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August 6, 2025

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VIA ELECTRONIC FILING

Debbie-Anne A. Reese
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: ***FirstEnergy Service Company, on behalf of The Potomac Edison Company***
Request for Order Authorizing Construction Work In Progress Incentive
Docket No. ER25- -000

Dear Secretary Reese:

Pursuant to Sections 205 and 219 of the Federal Power Act ("FPA"),[1] Part 35 of the regulations of the Federal Energy Regulatory Commission ("FERC" or "Commission"),[2] Order No. 679,[3] and the Commission's November 15, 2012 policy statement addressing transmission incentives,[4] FirstEnergy Service Company ("FirstEnergy") respectfully requests, on behalf of its affiliate, The Potomac Edison Company ("Potomac Edison"),[5] authorization of the Construction Work In Progress ("CWIP") incentive for costs associated with investment in the transmission projects identified in PJM Interconnection, L.L.C.'s ("PJM") 2022 Regional Transmission Expansion Plan ("RTEP") Window 3 and designated to Potomac Edison. The Commission

[1] 16 U.S.C. §§ 824d, 824s.

[2] 18 C.F.R. Part 35 (2024).

[3] *Promoting Transmission Investment through Pricing Reform*, Order No. 679, 116 FERC ¶ 61,057 (2006) ("Order No. 679"), *order on reh'g*, Order No. 679-A, 117 FERC ¶ 61,345 (2006), *order denying reh'g*, 119 FERC ¶ 61,062 (2007).

[4] *Promoting Transmission Investment through Pricing Reform*, 141 FERC ¶ 61,129 (2012) ("Incentive Policy Statement").

[5] Pursuant to Order No. 714, this filing is submitted by PJM on behalf of FirstEnergy as part of an XML filing package that conforms with the Commission's regulations. PJM has agreed to make all filings on behalf of the PJM Transmission Owners in order to retain administrative control over the PJM Tariff. Thus, FirstEnergy has requested PJM submit this filing in the eTariff system as part of PJM's electronic Intra PJM Tariff.

previously granted FirstEnergy's request for the abandoned plant incentive for these projects in two separate applications.[6]

The transmission projects (collectively, the "Potomac Edison Projects" or "Projects") have been identified by PJM as needed to maintain reliability. Specifically, as discussed below, PJM determined that the PJM 2022 RTEP Window 3 projects, which include the Potomac Edison Projects, will resolve reliability criteria violations resulting primarily from data center load growth currently forecasted by 2027/2028 in northern Virginia ("PJM Window 3 Project").[7]

PJM has designated Potomac Edison with specific construction responsibility for the Potomac Edison Projects. Through the instant filing, FirstEnergy is seeking on behalf of its affiliate, Potomac Edison, a specific, tailored, risk-reducing incentive to address challenges presented by the development of the Potomac Edison Projects. Specifically, Potomac Edison is seeking authorization to include 100% of CWIP costs ("CWIP Incentive") in its rate base.[8]

FirstEnergy respectfully requests that, pursuant to the Commission's Statutory Filing Guidance,[9] the Commission issue an order granting the requested CWIP Incentive no later than October 6, 2025, which is not less than 61 days from the date of this filing. Pursuant to the Statutory Filing Guidance, FirstEnergy submits this filing through eTariff with a duplicate formula rate template for Potomac Edison. FirstEnergy accordingly submits Attachment H-11A to the PJM Open Access Transmission Tariff ("PJM Tariff"), provided as Attachment D, with an updated

[6] *See PJM Interconnection L.L.C.*, 188 FERC ¶ 61,045 (2024) (granting FirstEnergy's Abandoned Plant Incentive request for the prudently incurred costs associated with investment in 34 FirstEnergy affiliate transmission projects, including the Potomac Edison Projects). FirstEnergy subsequently applied for the Abandoned Plant Incentive for transmission projects that were assigned to Potomac Edison as the result of a reroute of transmission projects initially assigned to NextEra Energy Transmission MidAtlantic, Inc. The Commission granted the Abandoned Plant Incentive for the adjusted project on December 2, 2024. *See Potomac Edison Co.*, 189 FERC ¶ 61,161 (2024). To narrowly tailor its incentive request to risk profile, Potomac Edison did not request inclusion of 100% of CWIP in rate base when it applied for the Abandoned Plant Incentive. Potomac Edison has since completed more detailed engineering and design work for the Potomac Edison Projects, and identified that the total project costs, roughly $1.1 billion, will create financial risks that will stress Potomac Edison's financial condition and credit metrics during the Potomac Edison Projects' construction period.

[7] *See* PJM Interconnection, L.L.C., *Reliability Analysis Report 2022 RTEP Window 3*, (Dec. 8, 2023).

[8] As used throughout this application, "Potomac Edison Projects" means the projects that are part of the PJM 2022 RTEP Window 3 Project that have been assigned to FirstEnergy's affiliate, Potomac Edison. The list of projects is identified in the Designated Entity Letter from PJM and Acknowledgement Letter of Potomac Edison, provided with this filing as Attachment C.

[9] Potomac Edison submits this request pursuant to the Commission's *Notice of Procedures for Making Statutory Filings When Authorization for New or Revised Tariff Provisions Is Not Required*, Docket No. RM01-5-000 (June 3, 2020) ("Statutory Filing Guidance").

effective date of October 6, 2025.[10] Prompt consideration of and Commission action on this request is critical to support FirstEnergy's timely development of the Potomac Edison Projects.

I. COMMUNICATIONS

Potomac Edison requests that all notices, correspondence, and communications regarding this filing be directed to the following individuals:[11]

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II. BACKGROUND

A. Description of Potomac Edison

FirstEnergy submits this filing on behalf of Potomac Edison, its affiliate. FirstEnergy is a wholly owned subsidiary of FirstEnergy Corp., a publicly held corporation with operations and business activities in Ohio, Pennsylvania, West Virginia, Maryland, New Jersey, and New York. FirstEnergy Corp. is incorporated in Ohio, with its principal headquarters located in Akron, Ohio. FirstEnergy Corp. and its subsidiaries are principally involved in the transmission and distribution of electricity. FirstEnergy Corp.'s utility operating companies comprise one of the nation's largest investor-owned electric systems, serving over six million customers in the Midwest and Mid-Atlantic regions. FirstEnergy Corp.'s transmission operations include more than 24,000 miles of transmission lines and two regional transmission operation centers. FirstEnergy, as a centralized

[10] FirstEnergy's submittal of this duplicate tariff record, in conjunction with its request for a Commission order authorizing the requested Abandoned Plant Incentive, is consistent with the direction provided in the Commission's *Notice of Procedures for Making Statutory Filings When Authorization for New or Revised Tariff Provisions Is Not Required*, Docket No. RM01-5-000 (June 3, 2020). Apart from providing an updated effective date, FirstEnergy does not propose any changes to Attachment H-11A (Potomac Edison) to the PJM Tariff or propose any other tariff revisions or rate changes in this filing.

[11] To the extent necessary, Potomac Edison respectfully requests waiver of Rule 203(b)(3) to include all the individuals identified above on the Commission's official service list in this proceeding and to be designated for service pursuant to Rule 2010. 18 C.F.R. § 285.203(b)(3).

service company, provides legal, financial, and other corporate support services to all of FirstEnergy Corp.'s subsidiaries and affiliates.

Potomac Edison is a Maryland corporation that owns and operates electric facilities for the transmission and/or distribution of electric power in Maryland, Virginia, and West Virginia. Potomac Edison is a transmission-owning member of PJM, and its transmission facilities are subject to the functional control of PJM which provides transmission service to customers pursuant to the PJM Tariff.

B. Description of PJM's 2022 RTEP Open Window 3

The PJM Window 3 Project addresses anticipated constraints and baseline reliability criteria violations expected to emerge in 2027-2028 based, in large part, on unprecedented load growth demand resulting from data center loads in Northern Virginia, resulting in "high flows" and necessitating "major voltage support."[12] In February 2023, PJM opened the 2022 RTEP Window 3 to develop robust, holistic, and expandable solutions that address 2027/2028 baseline reliability criteria violations associated with local constraints, regional constraints, reactive power needs, and the impact of changes in generation resources.[13] PJM identified a list of criteria violations through its planning studies and sought solutions to address such criteria violations. PJM received 72 proposals from 10 entities and evaluated those proposals using a number of specified criteria, including performance, scalability, impact, validated cost, risks, and efficiencies.[14] PJM ultimately recommended to the PJM Board a comprehensive set of solutions to address the identified Window 3 needs that included components of proposals submitted by FirstEnergy and other project sponsors.[15] On December 11, 2023, the PJM Board approved the recommended solutions proposed in the PJM Window 3 Project, which—in addition to projects assigned to Potomac Edison—initially required the development of certain transmission facilities by NextEra to address the above-referenced needs. Any modifications to an RTEP must be presented to the Transmission Expansion Advisory Committee ("TEAC") and approved by the PJM Board.[16] On August 7, 2024, the PJM Board approved the modification of recommended

[12] *See* PJM Interconnection, L.L.C., Data Center Planning & Need Assessment Update, PJM.com, Jan. 10, 2023, https://www.pjm.com/-/media/committees-groups/committees/teac/2023/20230110/item-04---data-center-load-planning.ashx.

[13] *See* PJM Interconnection, L.L.C., PJM RTEP - 2022 RTEP Proposal Window #3, Problem Statement and Requirements, PJM.com, available at https://www.pjm.com/planning/competitive-planning-process.

[14] PJM Interconnection, L.L.C., Reliability Analysis Update, PJM.com, Oct. 3, 2023, https://www.pjm.com/-/media/committees-groups/committees/teac/2023/20231003/20231003-item-11---reliability-analysis-update.ashx.

[15] *See* PJM Interconnection, L.L.C., Constructability & Financial Analysis Report, 2022 RTEP Window 3, PJM.com, Nov. 17, 2023, https://pjm.com/-/media/committees-groups/committees/teac/2023/20231205/20231205-2022-rtep-window-3-constructability--financial-analysis-report.ashx. Detailed information about PJM's findings related to the 2022 RTEP Window 3 results and recommended solution were reported at the October 31, 2023, December 5, 2023, and January 9, 2024 PJM TEAC meetings.

[16] *See* PJM Intra-PJM Tariffs, Operating Agreement, Schedule 6, § 1.5.8(k).

solutions proposed in the PJM Window 3 Project which required the development of certain transmission facilities by Potomac Edison to address those above-referenced needs.[17]

Specifically, pursuant to its Commission-approved RTEP standards, PJM has designated Potomac Edison[18] with the following components of the PJM Window 3 Project:

- b3800.103: Rebuild ~16 miles of the Gore-Stonewall 138 kV line with 500 kV overbuild (502 Jct to Woodside 500 kV line).
- b3800.104: Rebuild ~15 miles of the Stonewall-Millville 138 kV line with 500 kV overbuild (Woodside to Aspen 500 kV line section).
- b3800.105: Rebuild ~6 miles of the Millville-Doubs 138 kV line with 500 kV overbuild (Woodside to Aspen 500 kV line section).
- b3800.111: Construct the Woodside-Stonewall 138 kV No. 1 line.
- b3800.112: Construct the Woodside-Stonewall 138 kV No. 2 line.
- b3800.114: Stonewall 138 kV substation three 138kV breaker expansion.
- b3800.116: Substation work for terminating Doubs to Bismark line for Doubs side for Woodside 500 kV substation. (FE Portion).
- b3800.122: Rebuild 500 kV line No. 514 from Doubs-Goose Creek 500 kV line. The Doubs-Goose Creek 500 kV line will be rebuilt (APS Portion).
- b3800.123: Doubs substation work – Re-terminate the rebuilt Doubs-Goose Creek 500 kV line in its existing bay, terminate the new Doubs-Aspen 500 kV line in the open bay at Doubs, replace three 500 kV breakers, replace 500 kV terminal equipment including disconnect switches, CTs and substation conductor and replace relaying. (APS portion).
- b3800.124: New Doubs to Aspen 500 kV line – Aspen substation is not yet constructed but is a component in Dominion's proposal 2022-W3-692. (APS Portion).

