

Dirty energy subsidies a bad deal Report says proposals would incentivize waste

Michael Shields

Consumer subsidies to guarantee electric power sales for several inefficient plants owned by FirstEnergy and American Electric power would be costly and encourage waste. That is the conclusion of a study released today by Policy Matters Ohio.

The utilities have filed petitions with the Public Utilities Commission of Ohio that would allow the plants to bypass the competitive market they sell power to under the 1999 deregulation law, and sell directly to the firms' own distribution companies instead. The deals would come at a cost premium, which the utilities would pass on to Ohio families and businesses. If approved, the arrangements are expected to cost First Energy customers \$400 million, and AEP customers \$240 million in the first three years alone. Long-range projections run into the billions.

By creating a guaranteed market, the deals would remove market incentives for the utilities to invest in energy efficiency and renewable generation.

The report recommends that the PUCO reject the proposed electric security plans, and the legislature unfreeze the energy-efficiency and renewable-energy standards that lawmakers froze last summer.

“Ohio needs a comprehensive energy security plan,” said Michael Shields, Policy Matters Ohio researcher and the report’s author. “Ohioans understand that renewables can and must be our energy future. These proposals would be a roadblock to energy sustainability.”

Key findings

- Proposals of utilities to have ratepayers subsidize inefficient power plants would cost First Energy consumers \$3.1 billion and AEP consumers \$240 million.
- Approval of the plans would be counterproductive to energy efficiency and renewables. Approval would provide a guaranteed revenue stream for all generation, eliminating incentives to economize and reduce waste
- The proposed “Electric Security Plans” are stop gap substitutes for comprehensive energy restructuring that is needed. The utilities should focus on renewable power sourcing and waste reduction.