



Institute for Energy Economics and Financial Analysis

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November 6, 2014

Honorable Cheryl A. LaFleur, Chairman
Honorable Philip D. Moeller, Commissioner
Honorable Tony Clark, Commissioner
Honorable Norman Bay, Commissioner
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: Docket No. EL14-55, FirstEnergy Service Co. vs. PJM Interconnection

Dear Commissioners,

The Institute for Energy Economics and Financial Analysis (IEEFA), a non-profit organization conducting research and analysis on economic and financial issues related to energy and the environment, submits the following comments and the attached report as comments in the above-captioned proceeding.

Our October 2014 report, *FirstEnergy: A Major Utility Seeks a Subsidized Turnaround*, describes in detail the recent poor financial performance of FirstEnergy, which has seen its key financial metrics decline and debt increase over the past several years. FirstEnergy is burdened by a poorly performing competitive generating fleet; independent financial analysts at UBS and Citi have recently valued FirstEnergy Solutions at less than zero dollars. FirstEnergy's historic strategy of relying on coal generation, particularly merchant coal generation, has created significant financial problems for the company. Our report describes the political and regulatory strategies that the company has undertaken to prop up its failing business model.

This report provides important context for the current proceeding, in which FirstEnergy is seeking to eliminate the participation of demand response in the PJM capacity market and void the results of the recent 2017/18 Base Residual Auction. In doing so, FirstEnergy seeks to drive up the price of capacity in PJM Interconnection, to the benefit of its own struggling merchant generation company, FirstEnergy Solutions. FirstEnergy's complaint in the current proceeding is consistent with the company's strategy of aggressively pursuing regulatory changes to subsidize its coal and nuclear generation.

The authors of our report are available to provide clarification or answer questions that the Commission may have about the findings of their research.

Respectfully submitted,

A handwritten signature in blue ink, reading "Sandy Buchanan". The signature is fluid and cursive, with the first name "Sandy" and last name "Buchanan" clearly distinguishable.

Sandy Buchanan, Executive Director

Cc: Service List