[17] *See* PJM Interconnection, L.L.C, Reliability Analysis Update, PJM.com, Jul. 9, 2024, https://pjm.com/-/media/committees-groups/committees/teac/2024/20240709/20240709-item-10---reliability-analysis-update.ashx. (demonstrating that the scope change was subject TEAC review and feedback before being approved by the PJM Board).

[18] FirstEnergy, on behalf of the Potomac Edison Company, *Response to December 19, 2023, Notification of Designation of Construction Responsibility* (Jan. 30, 2024); PJM, *Notification of Designation of Construction Responsibility* (Aug. 14, 2024).

- b3800.125: Rebuild the Doubs-Dickerson 230 kV line. This will be underbuilt on the new Doubs-Goose Creek 500 kV line. (APS Portion).

- b3800.126: Rebuild the Doubs-Aqueduct 230 kV line. This will be underbuilt on the new Doubs-Aspen 500 kV line. (APS Portion).

- b3800.127: Rebuild the Dickerson-Aqueduct 230 kV line. This will be underbuilt on the new Doubs-Aspen 500 kV line. (APS Portion).

- b3800.13: Rebuild the Germantown-Carroll 138 kV line to 230 kV double circuit construction (APS-PE Section).

- b3800.15: Construct New 230 kV Hunterstown-Carroll line (APS-PE Section).

- b3800.16: Expand Carroll 230 kV substation to ring bus.

- b3800.17: Network upgrade at Caroll substation.

- b3800.21: Reid-Ringgold 138 kV – Replace line trap, substation conductor, breaker, relaying and CTs at Ringgold.

- b3800.25: Taneytown substation terminal upgrade.

- b3800.413: Replace Double Toll Gate 138 kV breaker MDT 138 OCB with a breaker rated 40 kA.

- b3800.414: Replace Doubs 500 kV breaker DL-55 522LIN with a breaker rated 60 kA.

- b3800.8: Reconfigure Doubs 500 kV station and upgrade terminal equipment to terminate new Otter Creek line. PJM's Designation Letters to the FirstEnergy affiliates are provided as Attachment B to this filing.

- b3800.128: Construct new Woodside-Goose Creek 500 kV line for ~15 miles on single circuit monopole structures within the Doubs-Goose Creek Corridor. (FE Portion)

- b3800.129: Construct 500 kV line from existing structure MVF1-101 on the Doubs-Millville 138 kV line around Doubs substation and into the entrance of the Doubs-Goose Creek corridor. (~2 miles)[19]

[19] PJM designated baseline upgrades b3800.128 and b3800.129 to Potomac Edison after the originally designated transmission developer notified PJM that it could not complete its assigned project components. *See* Prepared Direct Testimony of Jacquelyn Lee Lojek at 7-8 ("Lojek Testimony").

III. THE POTOMAC EDISON PROJECTS QUALIFY FOR CWIP INCENTIVE-BASED RATE TREATMENT

Potomac Edison requests authorization to include 100% of CWIP for the Potomac Edison Projects so that Potomac Edison can recover the financing costs of construction on a present basis, rather than adding these costs to the capital investment amount that is included in rate base following construction of the Potomac Edison Projects. The Potomac Edison Projects qualify for such treatment under FERC policy and precedent.

To encourage investment in transmission infrastructure, Congress, in 2005, directed the Commission to establish incentive-based rate treatments to promote investment in new transmission facilities.[20] Specifically, Section 219 of the FPA requires the Commission to promote capital investment in the development of the transmission grid by providing appropriate rate incentives.[21] In response to this directive, the Commission issued Order No. 679 setting forth policies and procedures permitting utilities to seek incentives for investment in new transmission projects.[22] One such incentive is the CWIP Incentive.

To be eligible for transmission rate incentives under Order No. 679, a public utility must first demonstrate that the proposed transmission project will "either ensure reliability or reduce the cost of delivered power by reducing transmission congestion."[23] The Commission established a rebuttable presumption that an applicant meets this standard if the transmission project: (1) results from a fair and open regional planning process that considers and evaluates whether the project will enhance reliability or reduce congestion; or (2) has received construction approval from an appropriate state commission or state siting authority.[24]

An applicant must also demonstrate that the total package of incentives requested is tailored to address the demonstrable risks or challenges faced by the applicant in undertaking the project—known as the "nexus test."[25] In its Incentive Policy Statement, the Commission explained that the nexus test is fact-specific, and requires the Commission to "analyze the need for each individual incentive, and the total package of incentives" to determine whether a sufficient nexus has been demonstrated between the incentives sought and the investment being made.[26]

As set forth herein, Potomac Edison's requested CWIP Incentive for the Potomac Edison Projects should be granted because: (i) the Projects satisfy the rebuttable presumption of Order

[20] Energy Policy Act of 2005, Pub. L. No. 109-58, 119 Stat. 594 (2005).

[21] 16 U.S.C. § 824s(b)(2).

[22] Order No. 679, at P 1.

[23] *Id.* P 76.

[24] *Id*. P 58; Order No. 679-A, at P 49.

[25] Order No. 679-A, at P 115.

[26] Incentive Policy Statement at P 10.

No. 679 as they were selected through the PJM RTEP process as multiple components of the PJM Window 3 Project; and (ii) Potomac Edison has tailored its CWIP Incentive request to mitigate the specific risks associated with development of the Potomac Edison Projects.

A. The Potomac Edison Projects Qualify for The Rebuttable Presumption Under Order No. 679 Because They Were Selected Through PJM's Fair and Open Regional Planning Process

The Commission has established a rebuttable presumption that a transmission project ensures reliability or reduces the cost of delivered power when the project results from a fair and open regional planning process that considers and evaluates whether projects will enhance reliability or reduce congestion.[27] The Commission has previously found that PJM's RTEP is a fair and open regional planning process that satisfied Order No. 679.[28] The Potomac Edison Projects directly result from the PJM RTEP process, and the Potomac Edison Projects will ensure reliability and reduce the cost of delivered power by reducing transmission congestion.[29] As discussed in the Prepared Direct Testimony of Jacquelyn Lee Lojek, PJM uses the RTEP competitive solicitation windows "to seek technical solution proposals to solve identified (i) reliability criteria violations in accordance with all applicable planning criteria mandated by PJM, NERC, SERC, RFC and Local Transmission Owners, (ii) economic constraints or RPM limits and (iii) Public Policy Requirements."[30]

PJM initiated the 2022 RTEP Window 3 competitive solicitation to "develop robust, holistic and expandable solutions that address the 2027-28 baseline violations associated with:

- local constraints resulting from directly serving data center loads in APS/Dominion zones;
- regional constraints resulting from imports into load center areas (500 kV primarily);

[27] Order No. 679, at P 58.

[28] The Commission previously determined that selection in the RTEP for these Potomac Edison Projects satisfies the rebuttable presumption when granting the abandoned plant incentive. *PJM Interconnection L.L.C.*, 188 FERC ¶ 61,045 at P 15 (2024) ("In this case, PJM's RTEP process, through which the Projects were approved, evaluated whether the Projects would enhance reliability and/or reduce congestion. Accordingly, we find that the Projects are entitled to the rebuttable presumption and meet the requirements of section 219"); *Potomac Edison Co.*, 189 FERC ¶ 61,161 (2024) (same); *see also NextEra Energy Transmission MidAtlantic Indiana, Inc.*, 186 FERC ¶ 61,052 (2024) (finding that selection in RTEP satisfies the rebuttable presumption); *PJM Interconnection, LLC*, 152 FERC ¶ 61,180 at P 34 (2015) ("The Commission has previously held that the PJM RTEP process constitutes 'a fair and open regional planning process' for the purposes of the rebuttable presumption provided in Order No. 679."); *Duquesne Light Co.*, 179 FERC ¶ 61,218, at P 15 (2022); *Pub. Serv. Elec. & Gas Co.*, 137 FERC ¶ 61,253 at P 19 (2011).

[29] *See supra* n.28.

[30] PJM Manual 14F: Competitive Planning Process at 17, (effective April 27, 2022) available at https://www.pjm.com/-/media/documents/manuals/m14f.ashx.

- needed reactive power VAR reinforcement, both static and dynamic as necessary;
- reliability impacts due to the deactivation of 11 GWs of generation."[31]

PJM has determined that the PJM Window 3 Project, which includes the Potomac Edison Projects, will meet reliability needs associated with the deactivation of more than 11,000 MW of generation and data center load growth in Virginia and Maryland. The Prepared Direct Testimony of Ms. Lojek describes how the Projects were evaluated and selected in PJM's 2022 RTEP Window 3.[32] Consequently, because the PJM Window 3 Project will ensure reliability, and resulted from PJM's RTEP process, the Potomac Edison Projects satisfy the rebuttable presumption established in Order 679.[33]

B. A Nexus Exists Between the CWIP Incentive Sought and the Risks Presented by Potomac Edison's Development of the Potomac Edison Projects

Order No. 679's "nexus test" requires a demonstration that there is a sufficient "nexus" between the incentives being requested and the risks associated with the investment being made.[34] In its Incentive Policy Statement, the Commission explained that applicants should "demonstrate how the total package of incentives requested is tailored to address demonstrable risks and challenges."[35] For the CWIP Incentive, the Commission has explained that the nexus test is met when granting the CWIP Incentive "will advance the goals of section 219 by providing up-front regulatory certainty, rate stability, and improved cash flow, thereby reducing the financial pressure of investing in transmission projects."[36] In analyzing whether to grant the CWIP Incentive, the Commission will assess risks associated with maintaining the credit metrics of the utility,[37] the long lead time required to plan and construct new transmission facilities,[38] and the project cost compared to rate base.[39] As demonstrated below, the Potomac Edison Projects satisfy the

[31] *See* October 31, 2023 TEAC Reliability Update at 70, available at https://www.pjm.com/-/media/committees-groups/committees/teac/2023/20231031/20231031-item-15---reliability-analysis-update.ashx.

[32] *See* Lojek Testimony at 5-6.

[33] *See PJM Interconnection L.L.C.*, 188 FERC ¶ 61,045 (2024) (finding that these same Potomac Edison Projects qualify for the rebuttable presumption under Order No. 679); *Potomac Edison Co.*, 189 FERC ¶ 61,161 (2024) (same).

[34] *See* Order No. 679, at P 48; Order No. 679-A, at P 16. The Commission has noted that an applicant does not need to satisfy a "but for" test – showing that the projects would not be built without the incentives – to satisfy the nexus requirement. Incentive Policy Statement at P 6.

[35] Incentive Policy Statement at P 10.

[36] *E.g.*, *GridLiance West LLC*, 187 FERC ¶ 61,223 at P 23 (2024).

[37] *See e.g., id.* at P 29.

[38] Order No. 679 at P 29.

[39] *See e.g., Otter Tail Power Co.*, 192 FERC ¶ 61,003 at P 26 (2025) (granting the CWIP Incentive, where utility asserting projects would significantly increase forecasted net transmission plant in service).

