



August 13, 2024

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

RE: *In the Matter of the Application of Ohio Power Company for Approval of a Reasonable Arrangement Under R.C. 4905.31 and OAC Chapter 4901:1-38, Case No. 24-734-EL-AEC.*

Dear Docketing:

Enclosed is Staff's Review and Recommendations regarding the Joint Application of Ohio Power Company and Intel Corporation for a Reasonable Arrangement Under R.C. 4905.31 and OAC Chapter 4901:1-38 in Case No. 24-734-EL-AEC.

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STAFF REVIEW AND RECOMMENDATIONS

Ohio Power Co. and Intel Corp. Case No. 24-734-EL-AEC

Background

On July 19, 2024, Ohio Power Company (“AEP Ohio”) and Intel Corporation (“Intel”) filed a joint application (the “Application”) for a reasonable arrangement pursuant to R.C. 4905.31 and Ohio Adm. Code 4901:1-38.

As described in the Application, Intel “designs and manufactures advanced semiconductors” and is “the largest U.S.-owned semiconductor manufacturer” and “the only leading-edge U.S. semiconductor company that both designs and fabricates its own semiconductor products.” Application at 4. Intel plans to build two semiconductor manufacturing facilities (each referred to as a “fab” in the industry) spanning nearly 1,000 acres in Licking County, Ohio (the “Facility”). *Id.* at 1, 5. According to Intel, each fab produces millions of computer chips every hour, 365 days a year. *Id.* at 5. In addition to the fabs, the Facility will include other related Intel business operations. *Id.* at 6. The Facility will have a maximum contract capacity of 500 MW. *Id.* at 2.

Intel has committed to spending more than \$20 billion constructing the Facility. *Id.* at 1, 4, 14, 15. The fabs are expected to generate more than 20,000 jobs in the State of Ohio, including 3,000 direct Intel jobs, 7,000 construction jobs, and more than 10,000 indirect and support jobs. *Id.* at 1-2. The 3,000 direct Intel jobs have a projected annual payroll of \$405 million, which is an average of \$135,000 per job (plus benefits). *Id.* at 1, 7. Indirect and support jobs include contracted positions, electricians, engineers, and jobs in restaurants, healthcare, housing, and entertainment. *Id.* at 1-2. An economic impact study commissioned by JobsOhio found that during construction, the Facility will support \$2.57 billion of economic activity and \$668 million of gross state product in Ohio annually, plus \$446 million of annual labor income. *Id.* at 8. Once the fabs are operational, they are projected to support \$6.45 billion of economic activity and \$2.79 billion of gross state product annually, plus \$1.90 billion of labor income. *Id.*

To support the fully built-out Facility, AEP Ohio plans to build a new substation (referred to as the “Green Chapel Station”) that will be connected to AEP Ohio’s 138kV transmission network. *Id.* at 11. AEP Ohio will construct “a customized distribution station designed to meet Intel’s unique needs including up to six transformers (138kV, 225MVA) at the Green Chapel Station to reduce voltage to 34kV, which is the voltage at which AEP Ohio will provide service to Intel.” *Id.* The distribution station will also include certain “special circuit breakers needed to address Intel’s unique service quality needs.” *Id.* at 12.

AEP Ohio will also construct 4.7 miles of new transmission lines to connect the Green Chapel Station to the existing transmission network. These transmission investments (a 138kV line extension and other transmission facilities at the Green Chapel Station) are FERC-jurisdictional and thus outside the scope of the Application. *Id.* at 11.

Summary of the Proposed Reasonable Arrangement

The following is a summary of the key terms and conditions of the proposed reasonable arrangement:

1. **Term Length.** The reasonable arrangement would begin immediately upon Commission approval and would continue for 240 months (20 years) after Intel commences operations with service through the Green Chapel Station. Application at 3, 13.
2. **Rates Paid by Intel.** AEP Ohio will serve Intel at 34kV, which is primary voltage. Intel, however, will pay rates as though it were a transmission voltage customer. *Id.* at 3, 13. Under AEP Ohio's current Schedule GS tariff, therefore, Intel would pay a customer charge of \$3,600 per month, but it would not pay a variable distribution demand charge. If Intel were charged as a Schedule GS primary voltage customer (which it would be in the absence of a reasonable arrangement), it would instead pay a customer charge of \$138.50 plus a distribution demand charge of around \$6,000 per MW. *See* AEP Ohio Tariff, 4th Revised Sheet No. 220-3.¹ Intel will pay all applicable riders as though it were a transmission voltage customer. Application at 14.
3. **Contribution in Aid of Construction**
 - a. When an electric distribution utility needs to construct facilities (referred to as "line extensions") to serve a new nonresidential customer, the customer is typically responsible for 40% of the cost of such line extensions, plus 100% of the cost of any "premium services." *See* Ohio Adm. Code 4901:1-9-01(A) (defining "line extension"² and "premium service," among other relevant terms); Ohio Adm. Code 4901:1-9-07(D)(3)(a) (utility responsible for 60% of line extensions, and customer responsible for the remaining 40% plus all costs for premium services). *See also* AEP Ohio Tariff, 1st Revised Sheet No. 103-7. The customer's payments are called a contribution in aid of construction ("CIAC"³).
 - b. To serve Intel, AEP Ohio plans to build the Green Chapel Station, as described above. According to the Application, the estimated cost of the station is \$95.1 million, which includes "special circuit breakers needed to address Intel's unique service quality needs." Application at 11-12.
 - c. Under the proposed reasonable arrangement, Intel will pay CIAC only for the special circuit breakers (estimated at \$740,000). *Id.* at 14. AEP Ohio will recover the remainder of the Green Chapel Station through its distribution investment rider ("DIR"). The DIR costs attributable to the Green Chapel Station will not count toward the current DIR cap approved in Case No. 23-23-EL-SSO. *Id.* at 4. Based on calculations provided by the applicants, a typical residential customer would pay

¹ GS primary and GS transmission customers also pay a charge for "Excess Reactive Demand," which is \$1.21 per kVA for primary voltage customers and \$0.70 per kVA for transmission voltage customers.

