FirstEnergy Defends $1B Power Plant Deal

VICKI SMITH, Associated Press

FAIRMONT, W.Va. (AP) — The $1.1 billion cost of selling a coal-fired power plant from one FirstEnergy Corp. subsidiary to another is "a reasonable price for protection" against the more expensive option of buying electricity on the spot market to meet demand in West Virginia, a utility executive said Monday.

With a state Public Service Commission hearing on the transaction just a week away, vice president for compliance Jim Haney defended the proposed sale of the Harrison Power Station as a good deal for some 500,000 FirstEnergy customers and an effective way to meet a 950 megawatt shortfall.

Allegheny Energy Supply plans to transfer full ownership of the plant in Haywood to Mon Power, which currently owns only 20 percent. In exchange, Mon Power would sell its 8 percent share of the Pleasants Power station at Willow Island to AE Supply, giving that subsidiary 100 percent ownership.

The deal would provide about 1,500 MW, or enough to supply about 1 million homes, Haney said. That would meet demand through 2020, he said, and excess capacity could be sold on the spot market to help offset costs to consumers.

The media briefing came on the eve of Ohio-based FirstEnergy's shareholder meeting in Morgantown, where protests are expected over both the power plant sale and labor issues. It's the first time the annual meeting has been held outside Akron.

Critics of the power plant transaction say it's overvalued, concentrates so heavily on coal that there is no diversity in the fuel mix and does little to promote cost savings through energy efficiency. They want the PSC to order the company to reduce demand for electricity by investing in things such as home insulation that would make customers more efficient users.

Opponents also complain the deal would raise rates for all but the largest industrial customers.

The utilities are seeking a temporary transaction surcharge to cover the costs of the deal, and those surcharges would eventually become part of their new base rates. They say a typical residential customer using 1,000 kilowatt-hours per month would pay less than $1 more than last year's monthly bill.

Some critics have also suggested that FirstEnergy solicit bids for the power it needs or try to buy other generation plant.

"Certainly, that's something we've looked at," Haney said, but none in West Virginia

would suit the utility's needs. Nor are many power plant for sale.

Haney also said independent appraisers who routinely assign values to power plants dispute that Mon Power is overpaying. Using comparable-sales data is problematic, he added, because each plant is unique.

"We believe this is a reasonable price for protection against potentially higher prices for electricity and capacity on the spot market," he said, "and for a plan that would immediately erase existing and future shortfalls."

The value of the plant will be among the focal points at the public hearing, set for May 29-31 in Charleston. Haney said the hearings could continue into the following week.

FirstEnergy expects the PSC will take several months to render a decision on the deal, which would also require the approval of the Federal Energy Regulatory Commission.

Supporters of the deal include Local 304 of the Utility Workers Union of America, the International Brotherhood of Electrical Workers' District 4, the West Virginia Coal Association, the United Mine Workers of America and Pennsylvania-based CONSOL Energy.

The Harrison Power Station employs more than 200 workers and supports the operation of CONSOL's Robinson Run mine, where a belt feeds coal directly from the mine to the plant. That mine employs some 400 people.

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