Commission's nexus test for the CWIP Incentive because the financial challenges faced in developing the Potomac Edison Projects are significant and the CWIP Incentive sought is appropriately tailored to address those risks.

As discussed in the Prepared Direct Testimony of Bill Wang, development of the Potomac Edison Projects presents financial risks to Potomac Edison associated with maintaining Potomac Edison's solid credit metrics, the long lead times required to plan and construct the Potomac Edison Projects, and the large project cost relative to Potomac Edison's rate base. Potomac Edison maintains solid credit metrics, including Moody's CFO/Debt ratio.[40] However, a larger capital spend has the potential to put downward pressure on the metric.[41] Large capital projects such as the Potomac Edison Projects typically do not generate cash flow until the project enters service, which creates pressure on the utility's financial credit metrics.[42] Additionally, the Potomac Edison Projects have an anticipated in-service date of December 31, 2030, creating a lag before Potomac Edison could otherwise collect CWIP in rate base.[43] The long lead time required to plan and construct the Potomac Edison Projects can impact the utility's cash flow, affecting the overall financial health of Potomac Edison and its ability to attract capital at reasonable prices.[44] Moreover, the total estimated project cost is $1.1 billion.[45] The Potomac Edison Projects comprise a large-scale transmission project requiring large capital expenditures during the construction period.[46] The substantial investment of capital spend for the Potomac Edison Projects is nearly equal to, currently, Potomac Edison Maryland's entire rate base.[47]

[40] Wang Testimony at 6.

[41] *See id.* ("Potomac Edison will need to finance the $1.1 billion capital spend with a mixture of debt and equity, which increases the denominator in Moody's calculation without a proportional increase in cash from operations due to regulatory lag. This higher debt level may impact Potomac Edison's ability to maintain its current ratings and secure favorable terms on future debt offerings.").

[42] *Id.* at 3, 6; Incentive Policy Statement at P 13; *see also Otter Tail Power Co.*, 192 FERC ¶ 61,003 at P 25 ("The Commission stated that this rate incentive will advance the goals of FPA section 219 by providing up-front regulatory certainty, rate stability, and improved cash flow, thereby reducing the financial pressure of investing in transmission projects.").

[43] *See id.* at 5.

[44] *Id.* at 8-9.

[45] *Id.* at 4.

[46] *See id.* at 4 ("Expenditures for the projects represent a substantial increase in the overall level of Potomac Edison's transmission investments compared to previous years and other capital investments that Potomac Edison plans to make during the period that the projects will be in development.").

[47] *Id.* at 6.

The CWIP Incentive mitigates these financial risks by providing up-front regulatory certainty, rate stability, and improved cash flow during the construction period.[48] More specifically, the CWIP Incentive will provide revenues during the construction period, alleviating the financial pressures associated with developing the Potomac Edison Projects. The regulatory certainty provided by the revenues generated through including 100% of CWIP in rate base for the Potomac Edison Projects would serve to reduce the overall need to raise additional capital during the long construction period.[49] Additionally, the CWIP Incentive will provide rate stability because the inclusion of CWIP in rate base avoids "rate shock" by allowing the recovery of costs more gradually, rather than when the Potomac Edison Projects are placed in service.[50] Further, improved cash flow will also help ensure that Potomac Edison obtains financing on reasonable terms to fund the Potomac Edison Projects. The availability of current cash flow through the CWIP Incentive will help Potomac Edison raise debt capital from investors who may otherwise be discouraged by delays in the recovery of the debt and equity carrying costs of the Potomac Edison Projects investments during the construction period.[51] Generally, the investment community views CWIP in rate base as more favorable than Allowance for Funds Used During Construction ("AFUDC"), given that AFUDC is not cash income but a promise to pay once the project is completed and placed into service.[52]

Accordingly, the CWIP Incentive will address the above-identified financial risks, thereby advancing the goals of section 219 by providing up-front regulatory certainty, rate stability, and improved cash flow. The CWIP Incentive will reduce the financial pressure of investing in the Potomac Edison Projects.

C. The Requested CWIP Incentive is Tailored to Mitigate the Specific Financing and Development Risks of the Potomac Edison Projects

In Order No. 679-A, the Commission stated that, in determining whether an applicant has met the nexus test, "the Commission will examine the total package of incentives being sought, the inter-relationship between any incentives, and how any requested incentives address the risks

[48] *See* Incentive Policy Statement at PP 12-13; *see also GridLiance West LLC*, 187 FERC ¶ 61,223 at P 24 ("We find that granting the CWIP Incentive will ease this pressure by providing upfront certainty, improved cash flow, and reduced interest expense as GridLiance proceeds with the Project").

[49] Wang Testimony at 8; *see also Otter Tail Power Co.*, 192 FERC ¶ 61,003 at P 26 ("We find that granting the CWIP Incentive will help to ease cash flow strain from Otter Tail's investment in the Projects, prevent potential negative impacts to Otter Tail's credit rating, and, by spreading the rate impact over the entire construction period, decrease the amount of long-term debt to be issued and the overall financing costs borne by customers.").

[50] *See* Construction Work In Progress for Public Utilities; Inclusion of Costs in Rate Base, Order No. 298, FERC Stats. & Regs. ¶ 30,455, 30,499, *order on reh'g*, Order No. 298-A, FERC Stats. & Regs. ¶ 30,500, *order on reh'g*, Order No. 298-B, FERC Stats. & Regs. ¶ 30,524 (1983).

[51] Wang Testimony at 9; *see also GridLiance West LLC*, 187 FERC ¶ 61,223 at P 24 (granting the CWIP Incentive, in part, because "[t]he record indicates that the Project costs could put pressure on GridLiance's finances.").

[52] Wang Testimony at 9.

and challenges faced by the project."[53] As discussed above, the CWIP Incentive is targeted to mitigate the risks associated with financing the Potomac Edison Projects. Moreover, the request is consistent with CWIP incentive applications where the Commission has recently approved CWIP incentive treatment in circumstances like those identified in this application.[54]

The addition of the CWIP Incentive to the Abandonment Incentive that the Commission has already granted results in a total package of incentives that is narrowly tailored to address the specific risks and challenges that Potomac Edison faces in developing the Potomac Edison Projects.[55]

D. Potomac Edison Will Take the Necessary Steps to Ensure that There is No Double Recovery under CWIP and AFUDC

Additionally, Potomac Edison will take the necessary steps to ensure that there is no double recovery under CWIP and AFUDC. To conform to the Commission's accounting practices to ensure that wholesale customers are not charged for both capitalized AFUDC and corresponding amounts of CWIP included in rate base,[56] Potomac Edison will not accrue AFUDC in Account 107,[57] for its components of the projects during any period when it is earning a current return on CWIP using the CWIP Incentive. Potomac Edison's proposed accounting treatment will prevent the double recovery of a return on CWIP and capitalized AFUDC on the same rate base items at the same time.

E. The Commission Should Grant the Requested Relief Under FPA Section 205 If It Declines to Do So Pursuant to Order No. 679

The Commission is not limited to authorizing incentive rate treatments pursuant to Order No. 679 and the Incentive Policy Statement. The Commission has routinely recognized its authority under section 205 of the FPA to approve rate incentives "when they would promote the

[53] Order No. 679-A, at P 21.

[54] *See, e.g.*, *GridLiance West LLC*, 187 FERC ¶ 61,223 (2024); *Dayton Power & Light Co.*, 172 FERC ¶ 61,140, at P 57 (2020); *Duquesne Light Co.*, 179 FERC ¶ 61,218, at PP 16-17 (2022).

[55] The Commission has already granted the Abandoned Plant Incentive for the Potomac Edison Projects. *See supra* n.6. The Commission routinely grants requests for both the CWIP and Abandonment Incentives, which serve distinct purposes—the CWIP Incentive addresses cash flow impacts and risks to continued capital attraction during construction, whereas the Abandoned Plant Incentive mitigates the risk of the Projects being abandoned or cancelled for reasons outside of Potomac Edison's control. Incentive Policy Statement at PP 12, 14; *see also NextEra Energy Transmission MidAtlantic Indiana, Inc.*, 186 FERC ¶ 61,052 (2024); *MidAmerican Energy Co.*, 137 FERC ¶ 61,250 (2011); *Great River Energy*, 130 FERC ¶ 61,001 at PP 32-35 (2010); *Otter Tail Power Co.*, 129 FERC ¶ 61,287 at PP 30-33 (2009); *Xcel Energy Servs., Inc.*, 121 FERC ¶ 61,284 at PP 56-63 (2007). Accordingly, both incentives are tailored to address the specific risks associated with financing and developing the Potomac Edison Projects.

[56] *See* 18 C.F.R. § 35.25(e)-(f).

[57] 18 CFR § 367.1070.

Commission's policies."[58] This authority exists in addition to its incentive rate policy under Order No. 679.[59] In exercising its authority under section 205 of the FPA to grant rate incentives, the Commission considers whether the incentives requested would "promote the Commission's policies" including, "among other . . . factors, whether the incentive encourages the development of much needed transmission facilities, improves the performance of the grid by increasing the transfer capability of the grid and by providing reliability benefits to the grid, and is intended to increase the supply of energy to the grid."[60]

Thus, to the extent the Commission determines it is unable to grant the requested CWIP Incentive pursuant to Order No. 679, the Commission should authorize Potomac Edison's use of the CWIP under FPA Section 205 because the requested incentive rate treatment is just and reasonable and will support timely development of projects that will provide substantial benefits to ratepayers.

F. Effect of CWIP Incentive on Customers

The Commission's approval of FirstEnergy's request for the CWIP Incentive for the Potomac Edison Projects will result in rates that are just and reasonable and not unduly discriminatory or preferential. The Commission has recognized that including CWIP in rate base only affects the timing of cost recovery, not the level of cost recovery.[61] In addition, the Commission has recognized that including CWIP in rate base may have a beneficial impact on customer rates[62] because the inclusion of CWIP in rate base avoids "rate shock."[63]

The CWIP Incentive also benefits customers because it allows the Potomac Edison Projects to be developed at a lower cost than if an AFUDC recovery mechanism were employed.[64] The CWIP

[58] *S. Cal Edison Co.*, 133 FERC ¶ 61,107 at P 60, *reh'g denied,* 133 FERC ¶ 61,255 (2010) (citing *S. Cal. Edison Co*., 112 FERC ¶ 61,014, *reh'g denied*, 113 FERC ¶ 61,143 (2005)); *San Diego Gas & Elec. Co*., 98 FERC ¶ 61,332, *reh'g denied*, 100 FERC ¶ 61,073 (2002); *see also Pac. Gas & Elec. Co*., 123 FERC ¶ 61,067, P 33 (2008).

[59] Order No. 679-A, at P 21 n.37.

[60] *S. Cal. Edison Co*., 133 FERC ¶ 61,107, at P 60.

[61] See Order No. 679-A, at P 38.

[62] *See PJM Interconnection, L.L.C.*, 135 FERC ¶ 61,229, at P 78 (finding that CWIP incentive would benefit customers by eliminating rate shock because the project's rate impact would be spread over the entire construction period); *see also PPL Elec. Utilities Corp.*, 123 FERC ¶ 61,068, at P 43 (same); *American Elec. Power Serv. Corp.*,116 FERC ¶ 61,059, at PP 59-60 (same).

