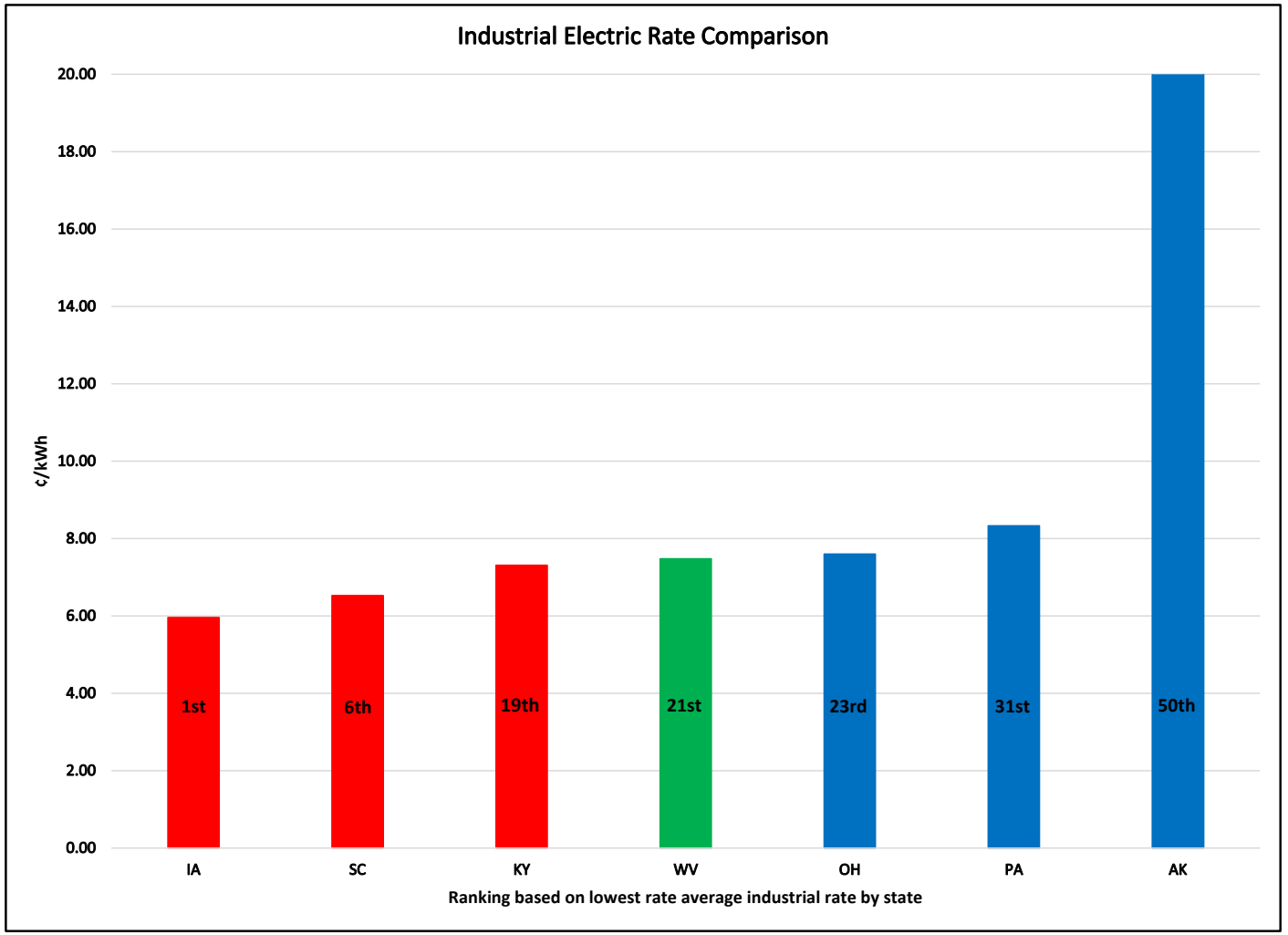
CURRENT CHALLENGES

- AEP
  - Rates increased by almost $250 million in 2021 and 2022 (@ 15%)
  - Current "fuel surcharge" (ENEC) under-recovery of over one-half billion dollars – filing expected now!
- FE
  - Rates have increased by $250 million since January 2021 (>25%)
  - Current fuel surcharge under-recovery of over $260 million – August filing
  - Evaluating acquisition of Pleasants Power Station
  - Seeks Depreciation rate increase ($75 million)
  - Will be filing Base Rate increase (@ $150 million) any day now

❖**Upward increases of 25% for large users**

WV Industrial Electric Rates:

