



## FirstEnergy's history of bad business decisions

### *Risky beginning*

- In 1997, Ohio Edison changed its name to FirstEnergy when it [acquired Centerior Energy](#), becoming the 11<sup>th</sup> largest electric utility in the country, serving 2.2 million customers in northern Ohio and western Pennsylvania.
- Centerior had invested in three expensive nuclear power plants, just about the time that the Three Mile Island accident in 1979 drove up the cost for these plants. Centerior cancelled one of the nuclear plants in 1994, slashed its dividend, and [took a \\$1 billion write-off](#).
- Despite such troubles, and the threat of additional problems at reactors, Ohio Edison bailed out Centerior with the 1997 merger. With this risky investment, FirstEnergy was born.

### *Safety violations*

- FirstEnergy has made repeated mistakes with its poor safety record, as evidenced by its frequent citations from the Nuclear Regulatory Commission (NRC) [for safety violations](#).
- In 2002, FirstEnergy [narrowly averted disaster](#) at the Davis-Besse reactor. The NRC had set a 2001 deadline for a crucial safety inspection, but FirstEnergy pushed it back to 2002, when the plant was scheduled to close for refueling. The NRC found a coolant leak from the reactor core had caused a gaping hole in the reactor cover, eating away six inches of the 6½-inch thick steel plate. The NRC also found a host of defective welds.
- FirstEnergy had to shut the plant down for two years for repairs.

### *Poor oversight*

- High costs for nuclear maintenance and safety led FirstEnergy to cut costs in other areas, like its tree trimming budget.
- In 2003, FirstEnergy inadvertently [turned out the lights on the eastern U.S.](#) because an untrimmed tree knocked out a high voltage transmission line near Lake Erie.

- The outage left 50 million people without power for up to two days, and caused eleven deaths and \$6 billion in losses.

#### *Ethical lapses*

- In 2004, FirstEnergy made improper gifts to the Executive Director of the Ohio Consumer's Counsel (OCC), and convinced him to [destroy an unpublished report](#) showing that FirstEnergy should "only" receive a \$2 to \$4 billion increase in a pending rate case.
- The OCC agreed to up to \$8.8 billion in rate increases, and the Executive Director was forced to resign when news of FirstEnergy's improper lobbying surfaced.

#### *Refusing to evolve*

- For almost a decade now, the rise of natural gas fracking and the plummeting costs for renewable energy have made coal and nuclear less competitive.
- In 2011 FirstEnergy doubled down on coal. The company merged with Allegheny Energy, [adding 1.6 million customers](#) and more than doubling the size of FirstEnergy's coal fleet.
- In 2014, the company [announced](#) it planned to spend over a billion dollars on upgrades for its aging nuclear plants. FirstEnergy ended up postponing some of the work, and "only" spent \$600 million on a reactor that is now [set to close](#) in just a few years.
- With coal and nuclear struggling to compete, FirstEnergy [lost \\$6 billion in 2016](#).

#### *Exorbitant executive pay*

- In the midst of financial troubles, rather than cut back on executive pay, FirstEnergy instead resorted to staggering pay increases.
- Since 2013, the salary for FirstEnergy's CEO rose from \$2 million to a confounding [\\$15 million](#) in 2017.