[63] *See* Construction Work In Progress for Public Utilities; Inclusion of Costs in Rate Base, Order No. 298, FERC Stats. & Regs. ¶ 30,455, 30,499, *order on reh'g*, Order No. 298-A, FERC Stats. & Regs. ¶ 30,500, *order on reh'g*, Order No. 298-B, FERC Stats. & Regs. ¶ 30,524 (1983).

[64] Wang Testimony at 7 ("The CWIP incentive improves Potomac Edison's cash from operations which is part of the metric used by the rating agencies to assess the credit worthiness, and ultimately the rating, of the issuer. This, in turn, benefits rate payers as issuers with investment grade ratings and a stable or positive outlook will result in a lower cost of debt.").

Incentive will lower Potomac Edison's rate base amount once the Potomac Edison Projects are in service because Potomac Edison will not capitalize financing costs during the period when CWIP will be included in rate base.[65] Moreover, because the CWIP Incentive will produce stronger cash flow metrics and improve credit strength, the CWIP Incentive ultimately should lower Potomac Edison's overall borrowing costs for a given level of debt, as compared to a project constructed with a recovery mechanism entirely based on AFUDC.[66] This lower cost, in turn, passes through to customers. Accordingly, the requested CWIP Incentive will produce a just and reasonable result.[67]

IV. TIMELY COMMISSION ACTION IS NECESSARY SO THAT COSTS INCURRED AFTER OCTOBER 6, 2025 ARE RECOVERABLE UNDER THE CWIP INCENTIVE

Timely action on this request is consequential in making Potomac Edison's requested CWIP Incentive effective. In Order No. 679, the Commission recognized the potential time-sensitivity of action on requests for incentive rate treatments and explained that it would strive to act on requests for incentive rate treatments within 60 days of the request, regardless of whether the request is filed pursuant to FPA Section 205 or 219.[68] FirstEnergy submits this request for CWIP Incentive for the Potomac Edison Projects pursuant to the Commission's Statutory Filing Guidance and requests an effective date of October 6, 2025.

V. ADVANCED TECHNOLOGY STATEMENT

Under Order No. 679, FirstEnergy is required to submit a statement describing any advanced technologies considered for the Potomac Edison Projects, along with an explanation if advanced technologies will not be utilized. FirstEnergy will use optical ground wires ("OPGW"), phasor measurement units ("PMU"), and Aluminum Conductor Steel Supported ("ACSS") transmission conductors which together will provide a technologically advanced and highly reliable and resilient project.[69] FirstEnergy will emphasize good utility practice and efficient engineering design and construction practices in developing the Project.[70] The Prepared Direct Testimony of Ms. Lojek includes a thorough discussion of FirstEnergy's use of advanced technologies in developing the Potomac Edison Projects.[71]

[65] *Id.* at 8.

[66] *Id.* at 8-9.

[67] *Id.* at 10.

[68] Order No. 679, at P 77.

[69] Lojek Testimony at 10.

[70] *Id.*

[71] *Id.* at 9-10.

VI. REVISIONS TO THE FORMULA RATE TEMPLATES

Potomac Edison's requested CWIP Incentive does not require any Tariff changes at this time.

VII. ADDITIONAL FILING REQUIREMENTS REGARDING CWIP INCENTIVE

In Order No. 679, the Commission stated that an applicant seeking the CWIP Incentive must comply with the Commission's filing requirements governing CWIP.[72] The Commission granted a general waiver of the requirement in section 35.25(c)(4) as it pertains to preventing a "double whammy" regarding transmission CWIP in rate base, but stated that other provisions of section 35.25 apply unless waived by the Commission on a case-by-case basis.[73] The Commission's regulations contain several filing requirements when seeking the CWIP Incentive.

As discussed above, sections 35.25(e) and (f) of the Commission's regulations require an applicant seeking CWIP recovery to discontinue AFUDC for investment that was included in rate base and to propose accounting procedures ensuring that customers will not be double charged for AFUDC and CWIP. Potomac Edison has provided information to explain how it will comply with sections 35.25(e) and (f) of the Commission's regulations.

Additionally, Potomac Edison respectfully requests a waiver of sections 35.25(c)(4) and (g) related to the anti-competitive impacts of CWIP recovery. These regulations primarily address concerns regarding the potential anti-competitive effects of including generation-related CWIP in rates. The anti-competitive concerns are less significant with respect to the inclusion of transmission-related CWIP in rates. As such, Potomac Edison asserts that the information contained herein provides sufficient detail to satisfy the requirements in sections 35.25(c)(4) and (g), and requests waiver of any additional requirements in those sections.

Upon approval of a transmission rate incentive, the Commission also requires applicants for the CWIP Incentive to make an annual filing with the Commission.[74] Potomac Edison commits to making this filing upon Commission approval of the CWIP Incentive for the Potomac Edison Projects.

[72] *See* Order No. 679 at P 121 ("The Commission has previously determined that recovery of CWIP on a formulary basis is not permitted without prior Commission review to ensure that the Commission's CWIP standards are met.").

[73] *Id.* at P 119.

[74] FERC-730 annual reports, which contain actual, projected, and incremental transmission investment information, must be filed by public utilities that have been granted incentive rate treatment for specific transmission projects. 18 C.F.R. § 35.35(h). These reports contain actual, projected, and incremental transmission investment information.

VIII. INFORMATION REQUIRED BY THE COMMISSION'S REGULATIONS AND REQUEST FOR WAIVERS

A. Documents Submitted with this Filing (Section 35.13(b)(1))

Along with this transmittal letter, the documents submitted in this filing include the following:

Attachment A – Prepared Direct Testimony of Jacquelyn Lee Lojek

Attachment B – Prepared Direct Testimony of Bill Wang

Attachment C – PJM Designated Entity Letters and Acknowledgement Letters for Potomac Edison Projects

Attachment D – Duplicate Tariff Sheets of the Potomac Edison Attachment H-11A formula rate template

B. Effective Date (Section 35.13(b)(2))

FirstEnergy requests an effective date of October 6, 2025, without suspension or hearing, for the proposed CWIP Incentive for the Potomac Edison Projects.

C. Service (Section 35.13(b)(3))

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting the filing electronically. In accordance with the Commission's regulations,[75] PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: https://www.pjm.com/library/filing-order with a specific link to the newly-filed document, and will send an e-mail on the same date as the filing to all PJM Members and all state utility regulatory commissions in the PJM Region[76] alerting them that this filing has been made by PJM and is available by following such link. PJM also serves the parties listed on the Commission's official service list for this docket. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. A copy of this filing will be available on the Commission's eLibrary website located at the following link: http://www.ferc.gov/docs-filing/elibrary.asp in accordance with the Commission's regulations and Order No. 714.[77]

D. Description of the Rate Filing (Section 35.13(b)(4))

The basis for the requested CWIP incentive is described above in Section III.

[75] *See* 18 C.F.R. §§ 35.2(e) and 385.2010(f)(3).

[76] PJM already maintains, updates, and regularly uses e-mail lists for all PJM members and affected state commissions.

[77] *Electronic Tariff Filings*, Order No. 714, 124 FERC ¶ 61,270 (2008).

E. Statement of Reasons for the Rate Filing (Section 35.13(b)(5))

See Section III, above.

F. Requisite Agreements (Section 35.13(b)(6))

FirstEnergy is not required to obtain prior agreement from other parties for the submission of this filing.

G. Statement Regarding Illegal, Duplicative, or Unnecessary Costs (Section 35.13(b)(7))

None of the costs relating to this filing have been alleged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory practices.

H. Cost of Service and Revenue Information to Support Filing and Request for Waiver

FirstEnergy asserts that it has provided sufficient information for the Commission to authorize the requested CWIP incentive. To the extent the Commission's regulations in 18 C.F.R. Section 35.13(a), (c), (d), or (h) would require any additional information, FirstEnergy respectfully requests waiver of such requirements.

I. Request for Waivers

FirstEnergy respectfully requests that the Commission grant any further waivers of its regulations, including any requirements set forth in 18 C.F.R. Part 35 to the extent necessary to permit the Commission to accept this filing and grant the requested relief.

IX. CONCLUSION

WHEREFORE, for the reasons set forth above, FirstEnergy respectfully requests that the Commission authorize FirstEnergy, on behalf of its affiliate Potomac Edison, to include 100% of CWIP costs associated with the Potomac Edison Projects in rate base, effective no later than October 6, 2025.

Respectfully,

/s/ Jay Ryan

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ATTACHMENT A

PREPARED DIRECT TESTIMONY OF JACQUELYN LEE LOJEK

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

The Potomac Edison Company	)	Docket No. ER25-___-000

PREPARED DIRECT TESTIMONY OF JACQUELYN LEE LOJEK

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Jacquelyn Lee Lojek. I am the Manager of Transmission Planning for FirstEnergy Service Company ("FirstEnergy"), an affiliate of The Potomac Edison Company ("Potomac Edison"). My business address is 800 Cabin Hill Drive, Greensburg, Pennsylvania 15601.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS MANAGER OF TRANSMISSION PLANNING.

A. I oversee the planning functions across FirstEnergy to ensure safe and reliable operation of the transmission and sub-transmission lines and substations in accordance with FirstEnergy, PJM Interconnection, L.L.C. ("PJM"), and North American Electric Reliability Corporation ("NERC") reliability criteria. Transmission Planning develops capital reinforcement projects to address any identified reliability criteria violations on the transmission and sub-transmission system.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science Degree in Electrical Engineering from Pennsylvania State University. I received a Master of Science Degree in Industrial Engineering from University of Pittsburgh in 2014. I am a Registered Professional Engineer with the Commonwealth of Pennsylvania, as well as with the Commonwealth of Virginia and the states of Ohio, West Virginia, and Maryland. I started my professional career with Westinghouse Electric Company in 2011 as a Hardware Engineer designing relay control equipment for nuclear power plants. My professional experience prior to joining FirstEnergy includes nuclear power plant automation design, manufacturing, testing and commissioning. My FirstEnergy professional experience includes transmission planning, project management, and continuous improvement. I joined FirstEnergy in September 2017 in the Transmission Planning department as an Engineer where I was responsible for planning the company's electric transmission system for the West Penn Power Company ("West Penn") and the Pennsylvania Electric Company ("Penelec"). In 2021, I was named Supervisor of Transmission Project Management for Monongahela Power ("Mon Power"), Potomac Edison, West Penn Power, and Penelec. I was promoted to Manager of Process Control & Continuous Improvement in December 2022. In 2023, I was promoted to my current role as Manager of Transmission Planning with oversight responsibility of the transmission network planning activities. My education, experience, and qualifications are fully set forth in Appendix A to my testimony.

Q. HAVE YOU PROVIDED TESTIMONY IN PRIOR PROCEEDINGS BEFORE THE COMMISSION?

A. Yes. I have previously provided testimony for requests for certain transmission rate incentives in FERC Docket Nos. ER24-1998-000, ER25-19-000, ER25-1633-000, and ER25-2827-000.[1]

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. FirstEnergy, on behalf of its affiliate Potomac Edison, seeks FERC authorization of the Construction Work In Progress ("CWIP") incentive for costs associated with investment in the transmission projects identified in PJM Interconnection, L.L.C.'s ("PJM") 2022 Regional Transmission Expansion Plan ("RTEP") Window 3 and designated to Potomac Edison ("Potomac Edison Projects"). Through my testimony, I explain how PJM assesses projects for inclusion in RTEP and how the Potomac Edison Projects satisfy the Commission's requirements for the requested CWIP Incentive; specifically, that the projects resulted from a fair and open regional planning process that considers and evaluates projects for reliability or congestion.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. My testimony provides a description of the Potomac Edison Projects including advanced technologies chosen for the Potomac Edison Projects and their selection by PJM and inclusion in Attachment A of the 2022 RTEP Window 3. My testimony also describes how the Potomac Edison Projects will provide reliable and economic energy delivery to meet future reliability needs in PJM.

