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“Revised” FirstEnergy Bailout Proposal to Cost Ohio Consumers \$2.7 Billion

Columbus, OH - In testimony submitted yesterday to the Public Utilities Commission of Ohio, Ford Foundation Professor (Emeritus) of International Political Economy at the John F. Kennedy School of Government, Harvard University, Dr. Joseph P. Kalt, concluded that FirstEnergy’s latest proposal will cost Ohio consumers \$2.7 billion if approved. As stated by Dr. Kalt, “projecting the value of the Companies’ Proposal to ratepayers based on current power market data—as the Companies now propose to do—I find that captive ratepayers face net costs of just over \$2.7 billion.”

Dr. Kalt emphasizes how unusual and unprecedented the revised FirstEnergy proposal is, “In short, the Companies’ revised proposal is based not on the costs the Companies as regulated utilities would incur to serve ratepayers, but instead on the difference between cost and revenue streams of unregulated generation. The Companies’ Proposal has no foundation in a cost-of-service regulation framework, or under any principles of utility regulation that I have studied in my career.” (Pgs 10-11)

Dr. Kalt explains to the PUCO, “No matter how the proposal is dressed up, and regardless of whether it is technically structured as a purchased power agreement, it would use the captivity of retail ratepayers under state regulation to underwrite the costs plus profit, and take on the risks, of the Sammis and Davis-Besse plants.... This can only distort federally-regulated wholesale power markets and is extremely unsound regulatory policy. It is contrary to the overall public interest.” (Pgs. 6-7)

Further, Dr. Kalt alerts the Ohio commission that captive retail ratepayers will needlessly take on market risks – without benefits. “My analysis shows that the resulting projected revenues under Rider RRS would come nowhere close to covering the costs which are now fixed under the Companies’ Proposal. This means that the Companies’ Proposal is an instant loser for ratepayers.” (Pgs. 7-8)

Dr. Kalt filed the testimony on behalf of the PJM Power Providers Group (P3) and the Electric Power Supply Association (EPSA)

“Dr. Kalt is a highly respected expert in his field. No matter how hard FirstEnergy tries to repackage its proposals, the facts are clear as Dr. Kalt’s new testimony confirms. The FirstEnergy proposal is unprecedented, costly to consumers, and disruptive of the wholesale power markets that all Ohioans and others in the multi-state PJM Interconnection rely on for affordable and reliable electricity. It is telling that instead of submitting the original proposal as approved by the Ohio commission for review by the Federal Energy Regulatory Commission, FirstEnergy attempts to circumvent that review. Dr. Kalt’s testimony shows that FirstEnergy customers would be as captive as ever and pay dearly,” said EPSA president and CEO John E. Shelk.

“It is pretty clear from Dr. Kalt’s testimony that FirstEnergy’s “deal” just keeps getting worse for Ohio’s consumers. In the nearly two years since FirstEnergy initially filed this proposal, FirstEnergy’s projections have proven to be wildly wrong. Dr. Kalt, using more recent and accurate data, confirms that this deal is an even bigger loser for Ohio than ever imagined. The PUCO should recognize this significant change in the proposal and the significant difference between FirstEnergy’s projections and the market’s reality and reject the proposal,” state Glen Thomas, P3 President.

Dr. Kalt’s full testimony is available at www.epsa.org and www.p3powergroup.com web sites.

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P3 is a non-profit organization that supports the development of properly designed and well-functioning markets in the PJM region. Combined, P3 members own over 84,000 MWs of generation assets, produce enough power to supply over 20 million homes and employ over 40,000 people in the PJM region covering 13 states and the District of Columbia. The views expressed in this press release represent the views of P3 as an organization and not necessarily the views of any individual P3 member.

EPSA is the national trade association representing leading competitive power suppliers, including generators and marketers. Competitive suppliers, who account for nearly 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers.