

What's the Issue?

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 Station¹. Pleasants Power Station is a 37-year old coal-fired power plant, currently owned by another FirstEnergy subsidiary, FirstEnergy Generation². 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 Commission for permission to approve a 15-year surcharge for the inter-company transfer, thus placing the financial risk and economic burden of Pleasants' performance 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 years³.

Primary and secondary schools and universities within the service territory of Mon Power and Potomac Edison could expect to pay an additional \$42.8 million aggregate over the next fifteen years.

In short, the proposal stands to increase operation costs for schools in West Virginia, which reduces available funds for their core services.

What Will our School Systems Pay?

The following table shows that school districts would pay on average about an additional \$22,000 per primary school, and about \$84,500 per secondary school, over the 15-year term of the subsidy surcharge. For example, a district with three elementary schools, a middle school, and a high school would pay an additional \$235,000 in electricity costs over the term. Universities could be \$14,000 to \$90,000 per building over this term, which could be significant depending on the number of university buildings.

The following table shows cost estimates for various sized primary, secondary and university buildings. The cost estimates are based on median energy intensity for education facilities in the South Atlantic census division from the 2012 Commercial Buildings Energy Consumption Survey and assume an additional energy charge of \$0.0021 per kWh from the transfer of ownership of the

Key Insights

- An estimated \$470 million cost to West Virginia's ratepayers.
- Of that, West Virginia schools and universities could pay \$42.8 million.
- A three elementary school district would pay about \$235,000.
- West Virginia gains no new benefit from the cost.
- Pleasants Power Station parent ownership doesn't change, only the subsidiary owner.
- 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.

PLEASANTS POWER STATION – PROPOSED SUBSIDY

Pleasants Power Station within FirstEnergy. This cost is derived from the economic burden to ratepayers determined by Schlissel Technical Consulting.

Primary Schools	Small	Medium	Large
Square Footage (ft ²)	18,500	70,000	104,000
Additional Annual Cost (\$/year)	\$ 392	\$ 1,482	\$ 2,202
Additional 15-Year Cost (\$)	\$ 5,874	\$ 22,227	\$ 33,023

Secondary Schools	Small	Medium	Large
Square Footage (ft ²)	41,500	225,000	292,500
Additional Annual Cost (\$/year)	\$ 1,040	\$ 5,637	\$ 7,329
Additional 15-Year Cost (\$)	\$ 15,597	\$ 84,562	\$ 109,931

Universities	Small	Medium	Large
Square Footage (ft ²)	27,750	80,000	181,500
Additional Annual Cost (\$/year)	\$ 924	\$ 2,664	\$ 6,044
Additional 15-Year Cost (\$)	\$ 13,862	\$ 39,963	\$ 90,667