II. OVERVIEW OF THE POTOMAC EDISON PROJECTS

[1] The Commission previously granted FirstEnergy's request for authorization to recover 100 percent of prudently incurred costs of transmission facilities that are cancelled or abandoned, in whole or in part, for reasons beyond Potomac Edison's control ("Abandoned Plant Incentive") in two separate applications. The first Abandoned Plant Incentive application was filed with the Commission on May 13, 2024, and granted by the Commission on July 12, 2024 in Docket No. ER24-1998-000. The second, which included projects that PJM assigned to Potomac Edison following a rerouted project, was filed on October 3, 2024, and granted by the Commission on December 2, 2024 in Docket No. ER25-19-000. I provided testimony in both proceedings.

Q. PLEASE BRIEFLY SUMMARIZE THE PJM WINDOW 3 PROJECTS, WHY THEY ARE NEEDED, AND HOW THEY BENEFIT THE PJM TRANSMISSION SYSTEM.

A. The PJM Window 3 Projects include transmission facilities that will be constructed by Potomac Edison that are needed to address anticipated baseline reliability criteria violations expected to emerge in 2027/2028 based, in large part, on the unprecedented load growth related to data center loads in northern Virginia and the deactivation of generating units in eastern Maryland, resulting in increased flows on the bulk electric system and depressed voltage in northern Virginia and eastern Maryland. In February 2023, PJM opened the 2022 RTEP Window 3 to solicit solutions to address the 2027/2028 baseline reliability criteria violations associated with local constraints, regional constraints, reactive power needs, and the cumulative impact of generation changes. PJM provided a list of criteria violations identified through its planning studies and sought solutions to address those criteria violations. PJM received 72 proposals from 10 entities and evaluated those proposals independently and in combination. PJM ultimately recommended to the PJM Board of Managers ("PJM Board") a comprehensive set of solutions to address the identified 2022 RTEP Window 3 violations that included components of some of the proposals submitted. On December 11, 2023, the PJM Board approved the recommended solutions, which included the PJM Window 3 Projects that require the development of certain transmission facilities that will be constructed by Potomac Edison. On August 7, 2024, the PJM Board approved the modification of recommended solutions proposed in the PJM Window 3 Projects which also required the development of transmission facilities by Potomac Edison.

Q. PLEASE DESCRIBE THE OWNERSHIP OF AND CONSTRUCTION RESPONSIBILITY FOR THE PROJECT.

A. FirstEnergy will construct, own, operate, and maintain the Potomac Edison Projects. As I indicated above, the Potomac Edison Projects are FirstEnergy's portion of the larger PJM RTEP project awards. Included with this application, as Attachment C, are PJM Designated Entity Letters to Potomac Edison, indicating the components of the PJM Window 3 Projects that Potomac Edison is responsible for constructing.

Q. WHICH ENTITY WILL OPERATE AND MAINTAIN THE PROJECT?

A. Upon completion, functional control over the Potomac Edison Projects will be turned over to PJM consistent with the PJM Consolidated Transmission Owners Agreement. FirstEnergy will assume Transmission Owner responsibility for the Potomac Edison Projects.

III. ANALYSIS AND SELECTION OF THE POTOMAC EDISON PROJECTS THROUGH THE PJM RTEP PROCESS

Q. PLEASE DESCRIBE THE RTEP PROCESS.

A. PJM's RTEP identifies transmission system upgrades and enhancements to provide for the operational, economic, and reliability requirements of PJM customers. PJM's region-wide RTEP approach integrates transmission with generation and load response projects to meet load-serving obligations. PJM applies planning and reliability criteria over a 15-year horizon to identify transmission constraints and other reliability concerns. Transmission upgrades to mitigate identified reliability criteria violations are then examined for their feasibility, impact, and costs, culminating in one plan for the entire PJM footprint. Pursuant to PJM's RTEP rules and procedures in its Operating Agreement, PJM:

1) **Identifies Project Needs**. PJM identifies transmission projects needed to serve customers in the future. As part of that process, PJM ensures that the transmission system complies with national and regional reliability criteria to prevent overloaded facilities and potential blackouts. Several interrelated drivers are assessed in identifying project needs. Among other things, PJM's RTEP analysis incorporates the latest available information on:

- Load forecast
- Generating resources
- Transmission topology
- Demand response resources
- Bilateral transactions

2) **Develops Transmission Solutions**. After PJM identifies a baseline (including market efficiency) transmission need, PJM may open a competitive proposal window, depending on the required in-service date, voltage level and scope of likely projects. Throughout each RTEP window, registered transmission entities can submit project proposals to address one or more reliability needs. When a window closes, PJM evaluates each proposal to determine if any meets all of PJM's project requirements. If so, PJM then recommends a proposal to the PJM Board. Once the Board approves a proposal, the designated entity becomes responsible for project construction, ownership, operation, maintenance, and financing.

Q. DID PJM APPROVE THE POTOMAC EDISON PROJECTS THROUGH THE RTEP PROCESS?

A. Yes. In February 2023, PJM opened 2022 RTEP Window 3 seeking solutions to resolve identified reliability criteria violations on certain facilities resulting from anticipated increased electricity demand, combined with the retirement of fossil-fuel generators. Specifically, PJM considered the impact of the siting of up to 7,500 MW of new data centers in Virginia and Maryland, as well as widespread effects from the recent deactivation of more than 11,000 MW of generation across the PJM footprint of 13 states and Washington, D.C. PJM's analysis revealed transmission reinforcements were necessary to maintain system reliability. As a result, PJM solicited proposals through its RTEP process to develop robust, holistic, and expandable solutions that address the 2027/28 baseline reliability criteria violations it identified. After receiving and reviewing 72 proposals from 10 entities, PJM ultimately selected a comprehensive set of preferred solutions to address the 2022 RTEP Window 3 needs that includes components of proposals submitted by FirstEnergy. PJM presented its preferred solutions to stakeholders at the October 31, 2023, December 5, 2023, and January 9, 2024, TEAC meetings. The PJM Board approved the PJM Window 3 Projects, and PJM notified FirstEnergy that its affiliates were designated construction responsibility for various components of the PJM 2022 RTEP Window 3 Projects.

When the PJM Board approved the recommended solutions, the PJM Window 3 Projects included components that originally required the development of certain transmission facilities to be constructed by NextEra Energy Transmission MidAtlantic, Inc. ("NextEra"). After NextEra determined it would be unable to construct the projects, the PJM Board approved the modification of recommended solutions on August 7, 2024. In selecting an alternate route to address the relevant transmission needs and cancelled

NextEra components, PJM assigned components b3800.128 and b3800.129 to Potomac Edison, and PJM modified the scope of b3800.105 (a project component already assigned to Potomac Edison).

Q. HOW WERE THE POTOMAC EDISON PROJECTS EVALUATED?

A. To be included in PJM 2022 RTEP Window 3, the Potomac Edison Projects had to meet rigorous PJM criteria establishing that the Potomac Edison Projects will provide regional economic, reliability and public policy benefits. PJM evaluated the Potomac Edison Projects and other proposed RTEP project candidates for inclusion in 2022 RTEP Window 3 Attachment A on a reliability, economic, and energy delivery basis. PJM's objective in reviewing the 2022 RTEP Window 3 proposals was to develop robust, holistic, and expandable solutions that address the 2027/28 baseline reliability criteria violations associated with:

- **Local Constraints**: Resulting from directly serving the data center loads in the Allegheny Power Systems ("APS") and Dominion transmission zones through the respective local 230 kV networks and into the points of delivery.
- **Regional Constraints**: Resulting from imports into load center areas (500 kV primarily).
- **Reactive Power Needs**: Both static and dynamic reactive power was deemed necessary to address the voltage support needs of the system for the 2027/28 baseline scenario.
- **Cumulative Impact of Generation Changes and Deactivations**:
  - 11,100 MW of announced deactivations to the west and south of Conastone Substation.

- Approximately 5,300 MW of deactivations occurring after the 2022 RTEP 2027 case was created.
- The vast majority of the new generation with signed ISAs has been solar, which has low availability during the winter period.
- The replacement generation is coming from the region to the east and north of Peach Bottom Substation as well as to the west of Doubs Substation to meet projected load growth.
- PJM has implemented a new block dispatch procedure.
- The old dispatch procedure used in the past (including that implemented in the 2027 study cases) maintained historical intraregional transfers, dispatching most of the generators in the Dominion zone at 100%.

- **Adherence to All Applicable Criteria**: The recommended solution must adhere to all applicable planning criteria, including PJM, NERC, SERC Reliability Corporation ("SERC"), and local Transmission Owner criteria.

FirstEnergy's components of the PJM 2022 RTEP Window 3 Projects met the above criteria and were selected for inclusion in Attachment A of the 2022 RTEP Window 3.

Q. DID THE PJM PLANNING PROCESS CONSIDER THE RELIABILITY IMPACTS OF THE POTOMAC EDISON PROJECTS?

A. Yes. As I discussed in my previous response, in analyzing the Potomac Edison Projects, PJM considered data center load growth projections up to and including 2038 and relief of the significant number of reliability criteria violations identified on the existing systems in the vicinity of the new RTEP projects, particularly in PJM's APS transmission zone.

IV. ADVANCED TECHNOLOGIES

Q. WILL ADVANCED TECHNOLOGIES BE USED IN THE POTOMAC EDISON PROJECTS?

A. Yes.

Q. PLEASE DESCRIBE THESE TECHNOLOGIES.

A. FirstEnergy will use optical ground wires ("OPGW"), phasor measurement units ("PMU"), and Aluminum Conductor Steel Supported ("ACSS") transmission conductors which together will provide technologically advanced and highly reliable and resilient projects. FirstEnergy will emphasize good utility practice and efficient engineering design and construction practices in developing the Potomac Edison Projects.

Q. HOW ARE THESE TECHNOLOGIES AND THEIR USE IN THE POTOMAC EDISON PROJECTS "ADVANCED"?

A. OPGW is used in transmission line applications as an alternative to a traditional ground wire. The primary purpose of the OPGW is to shield transmission conductors from lightning and other faults, however it also provides a telecommunication path with the added benefit of optical fibers. Due to OPGW location at the top of a transmission line structure, it is inaccessible, making it one of the most reliable communication media. PMUs are high speed sensing devices that measure voltage and current phasors of the transmission system 30 times per second or faster. PMUs operate faster than traditional Supervisory Control and Data Acquisition ("SCADA") technology. ACSS conductors are designed to operate at a higher temperature (up to 250^{o}C) than standard transmission conductors without loss of strength and ACSS conductors sag less than standard conductors under high electrical loading.

Q. WHAT ADVANTAGES DOES USING THESE TECHONOLOGIES PROVIDE?

A. OPGW has several advantages as compared to traditional ground wire. It is a low-cost solution to provide a reliable communication path for protection and control of the transmission system, does not require environmental disturbances to bury the cable underground, and cannot be damaged by humans or animals due to its inaccessibility. PMUs provide the ability to capture fast system transients, which is critical with the recent integration of renewable energy into the transmission grid today. PMUs provide an accurate estimation of the power system conditions as compared to traditional SCADA systems, which were installed for high-level monitoring of transmission systems. Utilizing ACSS conductors for new line construction is advantageous due to its higher ampacity as compared to standard conductors and reduced conductor sag which keeps structure sizes and costs economical.

