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## JOB: Chamber Remarks

I was asked to talk today about how the utility industry and northwest Indiana are coping with the bad economy, and what hopeful signs I see for turning that economy around.

Let's start with the view from northwest Indiana.

On paper, northwest Indiana is not faring well.

- Our counties have higher-than-average unemployment rates—higher than the state averages, and higher than the national averages. In March, the unemployment rate in LaGrange County was 18.9 percent.
- Every day, more businesses are laying people off, cutting salaries and closing their doors.

When you look beyond these current statistics, though, northwest Indiana has a lot going for it. We have:

- A highly skilled workforce, and plenty of opportunities for young people as our workers age and retire.
- An industrial-strength utility grid that is ready and able to support big business—something that doesn't exist anywhere else in Indiana.
- Abundant educational opportunities at some of the world's top universities, including Purdue, IU, and Notre Dame right in our backyard, as well as Chicago schools.
- Excellent transportation by rail, truck and water, that allows us to get raw materials quickly and ship finished goods out faster than anywhere else in the state.
- Excellent support for manufacturing; the region's machine shops can make anything.
- Lots of healthy businesses, including huge steel plants and refineries, plus their suppliers—as well as plenty of smaller innovative businesses.
- Most important, northwest Indiana has no-nonsense people who roll up their sleeves and get to work, and teach their children to do the same. Northwest Indiana's residents are not in the habit of waiting for someone else to fix their circumstances—they came here to invent their own circumstances.

I believe that northwest Indiana is better-prepared to recover quickly from this economic downturn than anywhere else in the state.

Now, a few thoughts about the utility industry. The utility business looks recession-proof. People who are strapped for cash will live without an extra meal out and an afternoon at Wrigley Field. Businesses will cut back on executive golf trips and assistants for assistants. But nobody can go without utilities. We all need utilities so we can stay healthy, stay safe, do our jobs and raise our families.

But it's not that simple. The utility business faces more challenges today than it ever has. And the utility industry's problems, sooner or later, are your problems. What's going on



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with our industries ultimately affects your industries, so it's important that you understand our challenges.

The first challenge is the regulatory climate, which prevents utilities from reacting like other businesses when the economy sours. It can take two years or more to request a rate increase, if we get one. So when suppliers raise our prices, we can't just pass that on to the consumer.

The second challenge is our physical plants. Many of our generating facilities date to the 1950s, and maintaining those old facilities is very expensive. As one of my colleagues says, it's like maintaining a 1950s car—bring your wrenches. At the same time, building new plants is cost-prohibitive, especially with the emphasis on new energy sources instead of fossil fuels. That's why no big base-load plants have been built in 30 years.

And that brings me to our third challenge: the current attention on sustainable fuel sources. I'm in favor of wind power, solar power, nuclear power—but the technologies do not exist for those to be viable options right now. In Indiana, we burn coal every minute of every day—and coal is a dirty business. But to think that we can swap a new energy source for coal—and do so by the Obama administration's deadline of 2012—is completely out of touch with reality. The technologies and the systems to support them simply aren't there. For example, we have no way to store energy that is produced—people who rely on windmills for their electricity can only watch TV when the wind is blowing. We support the concept of migrating to sustainable fuels, but how and when it will be done is key to the utility industry's role in economic recovery.

However, like northwest Indiana, utilities are uniquely positioned to play a role in our state's economic recovery. Here's why:

- Utilities take the long view. We plan five, 10, 20 years out—because the regulations force us to, and because we consider it our duty to make sure Indiana's utility infrastructure remains sound for the next generation.
- Utilities want to find more sustainable, cleaner sources of energy. Though utilities should be viewed as operating companies—not research companies—we all contribute to R&D efforts through the Edison Electric Institute and the Department of Energy.
- We have plenty of fossil fuel to carry us while we develop the new technologies that make sustainable energy viable. Estimates of coal reserves in the U.S. alone run from 200 to several hundred years.
- Utilities want you to use less of our product because it will save you money—and how many businesses can say that? The cheapest way to make more power is to use less of it. We stand ready to help our customers conserve.

I know northwest Indiana and the utility industry will survive this economic downturn and learn valuable lessons during the process. And I look forward to partnering with you to put those lessons to work.



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Thank you.