² The term "line extensions" is broader than just wires and can include, among other things, substations, poles, fixtures, and other equipment.

³ Pronounced like "kayak."

about 64 cents per month under the DIR for the Green Chapel Station, with that amount decreasing slightly each year as the asset depreciates.⁴ The Green Chapel Station assets would be rolled into base rates in AEP Ohio's next base distribution rate case, the same as any other DIR assets. *Id.* at 15.

4. **Exit Fee.** If Intel terminates the reasonable arrangement before it has invested at least \$20 billion in the Facility, it will pay an exit fee. The amount of the exit fee is the lesser of (i) \$94.5 million⁵ and (ii) the then-current net book value of the Green Chapel Station plant in service at the time of termination. Application at 15. If Intel pays an exit fee, AEP Ohio will credit the fee against the net book value of the Green Chapel Station plant in service. *Id.*
5. **Third-Party Participation.** Intel will be allowed to designate a portion of its allotted 500 MW to be used by third parties. Such third parties will be located at or near the Intel Facility property, their load will be served through the Green Chapel Station, and either Intel or the third party will pay for any incremental costs of building out to serve the third party. *Id.* at 6. Such third parties will pay rates based on the same terms and conditions approved for Intel in this reasonable arrangement. *Id.* at 6.

Staff Review and Recommendations

Staff's review included an assessment of the Application, data requests, independent research, and communications with the applicants to determine whether the proposed reasonable arrangement terms adhere to the requirements of R.C. 4905.31, Ohio Adm. Code 4901:1-38, and Commission precedent. Staff also notes that the Application is supported by both residential and nonresidential ratepayer advocates, with the Office of the Ohio Consumers' Counsel and Ohio Energy Group filing letters recommending its approval. Staff recommends that the Commission approve the proposed reasonable arrangement between AEP Ohio and Intel, subject to the following clarifications:

1. Staff supports inclusion of the Green Chapel Station in AEP Ohio's DIR and agrees that recovery under the DIR should be excluded from the annual revenue caps otherwise applicable to the DIR.⁶ Staff recommends that recovery associated with the Green Chapel Station should be subject to the same audit process as all other DIR assets and reviewed for prudence and reasonableness, and should be included in the DIR only when it is used and useful.

⁴ Staff-01-001 Attachment 5

⁵ \$94.5 million is the projected value of the station, minus the CIAC fee to be paid by Intel.

⁶ See Case No. 23-23-EL-SSO, Stipulation & Recommendation at 18 (Sept. 6, 2023) ("Nothing in this Stipulation and Recommendation ... is intended to prevent the Commission in a subsequent proceeding from approving specific capital investments to be recovered through the DIR above the annual revenue caps stated below.").

2. Ohio Adm. Code 4901:1-38-06(A) requires customers served under reasonable arrangements to submit annual reports.
 - a. The Application states that Intel's annual reports will include the amount of its capital investments in the Facility until that investment exceeds \$20 billion. Staff supports this proposal. Staff recommends that such annual reports also include the number of direct Intel employees and annual payroll (projected in the Application at 3,000 employees with annual payroll of \$405 million).
 - b. Staff also recommends that in its annual reports, Intel provide a summary of all third-party entities to whom Intel has delegated a portion of its 500MW capacity under the reasonable arrangement.
3. Footnote 19 to the Application states that if recovery of the entire Green Chapel Station through the DIR "is otherwise no longer available for whatever reason, AEP Ohio alternatively requests: (a) recovery of delta revenue through the Economic Development Rider of the difference between the transmission voltage rates being charged to Intel under this proposal and otherwise applicable primary voltage rates, or (b) deferral of the full weighted average carrying charges, including a return on equity, associated with the Green Chapel station capital investment and related facilities until such time as new distribution rates are effective and the entire prudently incurred capital investment associated with the Green Chapel station is prospectively recovered through base rates." Staff recommends that the Commission not predetermine what might occur upon termination of the DIR without knowing the cause for such termination. If AEP Ohio's DIR is terminated before the Green Chapel Station is rolled into base rates, AEP Ohio should have the ability to make a filing in this reasonable arrangement docket with a proposed modification addressing the situation. At that point, the Commission can assess the available facts and determine whether any action is necessary.

Staff recommends approval of the proposed reasonable arrangement. Intel will invest more than \$20 billion in capital investment in Ohio, generating 3,000 direct jobs with an average annual salary of \$135,000. The reasonable arrangement plainly "facilitate[s] the state's effectiveness in the global economy" and "promote[s] job growth and retention in the state." *See* Ohio Adm. Code 4901:1-38-02(A); *see also* R.C. 4928.02(N) ("It is the policy of this state to do the following throughout this state: ... (N) Facilitate the state's effectiveness in the global economy."); R.C. 4905.31(E) (a reasonable arrangement "may include a device to recover costs incurred in conjunction with any economic development and job retention program of the utility within its certified territory"). Further, the benefits to the State of Ohio from Intel's investments substantially outweigh the relatively modest costs that other ratepayers will pay for the Green Chapel Station through AEP Ohio's DIR.

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Summary: Staff Review and Recommendation regarding the Joint Application of Ohio Power Company and Intel Corporation for a Reasonable Arrangement Under R.C. 4905.31 and OAC Chapter 4901:1-38 electronically filed by Zee Molter on behalf of PUCO Staff.