Issue Brief

PLEASANTS POWER STATION – PROPOSED SUBSIDY

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 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 Commission 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].

Key Insights

- An estimated $470 million cost to West Virginia's ratepayers
- Of that, West Virginia healthcare facilities could pay $7.5 million
- An inpatient hospital would pay about $450,000 in added costs
- 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

Healthcare facilities operating within the service territory of the Mon Power and Potomac Edison could expect to pay an additional $7.5 million aggregate over the next fifteen years.

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

[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 Healthcare Facilities Pay?

The following table shows that healthcare facilities would pay on average about an additional $450,000 per inpatient hospital, and about $7,400 per outpatient hospital, over the 15-year term of the subsidy surcharge. The cost estimates vary by size for inpatient and outpatient hospitals. The cost estimates are based on median energy intensity for hospitals 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 Pleasants Power Station within FirstEnergy. This cost is derived from the economic burden to ratepayers determined by Schlissel Technical Consulting.

Inpatient Hospitals	Small	Medium	Large
Square Footage (ft^2)	291,250	425,500	1,400,000
Additional Annual Cost ($/year)	$ 20,588	$ 30,078	$ 98,964
Additional 15-Year Cost ($)	$ 308,822	$ 451,171	$ 1,484,464

Outpatient Hospitals	Small	Medium	Large
Square Footage (ft^2)	5,300	14,500	57,250
Additional Annual Cost ($/year)	$ 180	$ 493	$ 1,945
Additional 15-Year Cost ($)	$ 2,701	$ 7,389	$ 29,176