



Contact: Michael Shields, 216.361.9801

Dirty energy bailout is a bad deal FirstEnergy asks ratepayers to subsidize inefficiency

The Public Utilities Commission of Ohio should reject a proposed FirstEnergy Corp. plan that would bail out two failing power plants, at an estimated \$3.1 billion cost to consumers.

FirstEnergy successfully lobbied the Ohio legislature last summer to freeze clean-energy standards the state adopted six years ago, and the utility is now asking the PUCO to protect two inefficient plants.

“Those standards represented an opportunity for FirstEnergy to reshape its energy sources responsibly,” Policy Matters researcher Michael Shields said in testimony to the PUCO earlier this week. “The rate case now pending before us is the result of FirstEnergy’s decision to waste that opportunity.”

Akron-based FirstEnergy is asking the PUCO to allow its utilities – Ohio Edison, Toledo Edison and Cleveland Electric Illuminating Co. – to bypass competitive markets and buy their power at a premium from two outmoded plants, the Davis-Besse nuclear plant near Toledo and the Sammis coal-burning plant on the Ohio River.

If the PUCO approves the request, it would sidestep Ohio law that requires regulated utilities to buy energy from competitive markets. The company is asking for a 15-year “Power Purchase Agreement” between the utilities and the generation plants. By FirstEnergy’s own projections, the plan would cost consumers an extra \$400 million over the next three years alone.

Shields cautioned that sidestepping the market would allow FirstEnergy to charge monopoly prices to its consumers.

“Sammis and Davis-Besse are inefficient plants which can no longer compete on that market, and have been operating at a loss. Under the proposed agreement, the utilities would pay a cost premium for power from these plants, then pass that expense on to consumers.”

A PUCO hearing in Akron was the first of three public hearings on the request. A Cleveland hearing takes place Tuesday, Jan. 20, at 6 p.m. at Cleveland City Hall, Council Chambers, second floor, 601 Lakeside Avenue.

Caitlin Johnson of Ohio Organizing Collaborative said the sessions are an opportunity for the public to weigh in on a matter of fairness. “Ohio families and businesses shouldn’t have to foot the

bill for big energy's bad business mistakes," said Johnson. "The PUCO hearings give ratepayers a chance to stand up to corporate greed."

Shields said FirstEnergy's move to shield the outdated plants from the market is part of a larger regulatory strategy by the firm, which has aggressively resisted responsible energy sourcing since the passage of the clean energy standards in 2008. These standards, he said, were an authentic way of securing a stable electric supply for the state.

The standards included efficiency mandates, which would reduce consumption by 22 percent, eliminating waste; and portfolio standards, which would require electric utilities to generate at least 12.5 percent of their power through renewable sources. Both standards phased in gradually and were to be fully implemented by 2025.

Before Ohio froze the clean-energy standards, they had already saved Ohio families around \$1 billion, and FirstEnergy customers \$300 million.

Yet FirstEnergy, which has made more than \$1.7 million in campaign contributions in the six years since the clean energy law passed, has consistently sought its repeal.

"FirstEnergy wants a guaranteed market for all the power they can produce, and waste, at Sammis and Davis-Besse," said Shields. "Ohio families can't afford that."

One-third of all Ohio households, 1.4 million in total, are considered utility-cost burdened, spending at least 30 percent of their income on housing and utilities. Three hundred thousand families pay 30 percent or more on utilities alone.

A similar proposal by Columbus-based utility AEP is also pending before the PUCO. A report on the impact these decisions would have on Ohio consumers is scheduled for release by Policy Matters Ohio next week.

###

*Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute
with offices in Cleveland and Columbus.*