



Customers Helping Customers

Michael Brakey

**Former Chairman
Industrial Energy Users-Ohio
The MICA Group**



Who are the Industrial Energy Users?

Officially formed in 1992, the Industrial Energy Users-Ohio (IEU-Ohio) is a non-profit organization of leading Ohio businesses working for reliable energy supplies at reasonable prices.

IEU-Ohio members represent more than 50 companies (large and small) that collectively employ over 300,000 Ohio workers, and account for more than \$3 BILLION in annual energy expenditures here in Ohio.

The following candid comments and recommendations are offered to policy makers, regulators and other stakeholders by real Ohio consumers who depend on policy makers and regulators to promptly select and take a better path forward on issues that affect the price and availability of electricity for Ohio's citizens.



Q. If we wanted to address electric industry restructuring issues to give consumers better prices, better service and the benefits of innovation, what should we do?

A. You should start by seeking input from *real consumers!*

Bob Bohland

**Secretary/Treasurer
Industrial Energy Users-Ohio**



We Begin With an Important Note About Our Environmental Commitment

As businesses active in local, state, national and global economies, we approach a discussion about issues that affect the price and availability of energy with profound respect for the need to provide an environment that allows our associates and customers to live healthy, safe and productive lives. We know that we cannot and will not succeed at the expense of our environment.

Our Environmental Commitment

We are corporate citizens accountable for our environmental performance. We expect that issues concerning the price and availability of energy shall be framed and addressed proactively in ways that ensure that our environmental goals are met through rational and integrated policies.

Sam Randazzo

**General Counsel
Industrial Energy Users-Ohio**



Respecting First Principles

Any effective effort to address issues that affect the price and availability of electricity in Ohio must honor three basic principles.

Principle Number 1

Coordinated and proactive performances by state and federal governments are essential to secure progress on issues that affect the price and availability of electricity in Ohio.

Principle Number 2

The law of physics predictably dictates the behavior and functionality of electrical systems without regard to political borders and in response to the dynamically interrelated forces of supply and demand.

Principle Number 3

The choice between “regulation” and “competition” is a choice between the means that will better serve consumers and the public interest in reliable service and reasonable prices.

Roger Lindgren

**President, CEO
V&M Star LP**



Pricing

- **We must have fair pricing that enables us to remain competitive domestically and internationally.**
 - **We recognize the need for a balance that ensures competitive prices yet provides sustainability for our electric service suppliers.**
- **We prefer a diverse portfolio of capacity that achieves reliability and acceptable price outcomes as a risk management tool (not a tool to unduly prejudice or advantage supply/demand-side options or particular technologies).**

Pricing

- **Our Ohio facilities continue to operate because they have access to acceptable quality/acceptable cost electric supply. Ohio must not lose the competitive advantage.**
 - **We are mindful of fundamental drivers like fuel costs and environmental requirements**
 - **Ohio's competitive advantage in energy (price and availability) is eroding: this needs to be corrected**

Pricing

- **We are willing to pay for “competitively” priced electricity where the markets are effectively competitive.**
 - **For a variety of reasons, effective competition has not developed and “market pricing” is dictated without accountability by suppliers interacting with government regulators and not by willing buyers and sellers.**
 - **Auctions to establish Provider of Last Resort (POLR) prices do not create and are not a substitute for effective competition.**

Pricing

- **We need predictable pricing so we can plan and budget.**
 - **Rate shock should be avoided – the principal of gradualism continues to be relevant.**
 - **“Special Contracts” between larger customers and utilities can be an important economic development/retention tool for Ohio.**

Charlie Rinehart

**Director of Economic Development
NextEdge Development Corporation**



Integrating Resources

- **We want an open architecture network and options for electric generation, transmission and distribution that not only satisfy current requirements but also anticipate and provide for growth.**
 - **Principle Number 2 (the role of the law of physics) tells us that planning and real-time reliability objectives must be pursued from a regional perspective.**

Integrating Resources

- **We want a plan of action that anticipates and prepares for the future and efficiently manages the risk of supply/demand imbalances.**

Integrating Resources

- **Distributed non-utility generation and customers' demand response must be encouraged to participate in the design and planning process to meet Ohio's reliability, risk management and economic development/retention objectives.**
 - **Investments to improve power factor can have substantial supply, infrastructure, environmental and economic benefits for Ohio.**

Integrating Resources

- **We are willing to pay for the costs that are prudently incurred to meet our needs so long as our Ohio operations can effectively compete in the global economy.**

Integrating Resources

- **While we cannot be rightly treated as involuntary investors in utilities, we may be willing to contribute capital for new or improved utility infrastructure if we judge that the benefits exceed the cost.**
 - **Tax laws that treat such contributions as ordinary income when made to utilities ought to be changed so that they don't work against the public interest in lowering the cost of capital formation.**

Bob Flygar

Energy Consultant
(Former Manager, Commercial and Site Services)
Eramet Marietta Inc.



