



Support Strickland's energy co-generation plan

By **LANCE TRAVES**

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The current debate on the future of electric utility regulation in Ohio is at a critical crossroads. Simply stated, the right legislative changes today can help secure a prosperous future for Ohio's industrial manufacturing sector while also providing for energy security and enhanced environmental protection.

One component of Gov. Ted Strickland's proposed legislative changes being heavily lobbied against by electric utility companies is the advanced energy portfolio standard. This standard would require utility companies in Ohio to generate at least 25% of their electricity from advanced energy projects by 2025.

Not as well known is that the governor's proposal would allow for up to half of the requirement to be met by electricity from "co-generation" projects and reduce barriers to distributed energy. Co-generation and distributed energy don't have the same wow factor as "green" windmills and solar cells, but they are cost competitive, ready to implement, and could provide a tremendous boost to Ohio's overall economy.

The fact is that Ohio has a vast untapped industrial co-generation energy portfolio. General Electric estimates that steel-related manufacturing plants in Ohio could co-generate up to 1,000 megawatts of electricity from waste gases and waste heat associated with their operations.

My company, Labyrinth Management Group, estimates that an additional 500 megawatts of electricity could be generated using waste gases and waste heat from other types of industrial plants in Ohio. In total, these industrial co-generation projects could provide electricity to power the equivalent of more than 1 million homes at a lower cost to rate-payers than building new power plants.

Promoting industrial co-generation also represents a strategic opportunity to secure higher-wage manufacturing jobs in Ohio. The estimated annual additional revenue to industrial plants co-generating 1,500 megawatts of electricity could easily approach \$600 million.

For individual plants, the annual revenues from electricity sales might range from \$1 million to more than \$25 million. These additional revenues disappear if an industrial plant shuts down. Therefore, co-generation would help keep heavy industry in Ohio. As a result, the bleeding of Ohio's higher-wage manufacturing jobs to lower-wage states and overseas countries might be stopped.

As an added bonus, increasing Ohio's industrial co-generation of electricity will only enhance environmental protection. A newer, 1,500 megawatt coal-fired power plant annually emits an estimated 84 million pounds of sulfur dioxide, 49 million pounds of nitrogen oxides and 13 million pounds of the greenhouse gas carbon dioxide. Industrial co-generation of electricity typically occurs with no additional air pollutants. As a result, these "zero emission" projects could be considered as "greener" than many next-generation energy projects.

Given this information, one might ask why is there resistance to an advanced energy portfolio standard that encourages co-generation? Well, in this case, the answer is money and market power. Electric utility

companies currently have it and will fight hard to keep it.

Legislative changes to promote the industrial co-generation of electricity will increase the supply of electricity and promote utility company competition. Not a bad thing, right?

An increased electrical supply and market competition would also reduce market electricity rates. Again, not a bad thing. Oh, but wait, lower electricity rates will reduce existing utility company profits. Ah, so there is the crux of the problem.

Industrial co-generation projects only need to provide a moderate return on capital investment for required construction, equipment and grid connection. Ongoing operating expenses are limited because the energy source is "free."

Just think — Ohio ratepayers purchasing electricity from pooled industrial producers would not have to pay the large, ongoing operating expenses and nebulous "assigned overhead" costs that existing utility companies demand. This must be a very scary thought for executives at utility companies.

The bottom line is that Ohio's manufacturing companies, their workers and the general public need to tell elected officials and the Public Utility Commission of Ohio that setting goals, providing incentives and breaking down barriers for industrial co-generation projects should happen today, not sometime in the distant future.

Ohio's untapped industrial energy portfolio represents a huge hidden competitive advantage. Gov. Strickland's advanced energy standard recognizes this. The Ohio Legislature and PUCO have a duty to make it a reality.

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