Issue Brief

PLEASANTS POWER STATION – PROPOSED SUBSIDY

What's the Barrier to Business?

On March 7, 2017, Monongahela Power and The Potomac Edison Company, subsidiaries of FirstEnergy Corp., submitted a proposal to the Public Service Commission of West Virginia (the Commission) to transfer ownership of the Pleasants Power Station[1]. Pleasants Power Station is a 37-year old coal-fired power plant, currently owned by another FirstEnergy subsidiary, FirstEnergy Generation[2]. The transaction would essentially transfer plant ownership from a competitive FirstEnergy subsidiary, to state-regulated electric distribution subsidiaries of FirstEnergy.

Mon Power and Potomac Edison have asked the PSCWV for permission to approve a 15-year surcharge for the inter-company transfer, thus placing the financial risk and economic burden on the ratepayers rather than the parent company's shareholders.

As a result, West Virginia ratepayers stand to pay an additional $470 million in electricity costs over the next fifteen years[3]. Manufacturing facilities operating within the service territory of Mon Power and Potomac Edison could expect to pay an additional $181 million aggregate over the next fifteen years.

In short, the proposal stands to significantly increase operation costs for manufacturers operating in West Virginia, which reduces available funds for their core businesses. Increasing the burden on West Virginian manufacturers could reduce the competitiveness of their businesses when compared to other regions.

Key Insights

- An estimated $470 million cost to West Virginia's ratepayers.
- Of that, West Virginia manufacturers could pay $181 million.
- A medium size manufacturing facility would pay about $234,000 in added costs; a large manufacturing facility could pay an additional $3.1 million.
- West Virginia gains no new benefit from the cost.
- Pleasants Power Station parent ownership doesn't change, only its subsidiary affiliate.
- Corporate parent FirstEnergy is seeking similar subsidies in other states and at the federal level.

1 PSCWV Case Number: 17-0296-E-PC

2 https://www.firstenergycorp.com/content/dam/corporate/generationmap/files/Pleasants%20Facts.pdf

3 PSCWV Case No. 17-0296-E-PC. Aug. 25, 2017. Direct Testimony of David A. Schlissel. Page 63 of 71.

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What Will our Manufacturers Pay?

The following graph and table show that manufacturers would pay on average about $31,000 per small facility, $234,000 per medium facility, and $3.1 million per large facility. The following cost estimates are based on an additional energy charge of $0.0021 per kWh from the transfer of ownership of the Pleasants Power Station within FirstEnergy. This cost is derived from the economic burden to ratepayers determined by Schlissel Technical Consulting and divided equally among the Companies rate base.

Manufacturers	Small	Medium	Large
Typical Annual Electrical Costs ($/year)	**$ 100,000**	**$ 600,000**	**$ 6,000,000**
Consumption (kWh/year)	**1,000,000**	**7,500,000**	**100,000,000**
Additional Annual Cost ($/year)	**$ 2,086**	**$ 15,642**	**$ 208,556**
Additional 15-Year Cost ($)	**$ 31,283**	**$ 234,626**	**$ 3,128,340**