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# FirstEnergy CEO: 'Untested' policies threaten electric reliability

By Michael Lustig

"Untested" policies that are masquerading as a national energy strategy are putting the reliability of the U.S. electric system at risk, [FirstEnergy Corp.](#) President and CEO Anthony Alexander said.

These policies, Alexander said April 8 in a [speech](#) hosted by the U.S. Chamber of Commerce's Institute for 21st Century Energy, are "designed to achieve a social agenda that has little, if anything, to do with maintaining electric service ... and are undermining our nation's competitive position."

Trying to explain the current agenda, Alexander cited Stanford University economist Thomas Sowell, who has described recent social history as "replacing what worked with what sounded good."

For the electric utility sector, Alexander said, this boils down to a "war on coal."

"The convergence of government policies, laws and regulations aimed at coal use — both directly through EPA rules, and indirectly through subsidies, preferences and mandates — will lead to higher prices and less reliable service over the long term," he said.

FirstEnergy is headquartered in Akron, Ohio, and has service territory in five states: Maryland, New Jersey, Ohio, Pennsylvania and West Virginia. It operates in the [PJM Interconnection LLC](#) market. Alexander has been the company's chief executive since 2004 and began his career at [Ohio Edison Co.](#), now one of FirstEnergy's 10 regulated utility subsidiaries, in 1972.

FirstEnergy Corp.	
Headquarters	Akron, OH
CEO	Anthony Alexander
Total operating capacity (MW)	17,296
2012 total regulated customers	5,982,083
2013 basic EPS (\$)	0.94
2014 basic EPS guidance (\$)	2.38-2.82
As of April 7, 2014. Source: SNL Energy	

About 60% of the company's current generating capacity of 17,980 MW is coal-fired, according to SNL Energy data, with another 23% nuclear. In 2012, the company [shut](#) about 2,700 MW of coal-fired capacity.

Legislative actions, regulatory policies and competitive market rules are all threatening the viability of baseload power plants and from that the reliability of the U.S. electric system, Alexander said.

He was critical of renewable portfolio standards — enacted in all five states in which FirstEnergy operates — calling them an experiment with the electric system. He cited as an example of

"unintended consequences" Germany, where he said electricity prices have doubled because renewables developers are guaranteed certain payments and are dispatched before other resources.

Energy efficiency mandates, which in Ohio require a cumulative savings of electricity of 22% by the end of 2025, are essentially a "tax" hindering industrial development and penalizing consumers who can't participate, he said.

Demand response programs, such as those [offered](#) in PJM, are leading to more interruptions in service to participating businesses. Since June 1, 2013, Alexander said, participating customers in Ohio have had their electricity use curtailed six times. "To put that in perspective, no emergency curtailments were called in Ohio over the previous four years," he said. "Many businesses are now considering whether they can continue to interrupt their ability to manufacture the product they sell in order to accommodate the changes being made in the electric system."

Demand response, he said, is being used as a day-to-day resource when its proper role should be as a peak-shaving device used only at the most critical times.

Quoting former President Ronald Reagan, who in 1981 called for a national energy policy that "should not be a rigid set of production and conservation goals dictated by government," Alexander said any national energy policy should have "reliability, affordability and economic expansion as our key priorities."

"We need to develop a national energy plan that will allow us to take advantage of our vast supply of domestically produced resources — both coal and natural gas — and our superior electric system to stimulate and support our economy," Alexander said.

## Senate hearing to focus on reliability

Before Alexander spoke, he was introduced by Sen. Rob Portman, R-Ohio, and Sen. Joe Manchin, D-W.Va., both of whom referred to a hearing scheduled April 10 at the Senate Energy and Natural Resources Committee on the reliability and security of the U.S. electric grid.

Portman said that during this past winter, which was colder than in recent years, pushing demand for electricity higher, coal plants in the state slated for

retirement "were all that were between us and potential blackouts or brownouts."

American Electric Power Co. Inc. Chairman, President and CEO Nicholas Akins, who is scheduled to testify at the Senate hearing, has noted several times in recent weeks that 89% of the company's coal plants slated for retirement ran during this past winter.

People also scheduled to testify at the Senate hearing include FERC Acting Chairman Cheryl LaFleur and Commissioner Philip Moeller; North American Electric Reliability Corp. President and CEO Gerry Cauley; PJM Executive Vice President-Operations Michael Kormos; Calpine Corp. President and COO Thad Hill; and Cheryl Roberto, Environmental Defense Fund associate vice president for clean energy.

