


Friday, October 30, 2015 1:55 PM ET  Extra

UPDATE: FirstEnergy sees potential for settlement over Ohio PPA

By Darren Sweeney

FirstEnergy Corp. appears to be moving closer to a settlement with Ohio regulators on its plan to have customers support the costs of older, less efficient power plants that the company views as critical to the state's future economic and generation needs.

"I believe that there's an opportunity for an ultimate settlement because I think that we're getting to the point where everybody's starting to really understand why it's good for customers," FirstEnergy President and CEO Charles Jones Jr. said Oct. 30 on the company's third-quarter earnings call.

FirstEnergy has spent the last two months in a regulatory hearing before the Public Utilities Commission of Ohio in defense of its electric security plan. The plan, called Powering Ohio's Progress, includes a 15-year economic stability program under which FirstEnergy's Ohio utilities will buy power from competitive subsidiary FirstEnergy Solutions Corp.'s 2,220-MW W.H. Sammis coal plant and 908-MW Davis-Besse nuclear plant, as well as a share of the Ohio Valley Electric Corp.-operated Kyger Creek and Clifty Creek coal plants. The utilities will then sell the output into wholesale energy and capacity markets, with customers receiving rate credits or charges to offset power purchase costs. (Case No. 14-1297-EL-SSO)

FirstEnergy expects a final decision on its rate plan in early 2016, Jones said, adding he doesn't think the conclusion of the hearing complicates the opportunity for a settlement.

"I think we have the opportunity to settle the case all the way through any final outcome, actually," Jones said in response to an analyst's question about the PPA process. "It closes the record as far as anything new being introduced into the record, as far as testimony and rebuttal testimony, but it doesn't prohibit ongoing discussions."

The CEO was also asked if FirstEnergy feels it has a better likelihood of reaching a settlement with its nuclear asset versus the coal assets.

"As I've said all along, I think that the plan that we filed is the best plan for the customers in Ohio," Jones said. "I think we're continuing to discuss certain parameters around the filing, but I would expect that as we go forward, we're going to continue to talk about the PPA in somewhat the fashion that we filed it. Now, having said that, there's always some room for negotiation."

Jones reiterated that FirstEnergy still believes the plan protects customers "over the long haul" and helps prevent additional spending in transmission that customers would pay for if the plants close.

"I still think it's something that we can get to, across the goal line with," he said.

Jones added that he did not think a settlement would slow down the process.

"I expect we're going to end up at the same place regardless of a settlement, which is an outcome that is finalized early next year," he said.

While American Electric Power Co. Inc. has said it expects a decision on its Ohio PPA plan by the end of the year, Jones noted that FirstEnergy is being more "conservative" with its approach.

"For our case to get settled by the end of this calendar year, they have to work pretty hard, pretty much the whole month of December, I think, to meet the timetable. So, we're just expecting it'll likely get done after the first of the year," he said.

ATSI

On the call, FirstEnergy executives also noted that FERC has approved subsidiary American Transmission Systems Inc.'s settlement agreement with Buckeye Power Inc. and other intervenors related to ATSI's move from a "historical looking" to a "forward looking" approach to its transmission formula rate.

Under the revised rate structure, which was proposed in an October 2014 filing with FERC, transmission charges during a rate year are based on projections of ATSI's transmission costs during the period when the charges are collected and would be subject to later true-up. The settlement uses a three-step approach to eventually cutting ATSI's current ROE of 12.38% to 10.38%, effective Jan. 1, 2016.

The settlement also requires that ATSI provide credits to transmission customers based on amounts collected beginning Jan. 1, 2015, in excess of the transmission revenue requirement based on the ROE values established under the agreement.

FERC said in its order issued Oct. 29 that approval of the formula rate template in the settlement is subject to the outcome of ATSI's ongoing integration proceeding, which involves ATSI's exit from the Midcontinent Independent System Operator Inc. and integration into the PJM Interconnection LLC. (ER15-303)