

Policy Matters Ohio testimony to the PUCO in Akron, 1/12/2015

Testimony of Michael Shields, researcher for Policy Matters Ohio, Cleveland, in the matter of **Case No: 14-1297-EL-SSO**.

Mr. McKenney, Commissioner Slaby, thank you for the opportunity to testify today.

FirstEnergy has asked the PUCO for a consumer bailout for two inefficient plants in what it calls an “Electric Security Plan.” But electric security has long been a policy concern for Ohio, and the clean energy standards passed six years ago in SB 221 addressed the matter by laying out a plan for the reduction of waste, and giving Ohio utilities an opportunity to move into sustainable generation sources. The efficiency standards mandated a 22% reduction in energy usage, a way to trim the waste; while the renewable portfolio standards required utilities to get 12.5% of their electricity from renewable sources, both to phase in incrementally by year 2027. Energy users paid a surcharge to make these standards a reality.

That was a charge that made sense for consumers: nationally, energy efficiency costs an average of 2.8 cents per kWh saved, but those are kilowatt hours that consumers save money on. This month, the PUCO listed rates for FirstEnergy service territory customers ranging from 6 cents to 11.99 per kWh. That means efficiency programs not only help to secure our energy future – they also save Ohio families money. Ohioans had already saved over a billion dollars, and FirstEnergy customers alone saved some \$300 million, by the time the clean energy standards were frozen last summer.

Those standards represented an opportunity for FirstEnergy to reshape its energy sources responsibly, cost effectively, and sustainably. The rate case now pending before us is the result of FirstEnergy’s decision to waste that opportunity.

Almost immediately following the passage of SB221, FirstEnergy began efforts to lobby the legislature to overturn it. The firm has spent \$1.7 million on lobbying these past six years. In summer 2014, the legislature approved a temporary freeze of the clean energy standards.

Not only did FirstEnergy lobby for their repeal, but just as though the standards had never been passed into law, FirstEnergy completed a merger in 2011 with Allegheny Energy which *increased* its exposure to coal generation.

But FirstEnergy has since figured out that investing in outmoded, inefficient generation technologies is not just bad policy – it’s bad economics as well. And that’s the reason we’re here.

Following the merger with Allegheny Energy, FirstEnergy has shuttered eight plants, which were operating at a loss.¹ Out of concern that its Sammis and Davis-Besse plants are unable to compete in the the PJM regional market, it is now petitioning the PUCO to protect those plants – an outmoded coal

¹ IEEFA, “FirstEnergy: A major utility seeks a subsidized turnaround,”

plant operating around 30% efficiency; and a dangerous nuclear plant that has already been shut down several times, and cost ratepayers billions – from the operating losses they are projected to face over at least the next three years.

Disregarding energy efficiency standards and going all in on outmoded technologies which are both wasteful and dangerous to public health was a bad business decision for FirstEnergy, and one that has cost the company financially. Now that FirstEnergy has fumbled its business strategy, it has refocused attention from the market to the political and regulatory arena where it has come today to ask you change the rules – but just for FirstEnergy. Other power generators, including wind farms, continue to sell into the regional market, and consumers realize cost savings when their utilities buy from that market. But FirstEnergy wants the PUCO to bypass the market that gives consumers the best rate on energy, and *plenty of it*, and sell to its own utilities all the power generated by these plants, then pass the cost on to Ohio families and businesses. FirstEnergy wants a guaranteed market for all the power they can produce, and waste, at Sammis and Davis-Besse *no matter the cost*.

Ohio families can't afford that. A third of Ohio households, 1.4 million in all, spend more than 30 percent of their annual income on housing and utilities.² And 300,000 pay over 30 percent of their earnings on home energy bills alone.³

If FirstEnergy is concerned about electric security, then it should support the unfreezing of the energy efficiency and portfolio standards, which reduce waste and dependency on irreplaceable fossil fuels. But FirstEnergy executives opposed those standards, undertook a different business model, and now, finding that model unsustainable, have asked the PUCO to shield them from the market consequences of their own poor choices: poor corporate stewardship, and poor business model alike.

By removing market incentives for FirstEnergy to invest in efficiency, a decision to allow the power purchase agreement FirstEnergy requests as part of the proposed ESP would create a space, for over a decade, for FirstEnergy to create waste, which Ohio consumers don't need but would be forced to pay for.

Wasted energy is wasted money for Ohio families. I urge the PUCO to reject this plan.

Thank you.

² The Home Energy Affordability Gap 2013, May 2014.

³ The Home Energy Affordability Gap 2013, May 2014.