V. CONCLUSION

Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?

A. Yes.

APPENDIX A

CURRICULUM VITAE OF JACQUELYN LEE LOJEK

Jacquelyn L. Lojek, P.E.

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FORMAL EDUCATION

University of Pittsburgh, Pittsburgh, PA — April 2014
Master of Science, Industrial Engineering — GPA 3.97

Pennsylvania State University, Erie, PA — May 2011
Bachelor of Science, Electrical Engineering — GPA 3.78

PROFESSIONAL ENGINEER LICENSES

Commonwealth of Pennsylvania – PE087848 — June 2018 – Present
State of Maryland – 63090 — June 2024 – Present
State of West Virginia – 26766 — July 2024 – Present
Commonwealth of Virginia – 068667 — July 2024 – Present
State of Ohio – PE.91692 — December 2024 – Present

PROFESSIONAL EXPERIENCE

FirstEnergy Service Company, 800 Cabin Hill Drive, Greensburg, PA — 2023 – Present
Manager, Transmission Planning

- Manage transmission planning functions for external studies across FirstEnergy.
- Provide technical guidance to staff supervisors and engineers.
- Coordinate transmission projects with other departments and regions to ensure transmission reliability and resiliency.
- Meet with PJM Interconnection, LLC, government officials, regulators and public to exchange information related to planned enhancements on the transmission system.
- Major Projects: 2022 PJM RTEP Open Window 3 – Data Center Projects, 2024 PJM RTEP Open Window 1, New Jersey Clean Energy Corridor

FirstEnergy Service Company, 800 Cabin Hill Drive, Greensburg, PA — 2022 – 2023
Manager, Process Control & Continuous Improvement

- Developed, coached, and mentored team of eight continuous improvement professionals.
- Re-wrote the structure of the department by establishing skill sets needed, development plans for each employee, and increase internal team by screening, interviewing, and selecting talent.
- Oversaw and managed the implementation of the Project Lifecycle Management (PLMP) process.
- Executed continuous improvement projects across FirstEnergy.
- Worked across FirstEnergy on improvement efforts and increased collaboration to breakdown silos.
- Improved continuous improvement training statistics from 20 employees to 100+ within six months.

FirstEnergy Service Company, 800 Cabin Hill Drive, Greensburg, PA — 2021 – 2022
Supervisor, Transmission Project Management

- Led and directed team of ten internal project managers in successful execution of projects to contribute to the annual financial goals of the Transmission and Distribution Programs.
- Provided leadership support to external project managers hired from contracted partners.
- Ensured team adherence to FirstEnergy Core Values, PLMP, Manual of Operations, FE Construction Standards, Compliance Ethics and Integrity, Accident Prevention Handbook, and Contractor Sourcing Strategy.
- Developed and maintained training curriculum for onboarding new Project Managers.
- Sourced external support and construction oversight, developed schedule, submitted outages, and oversaw execution of major programs.
- Major Projects: Right of Way Assurance Program, FirstEnergy Priority Repair Program, Rhodes Lane Security Enhancement Program, Penelec and West Penn Power Long Term Infrastructure Improvement Plan

Jacquelyn L. Lojek, P.E.

800 Cabin Hill Drive • Greensburg, PA 15601 • 724-504-9102 • jlojek@firstenergycorp.com

FirstEnergy Service Company, 800 Cabin Hill Drive, Greensburg, PA 2017 – 2021
Engineer, Transmission Planning

- Executed annual Summer Assessment and Long-Term Assessment studies on the BES (Bulk Electric System) and non-BES transmission system to ensure compliance with NERC, PJM, and FirstEnergy planning criteria.
- Developed mitigation plans to address planning criteria violations identified in the annual PJM Regional Transmission Expansion Plan (RTEP) process and submitted proposals through the competitive planning open window.
- Performed annual Degraded Grid Study for Davis-Besse, Perry, and Beaver Valley nuclear plants to confirm that FirstEnergy can adequately and safely provide the facility offsite power under emergency conditions.
- Performed system studies associated with the connection of new PJM Generation Queue projects, area economic development opportunities, and retail or wholesale load connections.
- Supported analysis to identify solutions to mitigate identified planning criteria violations due to generator deactivations.
- Major Projects: Beaver Valley, Davis Besse and Perry Nuclear Plant Deactivation Analysis

Westinghouse Electric Company, 5000 Ericsson Drive, Warrendale, PA 2011 – 2017
Senior Engineer, Distributed Control & Information Systems

- Responsible for cross-functional team of union technicians, quality control inspectors, production supervisors, production controllers, quality assurance engineers and project management to achieve critical customer deliveries for relay control enclosures.
- Maintained 100% on time delivery for five-year period by meeting strict customer deadlines.
- Led factory acceptance test program of 75 integrated hardware and software tests by managing 15 test engineers and two technicians to meet accelerated test schedule.
- Developed implementation strategies for complex design changes to reduce errors found during functional testing.
- Maintained configuration control and bill of materials for 406 relay control and network infrastructure enclosures.
- Troubleshot test failures and hardware non-conformances.
- Directed and managed customer quality plan surveillances for manufacturing and testing activities.
- Commissioned relay control equipment at customer sites.
- Major Projects: Shin-Kori Units 3&4 and Barakah Nuclear Power Plant Units 1-4

COMMUNITY INVOLVEMENT

- American Red Cross – Chestnut Ridge Chapter: Board Member
- Westmoreland County Food Bank: Volunteer
- United Way of Southwestern Pennsylvania: Volunteer
- FirstEnergy Ambassador Network Penn State: Engineering Lead
- FirstEnergy Ambassador Network University of Pittsburgh: Member

TESTIMONY AND PROCEEDINGS

Docket No ER24-1998-0000 before Federal Energy Regulatory Commission
Provided written testimony on behalf of FirstEnergy before the Federal Energy Regulatory Commission regarding the abandoned plant incentive. 2024

Docket No ER25-19-0000 before the Federal Energy Regulatory Commission
Provided written testimony on behalf of FirstEnergy before the Federal Energy Regulatory Commission regarding the abandoned plant incentive. 2024

Docket NO ER25-1633-000 before the Federal Energy Regulatory Commission
Provided written testimony on behalf of FirstEnergy before the Federal Energy Regulatory Commission regarding Valley Link's formula rate and transmission incentive application. 2025

ATTACHMENT B

PREPARED DIRECT TESTIMONY OF BILL WANG

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

The Potomac Edison Company	)	Docket No. ER25-___-000

PREPARED DIRECT TESTIMONY OF BILL WANG

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. My name is Bill Wang. I am employed by FirstEnergy Service Company ("FESC"), a subsidiary of FirstEnergy Corp. ("FirstEnergy"), as the Assistant Treasurer within the Corporate Treasury Department. My business address is 341 White Pond Dr, Akron, Ohio 44320.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS ASSISTANT TREASURER.

A. I am responsible for managing FirstEnergy's pension investments and finance-related activities including capital markets, liquidity management, derivatives, investment management, and debt compliance for FirstEnergy Corp. and its subsidiaries including The Potomac Edison Company ("Potomac Edison"). I also serve as the Treasurer of the Jersey Central Power & Light Company, a subsidiary of FirstEnergy Corp.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Master's in Business Administration in 2001 from the University of Maryland. I have been employed by FirstEnergy since 2011. During the period of my employment, I

have held various positions of increasing responsibility. In 2016, I was named to my current position. My work experience is more fully described in Appendix A of my testimony.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of Potomac Edison.

Q. HAVE YOU PROVIDED TESTIMONY IN PRIOR PROCEEDINGS BEFORE THE COMMISSION?

A. No.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony discusses Potomac Edison's request in this proceeding for incentive treatment associated with its portion of a set of transmission upgrades identified in PJM Interconnection, L.L.C.'s ("PJM") 2022 Regional Transmission Expansion Plan ("RTEP") Window 3 and assigned to Potomac Edison ("Potomac Edison Projects"). Specifically, Potomac Edison is seeking approval for inclusion of 100 percent of construction work in progress ("CWIP") in rate base ("CWIP Incentive"). With the CWIP Incentive, a utility can recover the financing costs of construction on a current basis, rather than adding these costs to the capital investment amount that is included in rate base following the construction period.

My testimony provides information necessary to support Potomac Edison's requested CWIP Incentive for the Potomac Edison Projects. As I discuss below, developing and placing the Potomac Edison Projects into service will present significant financial risks and challenges to Potomac Edison. I discuss how Potomac Edison plans to use the CWIP Incentive to mitigate these risks.

Q. ARE YOU SPONSORING ANY EXHIBITS AS PART OF YOUR TESTIMONY?

A. Yes. I am sponsoring the following exhibits as part of my testimony:

Applicant Exhibit 1 – Copy of Potomac Edison's Corporate Credit Ratings Report from Moody's

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. I discuss the financial risks and challenges associated with the development of the Potomac Edison Projects that the CWIP Incentive would mitigate.

II. FINANCING REPERCUSSIONS AND RISKS ASSOCIATED WITH THE POTOMAC EDISON PROJECTS

Q. WHAT ARE THE FINANCIAL RISKS ASSOCIATED WITH DEVELOPING THE POTOMAC EDISON PROJECTS?

A. Financial risks of developing the Potomac Edison Projects include the ability of the company to make scheduled payments of interest and principal on its financial obligations. Large capital projects such as the Potomac Edison Projects typically do not generate cash flow until the projects enter service, which creates pressure on the developer's financial credit metrics. To assess a utility's ability to make these payments, the credit rating agencies evaluate certain financial ratios to determine whether the company has sufficient levels of cash flow to cover its interest expense and to repay the principal amount of its debt in the future. Accordingly, having consistent and stable cash flows during construction is a crucial factor for credit ratings agencies' analysis. Because the construction period for the Potomac Edison Projects is expected to last several years, Potomac Edison will experience a significant outflow of cash for construction services.

Q. WHAT OTHER RISKS DOES FINANCING THE POTOMAC EDISON PROJECTS POSE?

Without the CWIP Incentive, there is a risk of "rate shock" to customers. The other mechanism for recovering carrying costs associated with capital investments is the Allowance for Funds Used During Construction ("AFUDC"), which is added to rate base along with the project investment when the project goes into commercial operation. Because recovery only occurs upon commercial operation with AFUDC, there is a risk of rate shock to Potomac Edison's customers. If granted the CWIP Incentive, Potomac Edison will recover rates on the financing costs of construction on a more gradual basis, instead of adding these costs to the capital investment amount added to rate base following the construction period.

Q. HOW WILL OBTAINING THE CWIP INCENTIVE ADDRESS THE RISKS AND CHALLENGES OF FINANCING THE POTOMAC EDISON PROJECTS?

A. The CWIP Incentive helps mitigate financial risks by providing cash flow during the construction period. Having more cash flow from operations during years of very high capital expenditures would reduce Potomac's exposure to the risks of capital market financing. The CWIP Incentive is a critical tool to ease the financial pressures associated with the development of the Potomac Edison Projects by providing up-front regulatory certainty, rate stability, and improved cash flows.

Q. PLEASE DISCUSS THE MAGNITUDE OF THE POTOMAC EDISON PROJECTS.

A. Potomac Edison's total spend for the Potomac Edison Projects is $1.1 billion, excluding financing costs, making it a major financial undertaking for the company. Below is the

forecast and spending timeline of the projects through the anticipated in-service date of December 31, 2030:

Figure 1 – Potomac Edison's project spend projections ($m)

2024	2025	2026	2027	2028	2029	2030	Total
40	56	108	305	211	245	89	1,054

Expenditures for the projects represent a substantial increase in the overall level of Potomac Edison's transmission investments compared to previous years and other capital investments that Potomac Edison plans to make during the period that the projects will be in development.

