

## 'Hybrid' for Ohio

### Electricity deregulation has been a bust, except for the advent of "rate stabilization" plans

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Ted Strickland stepped forward in May to take ownership of the challenge involved in restructuring the state's electricity industry. Ohio embarked on deregulation in 1999, the last state to do so. The experiment has been a bust in many ways. Now Ohio faces a January 2009 deadline, when it is scheduled to enter a fully deregulated market. That result should be avoided in view of the failure so far for competitive markets to form. Thus, in August, the governor put forward a framework for revamping the way the state oversees power companies. He added details last month.

State lawmakers are examining the proposal, looking to complete legislation by the end of the year, permitting time for power companies to make necessary changes. A Senate committee heard from Tony Alexander of FirstEnergy and other leaders of investor-owned utilities last week. This week, manufacturers will have their say, no doubt having to explain the gap between their full-throated cry for deregulation in the 1990s and their calling now for a heavy dose of "reregulation."

What lawmakers should do (after needling manufacturers with the question: why, again, should we listen to you?) is keep in mind the governor's words from the spring. Strickland stressed the need for an effective balance between "the historical social responsibility of what we call public utilities" and "the driver of private sector return on investment."

In other words, the governor called for a smart "hybrid" of the regulated and deregulated approaches. Unfortunately, his proposal leans too far in the direction of a regulatory past that cannot be retrieved. At the least, its lack of clarity invites the concern, Strickland neglecting his own advice: "We cannot put the genie back into the bottle."

The governor should be applauded for pushing the state to embrace in a substantial way renewable energy and energy efficiency. That said, Tony Alexander rightly noted areas for improvement, in particular, requiring all players among sellers and buyers to participate in meeting the renewable requirements and including "storage" (making transmission more reliable) as part of the "advanced energy" portfolio.

Most important, Ohio must avoid the harm in seeking a "one size fits all" regulatory scheme. One consequence of proceeding this far toward deregulation is that investor-owned utilities have taken different courses the past eight years. That cannot be easily reversed. Companies should not be required to reshape dramatically (again) the way they do business. Many positive changes would be put at risk.

With that in mind, the Public Utilities Commission of Ohio would do well to have the authority to negotiate directly with each power company, much as the agency has in this transition phase, the utilities developing "rate stabilization" plans. These plans provide the foundation for crafting an enduring structure for the electricity industry, one that leaves appropriate room for market principles and the security of regulation, not to mention progress in the realms of renewable energy and energy efficiency.

Everyone wants to avoid rate shock, horror stories about Illinois and Maryland circulating at the Statehouse. That can be accomplished clumsily and harmfully, or it can be done in an intelligent way for the long run. Electricity prices in the state currently hover around the national average (even in much of northern Ohio). That position can be maintained and enhanced through essential regulatory flexibility and responsiveness, achieving the true "hybrid" promised by the governor.