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Governor Strickland Proposes Energy, Jobs and Progress Plan

Columbus, Ohio – Ohio Governor Ted Strickland today announced his Energy, Jobs and Progress plan that will ensure predictability of affordable energy prices and serve as a catalyst to enhance energy industries in Ohio, bringing new jobs while protecting existing jobs.

The Energy, Jobs and Progress plan will achieve three objectives:

- Ensure affordable and stable energy prices to protect Ohio consumers and existing Ohio jobs
- Attract energy jobs of the future through an Ohio advanced energy portfolio standard
- Safeguard Ohio families by empowering consumers and modernizing Ohio's energy infrastructure.

Strickland's plan will ensure affordable and stable energy prices to protect Ohio consumers and existing Ohio jobs by taking a middle-ground approach to electricity regulation. The plan includes a market-based pricing option contingent upon the development of an efficient, open and competitive market. The plan also allows utilities to choose an electricity security plan, which would give the Public Utilities Commission of Ohio responsibility for approving rates that are based on the cost of doing business.

The plan's advanced energy portfolio standard will bring the energy jobs of the future to the state, creating new opportunities for thousands of Ohioans. It requires that at least 25 percent of the electricity sold in Ohio must be generated from advanced energy technology by 2025, and no less than half of that advanced energy must be created in Ohio.

The Energy, Jobs and Progress plan will also safeguard Ohio families by empowering consumers to demand greater efficiency, transparency and service from their utility

companies. This can be accomplished by encouraging investment and modernization of Ohio's energy infrastructure, which is not only a benefit for consumers but also protects and secures the state's economy.

Strickland's complete remarks:

Energy, Jobs and Progress for Ohio

Every generation learns an old lesson and thinks it's new.

Back in the 1880s, a vast supply of natural gas was found in northwest Ohio.

In fact, in Findlay it was said that the region had the largest reserve of natural gas in the world.

There was so much that it was given away free. Locals bragged that natural gas was as "free as the air."

There was so much that lesser wells went uncapped – or were simply burned off.

The local chamber of commerce took out newspaper ads across the country touting "Free Fuel! Free Sites!" for any manufacturer willing to relocate.

Every home and every company in town used natural gas for heat, for lighting, and to run machinery.

With abundant energy fueling prosperity and ease, the population of Findlay quadrupled in less than a decade.

It was, in the words of a historian, "a wild, mad, exciting, exhilarating, spectacular" time.

Given their resources and how quickly the area had grown, town leaders saw no reason to doubt that they lived in what was destined to become the manufacturing center of the world.

There were naysayers. Geologists regularly warned that the gas supply was limited. But their warnings were ignored by some and dismissed by others.

By the turn of the century, however, area residents and companies had only memories of free fuel. In fact, my friends, they had only memories of the endless supply of natural gas.

Today in Ohio, we could assume that the energy we rely upon now will always be sufficient – and quietly wait for the day of crisis when that is no longer the case.

Or we can admit to an undeniable truth – that our energy sources must be broadened and modernized, that we must adopt more efficient practices, that our regulation policies must be made sensible and fair – and achieve a secure energy future for Ohio.

I know that energy isn't the first thought for most people when they wake up in the morning.

But energy shapes economies, energy shapes communities, energy shapes lives.

And that's particularly true in Ohio.

We are blessed to be among the nation's leading manufacturing states and to be home to one of America's largest concentrations of Fortune 500 companies.

But the consequence of all that is done here and all that is made here is the vast quantity of energy that is consumed here.

In fact, Ohio is 5th among the states in overall energy consumption. Our economy spends more than 30 billion dollars on energy every year, and electricity is the single biggest component of our energy use.

In 1999, Ohio moved toward deregulating electricity under the belief that competitive market forces would develop and hold prices down. But it is widely acknowledged that a competitive electricity market has not emerged in Ohio. When you offer consumers a product with no choice of who they buy from, you don't have a market, you have a monopoly. And prices don't go down, they rise ever higher.

Indeed, ever since 1999 there has been recognition of this fact, as well as the need to keep electric rates predictable and stable, because to this day the PUCO has retained the cushion of rate stabilization. And it is that cushion that has kept rates paid by consumers and companies from rapidly escalating.

But rate stabilization is set to expire at the end of next year.

Many of Ohio's largest employers have expressed the concern that deregulation without rate stabilization will mean skyrocketing electricity prices and an unprecedented drain on Ohio's economy.

Quite frankly, their fears are not without foundation.

According to the U.S. Department of Energy, customers in states with deregulated electricity paid 30 percent more last year than customers in regulated states.

When their version of rate stabilization ended this year in Illinois, electricity bills immediately jumped as much as 55 percent.

When rate stabilization ended last summer in Maryland, electric bills soared by 72 percent.

Headlines across the country tell the story of small businesses literally shutting their doors because their electric bills more than doubled.