Q. PLEASE PROVIDE A GENERAL OVERVIEW OF POTOMAC EDISON'S TRANSMISSION INVESTMENT PLANS.

A. Potomac Edison's investment plans are comprised of a multitude of projects consistent with FirstEnergy's engineering protocols. All of Potomac Edison's capital investment projects will be to maintain and enhance the reliability and safety of its electric system.

Q. PLEASE DISCUSS THE MAGNITUDE OF POTOMAC EDISON'S TRANSMISSION INVESTMENT PLANS WITHIN THE CONTEXT OF POTOMAC EDISON'S OVERALL CAPITAL EXPENDITURE PROGRAM.

A. Potomac Edison's Open Window 3 investments represent 41% of the total capital spend for the 2025 to 2029 planning period. The Open Window 3 investments also represent 65% of the transmission spend for the 2025 to 2029 planning period.

Q. HOW DOES THE INVESTMENT IN THE PROJECTS COMPARE TO POTOMAC EDISON'S TRANSMISSION PLANT IN SERVICE?

A. The substantial investment of capital spend for these projects is nearly equal to, currently, Potomac Edison Maryland's entire rate base. The split of the Potomac Edison Maryland rate base is approximately 75% distribution and 25% transmission.

Q. HOW WILL POTOMAC EDISON FINANCE THE CONSTRUCTION OF THE PROJECTS?

A. Potomac Edison funds its capital needs with a combination of long-term debt and equity consistent with its allowed capital structure.

Q. HOW WILL THE PROJECT INVESTMENTS AFFECT POTOMAC EDISON'S FINANCIAL HEALTH?

A. Potomac Edison maintains solid credit metrics, including Moody's CFO/Debt ratio. However, a larger capital spend of $1.1 billion has the potential to put downward pressure on the metric. Potomac Edison will need to finance the $1.1 billion capital spend with a mixture of debt and equity, which increases the denominator in Moody's calculation without a proportional increase in cash from operations due to regulatory lag. This higher debt level may impact Potomac Edison's ability to maintain its current ratings and secure favorable terms on future debt offerings.

Q. WHY ARE CREDIT RATINGS IMPORTANT TO A UTILITY?

A. Credit ratings are used to evaluate a utility's ability to make timely payments of principal and interest on debt. Accordingly, they have a significant impact on the terms under which a utility will be able to raise capital. The higher the credit rating, the lower the cost of borrowing, which benefits customers. The converse is also true. These benefits are especially important during times of stress. A highly rated entity can ensure it retains

access to capital markets, to remain liquid and continually fund business operations, while a lower-rated entity may have its access to capital markets limited.

Q. HOW DO A UTILITY'S CREDIT RATINGS AFFECT THE AVAILABILITY AND COST OF CAPITAL?

A. Credit ratings provide an objective basis for investors or lenders to compare credit quality of companies within an industry and across industries. A higher rating, even within the band of ratings considered investment-grade, gives utilities access to a larger segment of both public and private capital markets. Greater access to capital markets has the effect of lowering the cost of capital. Higher-rated utilities can issue debt at lower costs, which benefits customers by lowering the overall rate of return. Companies with lower credit ratings have a more difficult time accessing capital when markets are strained, particularly if liquidity dries up.

Q. PLEASE DISCUSS POTOMAC EDISON'S CREDIT RATINGS.

A. Potomac Edison currently maintains senior secured ratings of A3 and A- from Moody's and Standard & Poor's. Both are investment-grade ratings.

Q. WHAT DO THESE RATINGS GENERALLY SHOW ABOUT POTOMAC EDISON?

A. Investment grade ratings with positive and/or stable outlooks indicate a relatively low risk of default, making them suitable for investment by many investors.

Q. WILL THE CWIP INCENTIVE HELP POTOMAC EDISON MAINTAIN CURRENT CREDIT METRICS?

A. Yes. The CWIP incentive improves Potomac Edison's cash from operations which is part of the metric used by the rating agencies to assess the credit worthiness, and ultimately the

rating, of the issuer. This, in turn, benefits rate payers as issuers with investment grade ratings and a stable or positive outlook will result in a lower cost of debt.

III. PREVENTION OF DOUBLE RECOVERY UNDER AFUDC AND CWIP

Q. HOW WILL POTOMAC EDISON ENSURE THAT THERE IS NO DOUBLE RECOVERY UNDER BOTH AFUDC AND CWIP?

A. Potomac Edison will take the necessary steps to ensure that there is no double recovery under CWIP and AFUDC. To conform to the Commission's accounting practices to ensure that wholesale customers are not charged for both capitalized AFUDC and corresponding amounts of CWIP included in rate base, Potomac Edison will not accrue AFUDC in Account 107, CWIP, for its components of the projects during any period when it is earning a current return on CWIP using the CWIP Incentive. Potomac Edison's proposed accounting treatment will prevent the double recovery of a return on CWIP and capitalized AFUDC on the same rate base items at the same time.

IV. THE REQUESTED INCENTIVE IS TAILORED TO ADDRESS THE SPECIFIC RISKS FACED IN THE DEVELOPMENT OF THIS PROJECT

Q. WHY IS FIRSTENERGY SEEKING THE 100 PERCENT CWIP INCENTIVE FOR POTOMAC EDISON'S PORTION OF THE PJM 2022 RTEP WINDOW 3 PROJECTS?

A. The PJM 2022 RTEP Window 3 projects comprise a large-scale transmission project requiring large capital expenditures during the construction period. The revenues generated through including 100 percent CWIP in rate base for the Potomac Edison Projects would generate additional cash flow that will serve to reduce the overall need to raise capital during the long construction period. Including CWIP in rate base would also

help to alleviate financial pressures on Potomac Edison's credit metrics. Further, adequate cash flow will also help assure that Potomac Edison obtains financing on reasonable terms to fund the PJM 2022 RTEP Window 3 Projects and other needed transmission and distribution projects.

Accordingly, a nexus exists between the Potomac Edison Projects and the Requested CWIP Incentive. The availability of current cash flow through the CWIP Incentive will help Potomac Edison raise debt capital from investors who may otherwise be discouraged by delays in the recovery of the debt and equity carrying costs of the Project investments during the construction period. Better cash flows signal to lenders and investors that a project will be able to cover its financial obligations. Generally, the investment community views CWIP in rate base as more favorable than AFUDC, given that AFUDC is not cash income but a promise to pay once the project is completed and placed into service.

Q. WHAT IS THE IMPACT OF THE CWIP INCENTIVE TO POTOMAC EDISON'S CUSTOMERS?

A. The CWIP Incentive would primarily affect the timing of payments for the return on the costs of the Potomac Edison Projects. The requested incentive will have a beneficial impact on customers because it allows rates to gradually include the costs of the Potomac Edison Projects and avoid a sudden cost increase when those projects go into service. In comparison, AFUDC can create a "rate shock" effect when projects are placed into service and rates are adjusted to reflect the cumulative construction costs and multiple years of capitalized AFUDC. Accordingly, granting the CWIP Incentive would have the beneficial effect of avoiding sudden rate changes.

Q. IF GRANTED BY THE COMISSION, WILL THE CWIP INCENTIVE PRODUCE JUST AND REASONABLE RATES?

A. Yes. The CWIP Incentive will produce just and reasonable rates because it has the beneficial effect of lowering the transmission service rates charged to customers. This benefit accrues to customers because receipt of the CWIP Incentive would improve Potomac Edison's ability to maintain investment-grade credit metrics, which in turn lowers the financing costs, which are then passed through to customers through lower rates than could otherwise be achieved.

V. CONCLUSION

Q. DOES THIS CONCLUDE YOUR PREPARED TESTIMONY?

A. Yes.

APPENDIX A to ATTACHMENT B

PROFESSIONAL AND EDUCATIONAL BACKGROUND OF BILL WANG

PROFESSIONAL AND EDUCATIONAL BACKGROUND – BILL WANG

I joined Corning, Inc. ("Corning") as a Senior Financial Analyst in May 2001 after I received an MBA from the Business School of University of Maryland in College Park. At Corning, I was part of the Treasury team and participated in its capital structure management including various capital market transactions and banking relationship management. In July 2005, I joined Allegheny Energy which was purchased by FirstEnergy in 2011. I was elected Assistant Treasurer in 2016. Prior to that, I served in various Treasury positions such as Director, Treasury Integration, Director, Investment Management, managing the company's capital structure, $11 billion asset investments related to the company's Pension Plan, Savings Plan and other post-retirements plans. I have also been the Treasurer of Jersey Central Power and Light Company since 2012.

EXHIBIT 1 TO ATTACHMENT B

COPY OF POTOMAC EDISON'S CORPORATE CREDIT RATINGS REPORT FROM MOODY'S

PUBLIC

ATTACHMENT C

PJM DESIGNATED ENTITY LETTERS OF POTOMAC EDISON

FirstEnergy

76 South Main Street
Akron, Ohio 44308

Carl J. Bridenbaugh
Vice President,
Transmission

330-384-3850

January 30, 2024

Paul McGlynn
Vice President – Planning
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, PA 19403

RE: UPDATED – Response to December 19, 2023, Notification of Designation of Construction Responsibility

Dear Mr. McGlynn:

This letter is in response to the letter from PJM dated December 19, 2023, notifying certain FirstEnergy affiliates, specifically Potomac Edison Company (PE) as the Designated Entity with construction responsibility for PJM baseline upgrades approved by the PJM board on December 11, 2023.

In accordance with Schedule 6, Section 1.5.8 of the PJM Operating Agreement, PE acknowledges and accepts designation of construction responsibility for the upgrades listed in Attachment A and submits its development schedule as listed in Attachment B. Moreover, because the Consolidated Transmission Owners Agreement (CTOA) also applies to the subject PJM baseline upgrades, PE also acknowledges and accepts designation of construction responsibility for the subject upgrades pursuant to CTOA Section 4.2.2.

Attachment A reproduces the information included in the Attachment A provided with PJM's December 14, 2022, letter, and any changed or added text in these columns is shown in redline format. Attachment B provides Project Development Milestones for all the referenced projects.

FirstEnergy will provide updated cost estimates for the additional work that was discussed with PJM on January 29, 2024. As per the discussion with PJM the updated cost estimates will be provided as part of the Designated Entity Agreement.

Should you have any questions or need any additional information, please contact Larre Hozempa (330) 384-5231.

