cleveland.com

FirstEnergy wants Ohio to end deregulation, return to state-controlled rates

John Funk, The Plain Dealer By **John Funk, The Plain Dealer**

Follow on Twitter

on July 28, 2015 at 5:11 PM, updated July 29, 2015 at 2:27 PM

I am trying to save a company.

AKRON -- FirstEnergy Corp. wants Ohio to re-regulate the electric utility industry, hoping to end an era the company itself fought for just seven years ago, in which electricity rates were set by wholesale markets without interference from the state.

Sammis is FirstEnergy's last Ohio coal-fired plant and its closing could force the company to build more long-distance transmission lines -- paid for by customers -- to bring power here from Pennsylvania and other states.

Associated Press file

"I would do it in a heartbeat," said Chuck Jones, CEO since January, in an interview with The Plain Dealer's editorial board. "I think it makes sense. I am trying to save a company."

Jones said FirstEnergy's future is at risk if it cannot convince the state's Public Utilities Commission to force ratepayers to cover the full cost of electricity from two of its huge coal and nuclear plants, even if other sources of electricity, such as natural gas, would be cheaper for consumers.

At the time of the last big battle over deregulation, in 2008, the company seemed likely to prosper because its coal-fired plants were among the cheapest sources of electricity in the state.

Since then, the development of horizontally drilled and hydraulic fractured gas wells has helped push down the price of a thousand cubic feet of natural gas, from more than $10 in the spring of 2008 to about $2.80 today. FirstEnergy's stock price tumbled from a high of more than $82 on June 1, 2008, to $32.80 at the end of trading on Tuesday.

Jones said the company is not currently working with any lawmakers to write a re-regulation bill, but added that the first step toward returning to regulation is for the Public Utilities Commission to approve the company's pending rate case.

That case includes a 15-year power purchase agreement to have FirstEnergy's local distribution companies Ohio Edison, the Illuminating Co. and Toledo Edison buy all of the power generated by the Davis-Besse nuclear plant and the coal-fired H.R. Sammis plant, at whatever it cost to generate.

Those generating costs are currently higher than the wholesale price of power on the grid, where gas-fired power plants are the low-cost producers. The company admits the deal would cost customers money in the first three years but argues that over the 15-year lifetime of the contracts, it would save about $2 billion because natural gas won't remain at today's rock bottom prices.

Critics of the plan, including the Ohio Consumers Counsel and the Northeast Ohio Public Utilities Council, or NOPEC, argue the deal would cost customers an extra $3 billion.

However long-term prices play out, the plan would ensure that the company would not lose money by operating the plants. In filings before the PUCO, the company's experts have argued that without the special power purchase contract the company may be forced to close them.

Sammis is the company's last Ohio coal-fired plant, said Jones, and its closing would force the company to build more long-distance transmission lines -- paid for by customers -- to bring power here from Pennsylvania and other states.

Jones said he has talked to Gov. John Kasich about the company's current situation. "We talked very frankly about the the kind of tenuous position FirstEnergy is in and he asked me four times what can they do to help.

"My answer four times was it's not your problem. It's my problem. The only thing I will ever ask you for is a fair chance to tell our story, a fair chance to have our case heard. And if we can't do it in a convincing manner, then shame on us.

"I am not asking the state for anything," he said.

But, apart from the rate-settting case, the company did ask for something from the state just a year ago.

It convinced legislators to remove the state mandate, in place since 2009, that forced power companies to help their customers use less power annually by buying energy efficiency technologies, and a parallel rule requiring power companies to sell an increasing percentage of "green power" annually.

Senate Bill 310, which Kasich signed into law in June 2014, froze those mandates for two years while lawmakers decided what to do next.

The chairman of the special committee studying the issue recently said it does not want to permanently freeze the mandates.

Jones said the energy efficiency programs FirstEnergy was forced to put in place were paid for by customers through higher rates, but benefited only those companies and consumers who could afford to buy new energy efficient products -- everything from new production line motors to new home appliances.

He said another way has to be developed to pay for energy efficiency programs, but did not offer any specific plan.

He said FirstEnergy is not opposed to renewable energy but believes that it must be "feathered in" slowly because wind and solar power production is not constant and therefore cannot be counted on.

And building solar arrays on buildings and homes is the least efficient way to add solar, he said.

"If you want solar energy the most efficient way to get solar energy is to have the utility build it for you," he said. "And build it in 200-300-400 megawatt solar farms."

A regulated power company could do that, Jones said, because it could add the costs to its rate base, just as the industry did for the first 85 years of its existence.