And that job loss is coupled with personal hardship. *USA Today* recently detailed what happened to an East St. Louis, Illinois family whose electric bill quadrupled when the state's rate caps expired. The wife had to take her engagement ring off her finger and return it. Her husband had to take extra shifts at his warehouse job. And still they may not be able to pay their electric bills.

Equally troubling, the Federal Energy Regulatory Commission has documented the potential for manipulation in a totally deregulated market.

All of you recall the shameful example of Enron's efforts to exploit the deregulated electricity market in California. By intentionally limiting available power, then watching prices soar as demand spiked, companies including Enron are believed to have bilked 9 billion dollars from California consumers over the course of just a few months. Infamously, two Enron energy traders were caught on tape bragging about how they were bankrupting the grandmothers of California with outrageous electricity bills.

We must heed these lessons.

Let me say I do not see us going back to a fully regulated system, but I do see us moving forward with a carefully crafted system that ensures price stability, and an adequate and reliable supply of electricity.

Our energy policy is not simply a matter of what we stand to lose. It is a matter of what we stand to gain – jobs. Energy can be a catalyst for new jobs, bringing forth a new day, a new economy, a new Ohio.

An economic analysis by the Apollo Alliance found that an expanded use of renewable energy would provide Ohio more than 20,000 new manufacturing jobs building the products necessary to harvest the energy of the wind, sun, water and other renewable resources.

And that represents only a fraction of the potential jobs to be gained in the research and operation of not only renewable but other advanced energy options.

Advanced energy offers the promise of high paying jobs – jobs that would take advantage of Ohio's strengths in manufacturing, our location, and our workforce.

And all the while we will help power our economy with cleaner fuels and take control of our energy destiny.

We now face a choice. We can embrace unchecked monopolies presented under the guise of a deregulated marketplace, a false marketplace that would stifle our economy, and leave to chance the development of innovation.

Or we can embrace a carefully crafted hybrid approach that recognizes how we generate, distribute, and price electricity affects every one of us every day, and acknowledges that maintaining an adequate supply of electricity is a fundamental responsibility of our state government.

Today, I am offering my vision of an electricity market that will provide reliable, affordable, and sustainable power essential to Ohio's future.

First, we must protect Ohio jobs. And in order to do that, there must be a *sensible balance between regulation and competition*. We must develop a market that serves the needs of Ohio, not a system that offers utilities both the benefits of deregulation and the protections of regulation.

We should give utilities the option of pursuing either a competitive market pricing plan or an electricity security plan.

If an efficient and competitive market emerges, with service territories open to competitors on a reasonable basis, then utilities should be allowed to charge market rates.

However, until such an efficient, open, and competitive market exists, rates should be set under an electricity security plan. Rates will be determined in part by the cost of generating and delivering electricity. Rate decisions will also be determined by considering the long term sustainability of energy by allowing utilities to recoup costs of environmental innovations and new power plants. And while utilities are certainly entitled to fair returns, electricity rates will also factor in the significant investment Ohio ratepayers have already made in the capital assets of those utilities.

Second, we must implement an *advanced energy portfolio standard* in order to create thousands of new Ohio jobs.

Next generation energy technologies, including renewable energy, fuel cells, clean coal, advanced nuclear, and cogeneration offer the promise of a secure energy future and a prosperous economic future.

Under my plan, by 2025, a minimum of 25 percent of the electricity sold in Ohio must be generated from advanced energy technology. No less than half of that energy will come from renewable sources, including biomass, wind, solar, anaerobic digesters, geothermal, and hydro power. And no less than half of that advanced energy must be created in Ohio.

Third, the electricity market must feature *accountability and transparency*. Quite simply, customers should be able to understand what they pay for and what they get.

The true cost of generating electricity rises at times of peak demand and falls when demand declines. It may cost a utility 10, or 20, or even more times as much to provide electricity for the same load of laundry washed at 4 p.m. on a weekday instead of a few hours later.

Yet that reality is all but absent from a consumer's experience because they have no way of measuring how their energy use relates to demand or cost. Our approach will result in the PUCO speeding up consumers' access to advanced meters that will show them not just how much, but when they are using electricity, and when they could use less expensive power.

It is also time to give the PUCO a fair accounting of the deals utilities offer to certain customers in the course of the commission's proceedings. If a side deal offering a special rate for electricity is in effect which influences outcomes, I will propose requiring those transactions be disclosed to the PUCO. While this proprietary information will remain only in the PUCO's hands, it will provide the commission comprehensive information on all the rates charged to ensure that its deliberations result in a fair and just decision.

My plan requires utilities to work with the PUCO to establish meaningful, plain language performance targets for meeting consumers' needs, and it establishes financial consequences if those targets are unmet.

Fourth, *consumers deserve equal footing with utilities*. Electricity is vital in the lives of every Ohioan and every Ohio company. Therefore, the needs and preferences of our utilities cannot be the PUCO's sole concern.