Average Industrial Comparison



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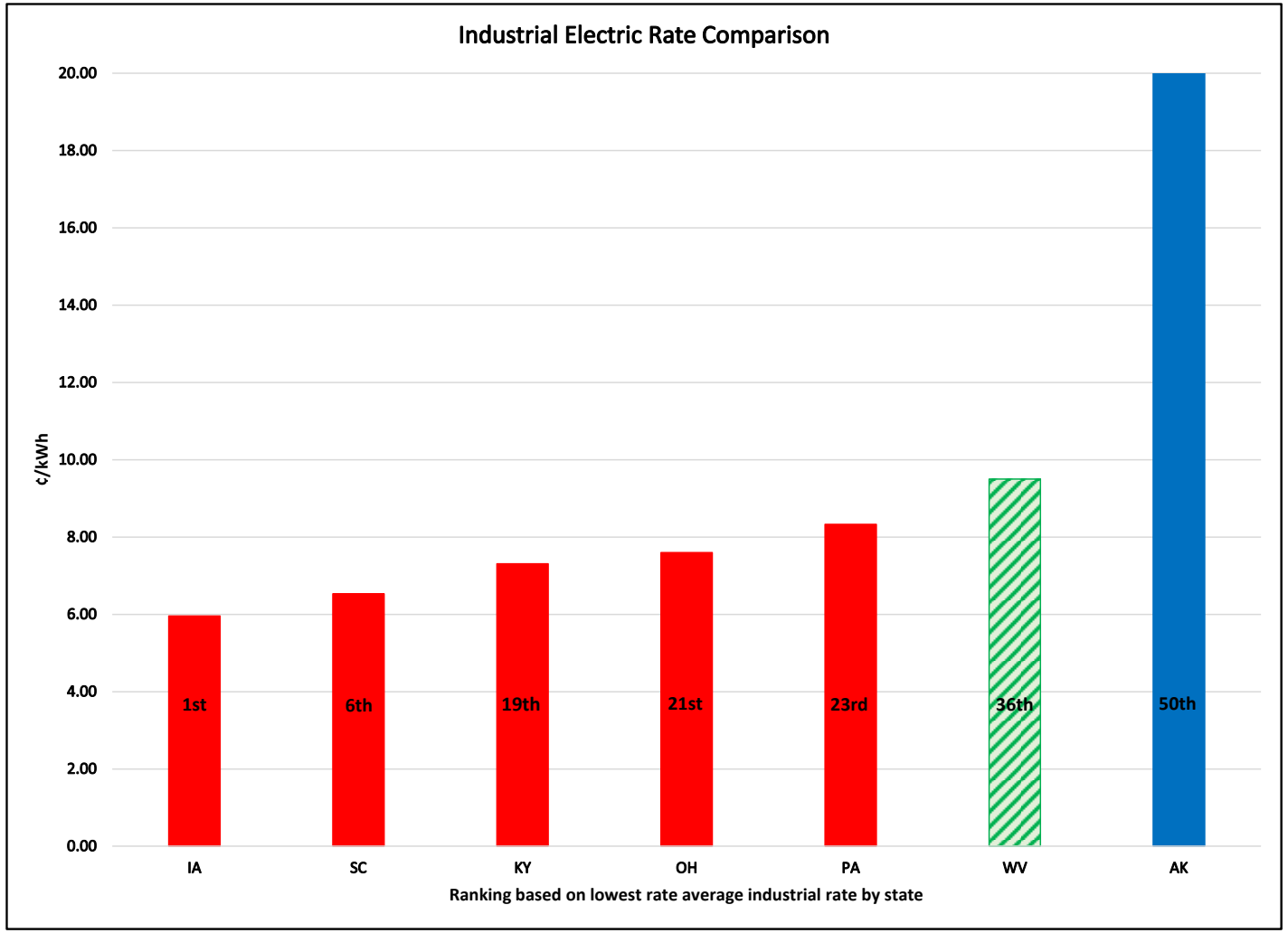
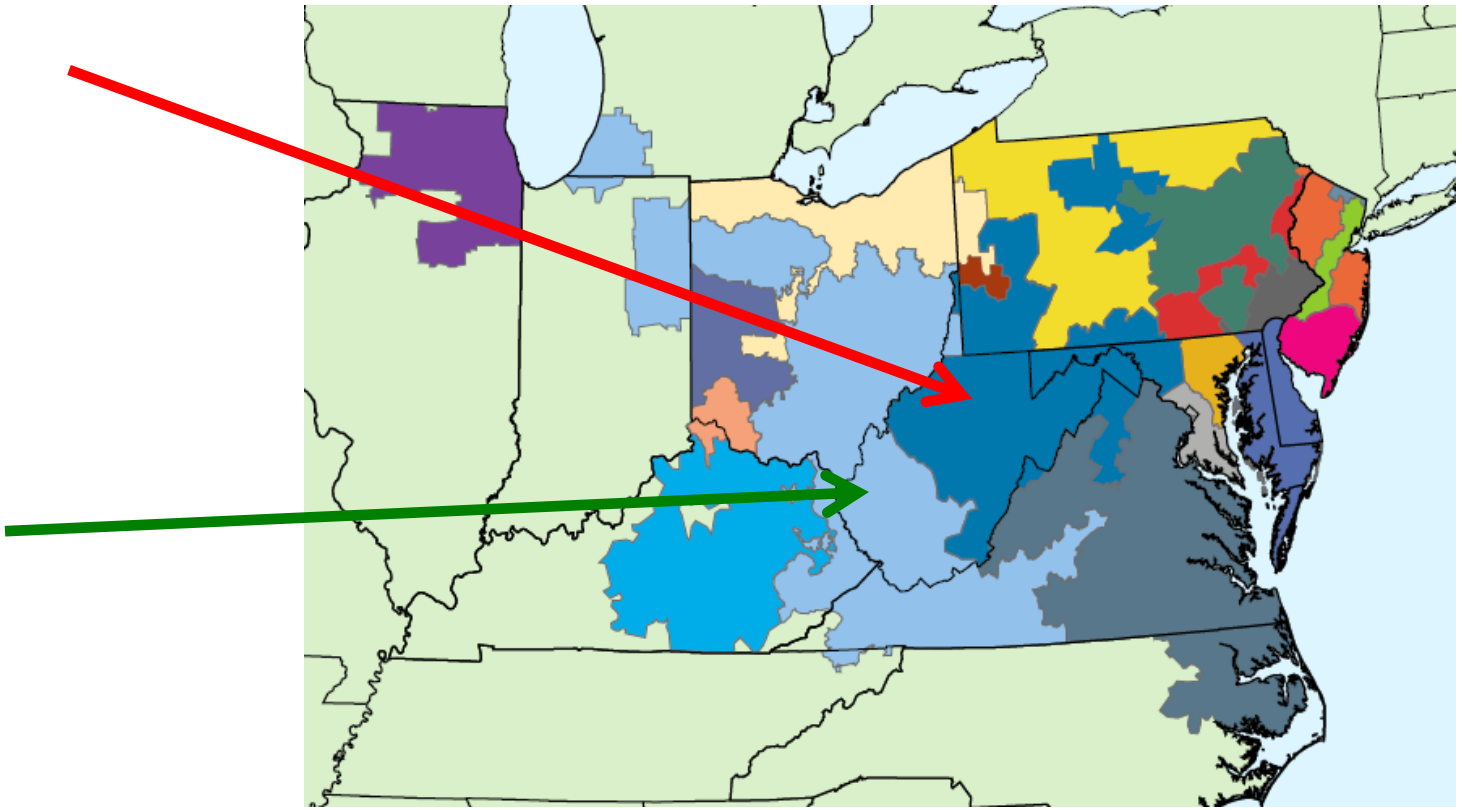