Generation

- **We want a diversified, risk managing generation supply portfolio that is reliable and economically dispatched.**

Generation

- **Until there is effective competition, we want pricing based on the actual cost of service (net book value, not replacement value, used to establish rate base)**
 - **Energy pricing based on “last bid” uniform clearing price works against our goals and works against Ohio’s economic development/retention goals.**
 - **The energy pricing risks associated with the “last bid” uniform clearing price must be addressed by Ohio at FERC.**
 - **Ohio will not be able to effectively meet its electric price and service quality objectives so long as FERC continues to allow “market pricing” where there is no demonstration that markets are capable of ensuring “just and reasonable” prices.**

Generation

- **We want a strategic plan that provides for resource adequacy on a regional basis for the long term.**
 - **Resource adequacy has planning (long term) and operational (real-time) components.**
 - **We must manage the risk of premature retirement of lower-cost resources.**
 - **A good strategic plan will recognize that the government must address the eroding domestic natural gas supply base to ensure that the natural gas-fired portion of the electric generation fleet can contribute positively to price and reliability objectives.**

Generation

- **We believe “clean” coal and nuclear energy deserve a place in the portfolio mix and that various technologies should be evaluated relative to price and reliability objectives.**
 - **The pending IGCC proposal provides customers with the worst of both worlds – “market prices” for electric from existing lower cost plants and “cost-based” prices for high cost plants.**

Emil Mosora

**Energy Manager
Praxair, Inc.**



Transmission/Distribution

- **Reliable generation supply requires reliable transmission and distribution infrastructure.**
- **We want transmission and distribution rates based on the actual cost of service (by rate class) to deliver electricity.**

Transmission/Distribution

- **We want seamless integration and consistent use of industry best practices by RTOs and any entities responsible for establishing and enforcing reliability standards.**
- **Support for Universal Service Fund and other social programs must be structured to avoid making Ohio “uncompetitive”.**

Barry McClelland

**Manager – Facilities Group
Honda of America Manufacturing, Inc.**



Regulation

- **We want effective and proactive oversight that ensures Ohio customers have access to reliable power at prices that work to Ohio's advantage and that suppliers are customer driven.**

Regulation

- **We want regulators to have the authority needed to make responsible decisions that provide the best outcomes yet with controls that prevent abuse.**
 - **Any question about the PUCO's authority to set prices when it judges that the market has not properly developed must be eliminated.**
 - **Repeated appeals that attack the PUCO's ability to approve rate stabilization plans work against the public interest.**

Regulation

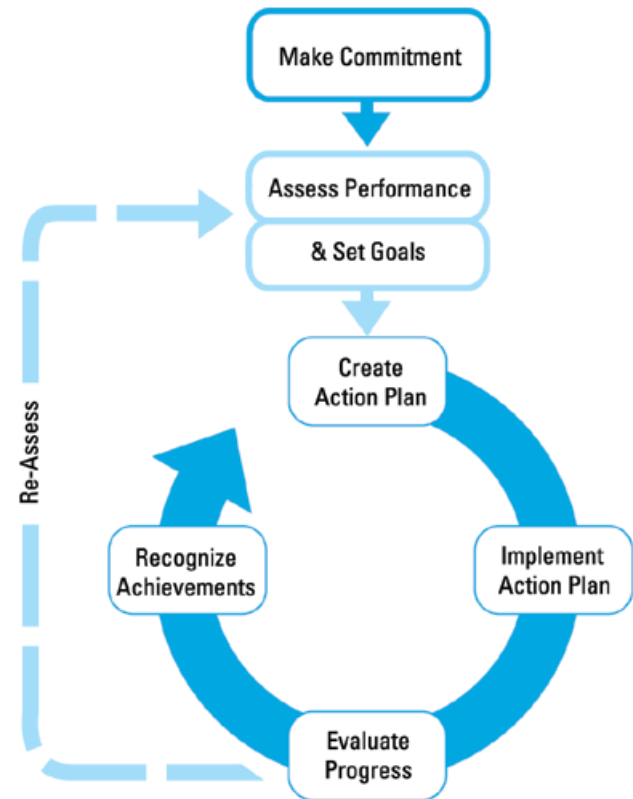
- **We want government agencies that are driven by the needs of consumers.**

Regulation

- **We want the policies, plans and actions of federal and state agencies to be complementary to facilitate better coordination and cooperation on energy issues.**
 - **FERC must be actively pressured to take action that complements Ohio's efforts to ensure that its citizens have access to a reliable electric supply at reasonable prices.**
 - **Ohio cannot plan or act based on an expectation that the federal government will understand what Ohio needs.**
 - **Ohio's agencies, including the Office of Consumers' Counsel, must be aligned on objectives in both word and deed.**

Political Leadership

- We want politicians and leaders who are better informed on energy matters so they can make the best overall decisions.
 - Our current problems are more related to implementation than they are related to our energy policy.



Political Leadership

- **We are willing to educate our elected officials and leaders on energy/energy-related issues (including environmental and tax impacts on energy availability and costs), as well as energy's impact on economic development and retention.**
- **We want fair, equitable and timely treatment of consumers and utilities.**
- **We are willing to commit business leadership to advance Ohio's energy interests.**



***Thank you for taking the time to view
this presentation!***

For more information, find us on the web at:

<http://www.ieu-ohio.org>