Indeed, organizations representing consumer groups should enjoy equal standing in consideration of regulations and rate negotiations.

Fifth, we must *update and modernize Ohio's electric infrastructure*. Our responsibility for a secure energy future requires not only the generation of power but its reliable delivery. Quite frankly, our power plants, transmission lines, and distribution networks are showing their age.

Under my proposal, utilities in the electricity security option must submit a long-term, infrastructure modernization plan. Utilities must also integrate all their infrastructure resources, not just the most profitable segments of the business, into their planning.

To make it easier for utilities to maintain their infrastructure in the short term, under certain conditions single issue rate cases will be permitted. That is, rather than having to make a case based on the entirety of their service delivery system, a utility can propose a rate change for a limited geographic area or to achieve a limited purpose that

is central to maintaining their system.

Sixth, *energy efficiency must be a central element* of our electricity system. Efficiency is simply our cheapest, cleanest, and most readily available energy resource.

Under my plan, by 2025, utilities must meet at least 25 percent of the growth in electricity demand by achieving power saving efficiencies. And, efficiency steps should provide no less than 10 percent of the total peak demand of electricity.

Further, in recognition of the fact that a megawatt saved is as valuable as a megawatt generated, the PUCO may treat efficiency as a production cost.

Right now our utilities have an unhealthy incentive to simply sell more power to generate more revenue, rather than fully meeting the needs of the Ohio market with as little electricity as possible. Therefore, if other measures fail to provide efficiency, the PUCO should be authorized to allow utilities to profit from increasing efficiency to the point where electricity sales actually fall.

Seventh, our electricity plan must *address the threat of global warming*.

While acknowledging that standards must be flexible enough to account for differences in the type of energy used and the technology available when a power plant was built, we should begin carbon control planning for each site. As a first step, under my plan each power plant in Ohio will make a full annual report of its greenhouse gas emissions.

Coal has been, is, and will be an integral part of Ohio's economy. By using clean coal technology, we can take steps to reduce the carbon impact of coal. Carbon sequestration offers us that opportunity. By injecting carbon dioxide deep into the Earth instead of sending it into the atmosphere, we can significantly reduce the effect of coal on our climate. Under my plan, we will pursue pilot and demonstration projects to fully measure the potential benefits of carbon sequestration.

Finally, to help advance these worthy goals, my plan calls on the Ohio Air Quality Development Authority to accomplish several critical functions.

The Authority will procure electricity for state facilities through pool purchasing, provide lower cost financing for new power generation projects, coordinate state supported energy research and development funds, and support the energy efficiency efforts of utilities.

Acting on behalf of Ohio's economy and Ohio consumers, the Authority will also be empowered, but not required, to make reduced-cost power available to key industrial sectors, lead Ohio's deployment of renewable energy installations, and provide incentives to utilities making early use of next generation energy technology.

Let me say, this is not a plan for the utilities. It's not a plan for the manufacturers. It's a plan for Ohio. It's a plan to protect existing jobs and to attract new jobs.

We need to realize that competing and colliding self interests will not advance a more sensible and secure energy policy. But our collective interest in the health of our economy, the health of our environment, and the health of our future will move us forward.

Cynics might say that our best days are behind us. But they are wrong. Energy can be the key to our economic renaissance.

A secure energy future will protect Ohio jobs. A secure energy future will create jobs for those who will help us harvest renewable and next generation energy. A secure energy future means that Ohio will attract jobs from states with higher electricity rates.

My friends, in Ohio we've long been at the forefront of energy advances.

Before this state was even two decades old, we were a manufacturing giant because Ohio mills successfully created power from running water.

Before this state was a century old, Ohioan Charles Brush was one of the very first to harness the power of electricity.

As a youngster, Charles Brush lived on a farm and went on to graduate from a Cleveland public high school. He began his path-breaking work with the modest tools available to him.

His early experiments on developing an electric generator depended for power on horses walking on a treadmill. But his work progressed until he had developed a machine that was the basis of commercial electric power generation.

Charles Brush also worked with electric lighting. His innovations led to the first electric streetlights in the world. They were installed in his hometown of Cleveland in 1879. A crowd of more than a thousand gathered in the center of the city to see them turned on for the first time.

Within two years, Brush's Ohio-made lights were illuminating the streets of major cities across the country including New York, Boston, and San Francisco.

And it was in his back yard in Cleveland that a few years later Charles Brush built the first automatic, electricity-generating windmill in the world.

That windmill is the predecessor of the kind of alternative energy source we must make better use of today. Because we're on the cusp of a new generation of energy technology, and we must stake our claim.

Ohio can lead the way in the generation of energy, in the manufacturing of hardware necessary to create that energy, and in a sensible plan to provide energy to our people and our companies.

This is a good day for Ohio. Because as a writer once put it, "When you have energy, you have hope."