

Statement of Robert T. Whalen, President
Utility Workers Union of America, AFL-CIO
System Local 102
Senate Consumer Protection & Prof. Licensure (PUBLIC HEARING)
Public Hearing On Electric Reliability & Plants In Greene County
Waynesburg University
Waynesburg, PA
September 13, 2013

Good morning, Chairman Tomlinson and distinguished members and guests. I am Robert Whalen and I appear on behalf of the 1,100 members of System Local 102, Utility Workers Union of America, AFL-CIO (UWUA). Our members are responsible for the day-to-day operation and maintenance of utility systems that provide essential services to millions of customers in Pennsylvania, Maryland, West Virginia and Virginia. I am both President of System Local 102 and a member of the UWUA National Executive Board. My testimony is based on my experience as Local President and, more broadly, my involvement in the utility industry over the past 36 years.

System Local 102 has had considerable experience with the subject of today's hearing. Our members were responsible for operations and maintenance at FirstEnergy's Armstrong Power Station (located near Kittanning, Pennsylvania), which was closed on September 1, 2012. We questioned then, and continue to question, why FirstEnergy took this precipitous action. Although FirstEnergy said it was concerned about the costs of environmental upgrades, Armstrong could have produced cost-effective electricity and provided enhanced service reliability to the residents and business of Pennsylvania until 2015 without any upgrades. In fact, at the time it was closed, Armstrong Power Station was in great condition, as many critical components had been rebuilt or replaced over the past two decades. With the addition of air cleaning equipment or other technology, Armstrong would have produced electricity for many years into the future.

First Energy now proposes to close, on October 9, 2013, its Hatfield's Ferry and Mitchell Power Stations. This action is over PJM's objection. PJM administers the regional power grid and its chief concern is ensuring reliability. PJM has concluded that these two units cannot be closed absent the completion of new transmission lines. The cost of installing upgrades to the high voltage transmission grid (along with other system upgrades) will be passed on to every customer and

business of FirstEnergy's regulated utilities. If FirstEnergy had instead invested that same amount of money in technology to clean the emissions from Hatfield's Ferry and Mitchell, which are unregulated facilities, the electrical grid would be more reliable and consumers in Pennsylvania would experience lower electric rates.

Worse, our understanding is that First Energy is planning to take actions to ensure that once the Mitchell Station is retired, it can never be used again. That means that if the required transmission facilities are not installed in a timely way, or do not provide the anticipated alternative reliability benefits, then Mitchell will be unavailable to help stabilize the transmission grid and ensure reliability. This is a significant concern, as Mitchell has provided voltage support to the northwest Pennsylvania portion of the grid for many years.

While FirstEnergy has not divulged its post-retirement plans for Hatfield's Ferry, the Company has said that the unit will not be available to run on short notice (if at all). Hatfield's Ferry has been a cornerstone of the Transmission Grid System for many years.

These actions are contrary to PJM's conclusions about what is needed to ensure reliable service. FirstEnergy gave PJM notice of its intention to close the two units. On September 5, 2013, PJM completed its analysis of FirstEnergy's plans, stating the following with respect to the closing of Hatfield's Ferry and Mitchell:

Reliability analysis complete. Impacts identified and upgrades not expected to be completed by proposed deactivation date of October 9, 2013. PJM continues to work with affected Transmission Owners to identify upgrades and expected completion dates along with temporary operating solutions to mitigate reliability impacts, in accordance with Part 113.2 of Section V of the Tariff.

Despite PJM's conclusions, FirstEnergy has since continued to follow through with plans to close both units on October 9, 2013. FirstEnergy's apparent decision to ignore PJM's warnings indicates to us that the Company is more concerned about economics than about service reliability to its millions of customers. Grid failures are not unthinkable events. When generating stations are taken off line, you have less power to support the grid and rely on the grid to provide power from generating stations further away from your customers. Earlier this week (on September 10, 2013), FirstEnergy had a failure on a 134 kilovolt transmission line that resulted in 35,000 to 52,000 customers and businesses without electricity.

More broadly, no utility company should have the right to put shareholder dollars ahead of customer service obligations.

If, as appears to be the case, FirstEnergy is no longer interested in operating the Hatfield's Ferry and Mitchell Power Stations, then the Company should offer both plants for sale. There are independent investor groups that have been purchasing coal fired power stations. A power station similar to Hatfield's Ferry was recently sold for 1.1 billion dollars.

In short, we do not understand why FirstEnergy is in such a hurry to take an action that PJM has told the Company will put reliability at risk. We likewise do not understand why FirstEnergy is unwilling to investigate selling the plants—an action that could provide additional revenue to the Company and allow it to get out of owning and operating Hatfield's Ferry and Mitchell.

We urge the Committee to ask FirstEnergy these questions, and to demand answers. Customers should not be held hostage to the apparent interests of FirstEnergy shareholders.

More broadly, FirstEnergy's dollar-driven action strongly suggests that it is time for Pennsylvania to take a hard look at whether the current, deregulated utility industry is in fact serving the public interest. The State may well conclude that the only way to ensure that Pennsylvania citizens and businesses will have safe, reliable and cost effective electricity is to return the generation of electricity to a regulated entity under the control of Public Utility Commission. Prior to deregulation in 1998, electric utility generating companies were required to maintain their facilities to provide reliable power and have reserves available for any type of weather/loading conditions. If the companies were still regulated, it is reasonable to believe that they would have been required to invest in pollution control equipment while making a reasonable profit, instead of closing needed facilities.

Respectfully submitted by Robert T. Whalen