SURROUNDING STATES HAVE MORE COMPETITIVE OPTIONS

- WV industrials/manufacturers have options in surrounding states:
  - Kentucky – allows some access to market-priced power
  - Ohio – economic development credits; open access to market
  - Virginia – incentive rates; open access; market-based rate tariff
  - Pennsylvania – open access to market for large users

- West Virginia operates in the PJM footprint, which allows for retail customer choice and competition – WV does not

Surrounding States are Out-Competing West Virginia



OTHER ISSUES

- Political will to preserve coal-fired power plants
  - Public Energy Authority (SB 609)
- Need to develop generating resources
  - Grid Stabilization Act (SB 188/HB 3482)
- Creative rate solutions for increased costs
  - Securitization Bill (HB 3308)
- Demand for Renewables
  - No RPS
  - VPPAs
  - Limited Solar/Wind Options
  - *But see*, *e.g.*, Toyota, Nucor Steel

OTHER ISSUES

- Transmission/Grid Enhancement and Investment
  - Cost consequences
  - Federal and state issues
- Some Successes:
  - Nucor Steel
  - Hydrogen Hub (Chemours/TC Energy)
  - Form Energy (Battery Storage)
  - Berkshire Hathaway/Precision Parts (Special Session Bill)

TRANSITION NEEDS

- Free Market Influence in:
  - Production development
  - Transmission investment
  - Large user rate options

- Principles:
  - Competition
  - Customer Choice
  - Diversity
  - Common Sense

TRANSITION NEEDS

- All Options on the Table:
  1. Utility tariff, rider, economic development, special contract offerings, market-based rate (MBR) pricing
     - ***PSC Electric Task Force***
  2. Access to PJM market → Limited Customer Choice → as load grows/plants retire
     - Largest, most sophisticated users assume the risk of market
     - Reduce the utilities' need for new generation or capacity
     - No cost to other ratepayers and no stranded costs
  3. Bilateral contracting with WV wholesale power producers; e.g., Longview or other production sources, especially renewable producers
  4. Onsite cogeneration with third-party owner-operators/end-user campuses – all fuels

West Virginia Energy Users Group

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3. Cleveland-Cliffs, Inc. Weirton
4. Constellium Rolled Products Ravenswood, LLC Ravenswood
5. Huntington Alloys (Special Metals) Huntington
6. Marathon Petroleum Company Multiple
7. Messer, LLC Washington / Chester
8. ND Fairmont, LLC Fairmont
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