

Coal is a Financial Risk for FirstEnergy Corp, Say Two Investor Groups

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If you own stock in FirstEnergy Corp., you will soon be asked to consider the potential financial consequences of the company's heavy reliance on coal-fired power plants.

It's not something the company is eager to discuss -- though it filed such information, as required by law, in a 300-page [annual report](#) submitted in February to the Securities and Exchange Commission.

Now, two investor groups that push for corporate responsibility by intervening in the annual meetings of corporations have targeted the Akron-based company on financial issues related to coal.

One of the groups, [Green Century Capital Management](#), a mutual fund administrator that specializes in environmentally responsible funds, is concerned that FirstEnergy's huge coal ash pond near the Ohio River in Pennsylvania could cost shareholders dearly.

The watery ash is laced with mercury and arsenic, Green Century argues, and a leak in the vast reservoir could cost the company hundreds of millions of dollars in clean-up and lawsuits. The group, which drew up the proposal with Adrian Dominican Sisters of Adrian, Mich., [wants to know what FirstEnergy is doing](#) to prevent that.

The other group, [As You Sow](#), is a San Francisco advocacy group that has taken on global corporations over health, environmental, labor and human rights issues in its 20-year history.

[As You Sow](#) [wants FirstEnergy to report](#) to shareholders by November the potential financial liability the company faces if it is forced to clean up more of its coal-burning power plants.

Because FirstEnergy just merged with Allegheny Energy, an-almost-as-large Pennsylvania company, about 60 percent of FirstEnergy's power will now come from coal-burning plants.

FirstEnergy already has spent billions on smoke stack scrubbers of its own fleet and because of that, many Wall Street investors see the company in a relatively better position to weather tougher new EPA regulations, compared to companies that have not make the investments. Also, Allegheny's larger power plants are more modern than most of FirstEnergy's.

[As You Sow](#) wants to know how much federally mandated installation of more pollution controls on additional power plants would cost shareholders and whether FirstEnergy is considering switching to clean-burning natural gas and renewable energy sources.

"If I were running this company, I would be doing a very serious analysis of how do I get out of this coal business, and how do I transition," said [As You Sow Chief Executive Andrew Behar](#).

"If they are not thinking about it, I am even more worried as an investor," he said.

Working independently, the two groups managed to get the company to include the proposals for shareholders to consider when FirstEnergy holds its annual meeting in Akron on May 17.



Jamie-Andrea Yanak, Associated Press
FirstEnergy Corp.'s Eastlake power plant

Those proposals -- though not the identities of the two groups -- are included in the company's [annual report to shareholders](#), along with a couple of other proposals from outsiders dealing with how the company governs itself. The report was released April 1.

A company spokeswoman refused to identify the groups for The Plain Dealer, saying the company is not legally required to do so.

However, a spokesman for [Institutional Shareholder Services Inc.](#) of Rockville, Md., an organization that analyzes corporate reports for institutional investors, identified the groups, saying such a position to not name them is unusual.

FirstEnergy's response to both proposals, also included in the report to shareholders, is that they be rejected.

On the special report of financial risks associated with owning so many coal-fired power plants, the company states flatly that "such a report would not be in the benefit of our shareholders."

"The board (of directors) believes the company's generation fleet is very well positioned to compete in a carbon-constrained economy," the company argues. "Your company has spent more than \$7 billion on environmental protection since the clean air act became law in 1970."

Yet in its annual mammoth report to the SEC, FirstEnergy notes that new EPA regulations could have a "significant impact" on its finances because the company might have trouble passing on those costs to customers. That's because FirstEnergy's power plants are no longer regulated by the state of Ohio, something FirstEnergy fought for in 2008 when a new state utility law was being debated.

"If the cost of compliance with existing environmental laws and regulations does increase, it could adversely affect our business and results of operations, financial position and cash flows," FirstEnergy [told the SEC](#) on page 34 of its February filing.

In its request to shareholders, Green Century also wants FirstEnergy to make a public report detailing what the company is doing to meet tougher federal regulations on coal ash dumps that the U.S. Environmental Protection is planning to issue..

But FirstEnergy noted that it has in fact already publicly released what it is doing with the reservoir in a filing with the EPA and in a corporate responsibility report it released last year. Therefore, the proposal should be rejected, the company said.