

# **Energy, Jobs and Progress for Ohio Legislation**

Senate Energy and Public Utilities Committee

Alan R. Schriber, Chairman  
Public Utilities Commission of Ohio

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Chairman Schuler, members of the committee, thank you for giving me the opportunity to provide additional follow up to SB 221 - Governor Ted Strickland's Energy, Jobs and Progress for Ohio legislation. Over the past three weeks, you have been presented with testimony from all stakeholders on SB 221. As you have heard, some are supportive of the legislation, while others believe significant changes are needed. Today, I'd like to take the opportunity to recap the important principles of SB 221 and address some of the salient issues and concerns you have heard from the various stakeholders.

Economist Alfred Kahn observed the following about competition and regulation, "The two principal institutions of control in private enterprise economy are competition and direct regulation. Rarely do we rely on either of these exclusively: no competitive markets are totally unregulated, and no public utilities are free of some aspects of rivalry. The proper object of search, in each instance, is the best possible mixture of the two."

Dr. Kahn's statement summarizes the balance Gov. Strickland is seeking to achieve with the hybrid approach to electric restructuring in SB 221.

Rather than presenting lengthy testimony, I would like to provide you with some points to consider as discussions move forward on the legislation:

- **Market for electricity** – Does an electric market exist or not and what is the criteria for going to market? We do know a competitive market has not yet fully developed as envisioned by SB 3 back in 1999. However, the rate stabilization plans have been successful in that rates have been stable and predictable which has benefited both customers and utilities. Governor Strickland's hybrid approach makes sense in that the door is still left open for competitive markets to develop but also offers electric security plans such that in the absence of competition, all customers will have price stability.
- **Price of electricity** – What price for electricity is just and reasonable while providing stable and predictable electric rates? The valuation of generation is a

key component of the legislation in that it provides the incentives for utilities to build and invest in base load generation for the state of Ohio and promotes economic development.

- **Advanced energy and renewables** – These initiatives have not been at the forefront of discussions during the market development period and rate stabilization plans, however, federal energy policy and commission proceedings are bringing attention to these issues. Generally there is support for these initiatives, however, there are hurdles to overcome that SB 221 attempts to address.

Chairman Schuler, if you or members of the committee have questions, I would be happy to answer them.