



BRIEF

FirstEnergy CEO says generation subsidiary headed for bankruptcy protection

By **Gavin Bade** • Feb. 23, 2018

Dive Brief:

- FirstEnergy CEO Chuck Jones said Wednesday that the company's merchant generation business is likely headed for bankruptcy protection by the end of March, blaming the failure of legislative and regulatory efforts to secure support for its struggling plants.
- Jones said on an earnings call that FirstEnergy will give a final loan of up to \$100 million to its generation company by March 31, severing ties between the companies and completing a push to reshape FirstEnergy around regulated utility assets.
- FirstEnergy's decision comes after federal regulators rejected a Department of Energy proposal that would have helped the company's plants that are unprofitable in the PJM electricity market. Jones said that without changes to market rules, "there will be no coal or nuclear plants left in these markets."

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During FirstEnergy's fourth quarter 2017 earnings call this week, Jones confirmed what market observers have long known — its competitive generation assets are likely headed for bankruptcy protection without a sale or governmental support.

Jones said he expects FirstEnergy Solutions (FES), the company's competitive generation arm, to borrow up to \$100

million from the holding company by the end of next month, ending FirstEnergy's stake in merchant power markets.

"I expect that they will be removed from the unregulated money pool between now and the end of March, and that will be the last tie that we have with that business," Jones said.

How FES decides to proceed is up to its own board of directors, Jones said, but he expects a bankruptcy filing from the company by that time. The final loan would make FirstEnergy a creditor if the business files for Chapter 11 protection, the Plain Dealer notes.

"While I cannot speak for the unregulated business, I would be shocked if they go beyond the end of March without some type of filing," Jones said.

The CEO said decisions about how to proceed with the coal and nuclear plants it owns will be up to the leadership at the generation firm as well.

"It's FES' decision whether and how to bid in that upcoming [capacity] auction for the FES assets," he said. "It would be Allegheny Energy Supply's decision the same for the Pleasants Power Station, and it would be Mon Power's decision for the assets that are of Mon Power's."

Jones said he was "disappointed" FirstEnergy was not able to secure financial support for its struggling merchant portfolio from federal or state regulators. He said that without changes to wholesale power market rules, coal and nuclear could disappear from the fuel mix, echoing an argument used by DOE officials for their rejected subsidy proposal.

"Unless something is done to change the construct of these administrated markets which have been administrated in a way to disadvantaged coal and nuclear plants, over the long haul, unless the states step in to provide support, there will be no coal or nuclear plants left in these markets," Jones said.

PJM is currently contemplating changes to market rules that could benefit plants operated by FirstEnergy's companies, but

these reforms are attracting increased scrutiny from federal regulators and are not likely to be put in place quickly enough to save the company's subsidiaries.

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