Sincerely,

Carl J. Bridenbaugh
Vice President, Transmission

Attachments

cc: Evan Dean
Jeremy Hay
Greg Hussing
Lawrence Hozempa
Jacquelyn Lojek
Olenger Pannell
Doug Saltz
Dave Tates
Sally Thomas

Attachment A: New required RTEP Projects:

PJM Baseline Upgrade ID	Project Description	Cost Estimate ($M)	Construction Designation	Required In-Service Date	Related To Tie Line	Transmission Owner Projected In-Service Date
b3800.103	Rebuild ~16 miles of the Gore-Stonewall 138 kV line with 500 kV overbuild (502 Jct to Woodside 500 kV line section).	$151.72	PE	6/1/2027	Yes	6/1/2028 (1)
b3800.104	Rebuild ~15 miles of the Stonewall-Millville 138 kV line with 500 kV overbuild (**Woodside to Aspen** 500 kV line section).	$136.93	PE	6/1/2027	Yes	6/1/2030 (1)
b3800.105	Rebuild ~6 miles of the Millville-Doubs 138 kV line with 500 kV overbuild (**Woodside to Aspen** 500 kV line section).	$52.35	PE	6/1/2027	Yes	6/1/2028 (1)
b3800.111	Construct the Woodside-Stonewall 138 kV No. 1 line.	$6.28	PE	6/1/2027	Yes	6/1/2027 (1)
b3800.112	Construct the Woodside-Stonewall 138 kV No. 2 line.	$6.31	PE	6/1/2027	Yes	6/1/2027 (1)
b3800.114	Stonewall 138 kV substation **three** 138kV breaker expansion.	$8.30	PE	6/1/2027	No	6/1/2027 (1)
b3800.116	Substation ~~Line~~ work for terminating Doubs to Bismark line for Doubs side for Woodside 500 kV substation. (FE Portion)	$0.06	PE	6/1/2027	Yes	6/1/2027 (1)
b3800.122	Rebuild 500 kV line No. 514 from Doubs-Goose Creek 500 kV line. The Doubs-Goose Creek 500 kV line will be rebuilt (APS Portion) (~15.5 mi)	$103.27	PE	6/1/2027	Yes	6/1/2030 (1)
b3800.123	Doubs substation work – Re-terminate the rebuilt Doubs-Goose Creek 500 kV line in its existing bay, terminate the new Doubs-Aspen 500 kV line in the open bay at Doubs, replace three 500 kV breakers, replace 500 kV terminal equipment including disconnect switches, CTs and substation conductor and replace relaying. (APS portion)	$31.70	PE	6/1/2027	Yes	6/1/2030
b3800.124	New Doubs to Aspen 500 kV line - Aspen substation is not yet constructed but is a component in Dominion's proposal 2022-W3-692. (APS Portion) (~8 mi)	$68.80	PE	6/1/2027	Yes	6/1/2030 (1)
b3800.125	Rebuild the Doubs-Dickerson 230 kV line. This will be underbuilt on the new Doubs-Goose Creek 500 kV line. (APS Portion) (~8 mi)	$13.04	PE	6/1/2027	Yes	6/1/2030 (1)
b3800.126	Rebuild the Doubs-Aqueduct 230 kV line. This will be underbuilt on the new Doubs-Aspen 500 kV line. (APS Portion) (~6.7 mi)	$11.35	PE	6/1/2027	No	6/1/2030
b3800.127	Rebuild the Dickerson-Aqueduct 230 kV line. This will be underbuilt on the new Doubs-Aspen 500 kV line. (APS Portion) (~1.5 mi)	$6.80	PE	6/1/2027	Yes	6/1/2030 (1)
b3800.13	Rebuild the Germantown-Carroll 138 kV line to 230 kV double circuit construction (APS-PE Section). (~11.4 mi)	$47.31	PE	6/1/2027	Yes	6/1/2028
b3800.15	Construct New 230 kV Hunterstown-Carroll line (APS-PE Section). (~11.4 mi)	$6.71	PE	6/1/2027	Yes	6/1/2028
b3800.16	Expand Carroll 230 kV substation to ring bus.	$7.62	PE	6/1/2027	No	6/1/2028
b3800.17	Network upgrade at Caroll substation.	$0.43	PE	6/1/2027	No	6/1/2028
b3800.21	Reid-Ringgold 138 kV – Replace line trap, substation conductor, breaker, relaying and CTs at Ringgold.	$3.80	PE	6/1/2027	No	6/1/2027
b3800.25	Taneytown substation terminal upgrade.	$0.53	PE	6/1/2027	No	6/1/2028
b3800.413	Replace Double Toll Gate 138 kV breaker MDT 138 OCB with a breaker rated 40 kA.	$3.00	PE	6/1/2027	No	6/1/2027
b3800.414	Replace Doubs 500 kV breaker DL-55 522LIN with a breaker rated 60 kA.	$10.01	PE	6/1/2027	No	6/1/2030
b3800.8	Reconfigure Doubs 500 kV station and upgrade terminal equipment to terminate new Otter Creek line.	$57.50	PE	6/1/2027	Yes	6/1/2030 (1)

PJM Baseline Upgrade ID	Project Description	Cost Estimate ($M)	Construction Designation	Required In-Service Date	Related To Tie Line	Transmission Owner Projected In-Service Date
~~b3800.9~~	~~Rebuild the existing Hunterstown-Carroll 115/138 kV Corridor as Double Circuit using 230 kV construction standards. New circuit will be operated at 230 kV. Existing circuit to remain at 115/138 kV.~~ ***(Duplicate baseline ID assigned by PJM, cost/schedule covered by b3800.13 & b3800.15)***	~~$0.00~~	~~PE~~	~~6/1/2027~~	~~Yes~~	~~6/1/2028~~

(1) Note: All projects that have dependencies to projects that have been assigned to other Designated Entities may impact PE's projected in-service dates.

Attachment B: New required RTEP Projects Milestones:

	MILESTONES			
PJM Baseline Upgrade ID	**Execute Interconnection Coordination Agreement:** On or before this date, Designated Entity must execute the Interconnection Coordination Agreement or request the agreement be filed unexecuted.	**Demonstrate Adequate Project Financing:** On or before this date, Designated Entity must demonstrate that adequate project financing has been secured. Project financing must be maintained for the term of this Agreement	**Acquisition of all necessary federal, state, county, and local site permits:** On or before this date, Designated Entity must demonstrate that all required federal, state, county and local site permits have been acquired.	**Required Project In-Service Date:** On or before this date, Designated Entity must: (i) demonstrate that the Project is completed in accordance with the Scope of Work in Schedules B of this Agreement; (ii) meets the criteria outlined in Schedule D of this Agreement; and (iii) is under Transmission Provider operational dispatch.
b3800.103	Agreement with NextEra Required Q1 2025	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2027	6/1/2028 (1)
b3800.104	Agreement with NextEra Required Q1 2025	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2029	6/1/2030 (1)
b3800.105	Agreement with NextEra Required Q1 2025	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2027	6/1/2028 (1)
B3800.111	Agreement with NextEra Required Q1 2025	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	9/1/2026	6/1/2027 (1)
b3800.112	Agreement with NextEra Required Q1 2025	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	9/1/2026	6/1/2027 (1)
b3800.114	Agreement with NextEra Required Q1 2025	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	9/1/2026	6/1/2027 (1)
b3800.116	Agreement with NextEra Required Q1 2025	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	N/A (No permits required)	6/1/2027 (1)
b3800.122	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2029	6/1/2030 (1)
b3800.123	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million	6/1/2029	6/1/2030

		credit facility that is currently in place		
b3800.124	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2029	6/1/2030 (1)
b3800.125	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2029	6/1/2030 (1)
b3800.126	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2029	6/1/2030
b3800.127	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2029	6/1/2030 (1)
b3800.13	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2027	6/1/2028
b3800.15	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2027	6/1/2028
b3800.16	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2027	6/1/2028
b3800.17	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2027	6/1/2028
b3800.21	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	N/A (No permits required)	6/1/2027
b3800.25	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	N/A (No permits required)	6/1/2028
b3800.413	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	N/A (No permits required)	6/1/2027
b3800.414	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million credit facility that is currently in place	6/1/2029	6/1/2030
b3800.8	N/A	Project will be funded annually starting January 2024 from Cash from Operations & a $150 million	6/1/2029	6/1/2030 (1)

		credit facility that is currently in place		
~~b3800.9~~				~~6/1/2030~~

(1) Note: All projects that have dependencies to projects that have been assigned to other Designated Entities may impact PE's projected in-service dates.

2750 Monroe Boulevard
Audubon, PA 19403

August 14, 2024

Dear Designated Entity:

This letter is notification that Allegheny Power (AP) is the Designated Entity with construction responsibility for PJM baseline upgrades that were approved by the PJM board on August 7, 2024.

At their meeting on August 7, 2024 the PJM Board of Managers (PJM Board) approved portions of the Regional Transmission Expansion Plan (RTEP) pursuant to Schedule 6 of the PJM Operating Agreement. Schedule 6 – Regional Transmission Expansion Planning Protocol – governs the process for planning the expansion and enhancement of transmission facilities to meet reliability criteria and to enhance market efficiency and to address ARR insufficiency.

Attachment A to this letter identifies AP as the Designated Entity for each upgrade as provided for in the RTEP[1] as presently approved by the PJM Board. A complete summary of the total RTEP for reliability and market efficiency can be obtained from the PJM web page at the following link: https://www.pjm.com/planning/project-construction.aspx

Attachment B lists the projects that have experienced a change in scope.

Attachment C lists the projects that are no longer included in the PJM RTEP as baseline upgrades and are cancelled. The Transmission Owner may still wish to construct some or all of these projects. In that case, the corresponding scope of work should be coordinated with PJM and assigned a supplemental project upgrade identifier.

In accordance with the PJM Operating Agreement, Schedule 6, Section 1.5.8, within 30 days of receiving this notification of its designation, the Designated Entity shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the projects to achieve the required in-service dates, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. Your response should be sent to PJM attention at the following email address: PJM.CRL@pjm.com. You will then be contacted by staff from PJM's Transmission Coordination & Analysis Department to develop and implement the applicable agreements.

Outage coordination of planned upgrades is a critical part of the near term planning process. PJM requests that the identified Transmission Owners and/or the Designated Entity determine preliminary outage schedules associated with the attached construction work and communicate those schedules to PJM by way of the eDART system as soon as possible. In addition the Transmission Owners are reminded to submit, via eDART, updated technical parameters for the upgrades (ratings, impedance, etc.) per PJM Manual requirements prior to placing the upgrades in service.

To timely meet the needed in-service date of the projects, all necessary state approvals should be obtained at least nine months prior to the required in-service dates specified in Attachment A to this document.

If there are any inaccuracies in the data below, such as the cost estimates or in service dates, or there is a disagreement about the construction designee, please contact Augustine Caven, Manager PJM Transmission Coordination & Analysis at Augustine.Caven@pjm.com.

Finally, PJM asks for your assistance in identifying any projects that may require corresponding coordination and/or system enhancements with a neighboring Transmission Owner or other entity. This is to include a review of local remedial action schemes (RASs), including those owned by neighboring Transmission Owner or other entities. Any potential impact and resulting change to an RAS should be coordinated with the RAS owner and PJM. Occasionally, the need for this coordination may be identified after the initial planning identification of the need for the RTEP upgrade.

Thank you for your timely response to this letter. Our Transmission Coordination & Analysis Staff will be contacting you to coordinate the development of the Designated Entity agreement.

[1] This letter is not intended to raise any issues regarding the current or future cost allocation for the subject facilities. Any such issues should be addressed as part of the proceedings related to those issues.

2750 Monroe Boulevard
Audubon, PA 19403

Sincerely,

Jason Connell
Executive Director, Transmission & Resource Adequacy Planning
cc: Paul McGlynn; Sami Abdulsalam; Dave Egan; Augustine Caven; Susan McGill; Asanga Perera

2750 Monroe Boulevard
Audubon, PA 19403

Attachment A: New required RTEP projects:

In 2024, it was determined that the baseline reliability projects listed below are required to be constructed. These baseline reliability projects are required to be constructed by the PJM required in-service date.

New required RTEP projects:

PJM Baseline Upgrade ID	Project Description	Cost Estimate ($M)	Construction Designation	Required In-Service Date	Related To Tie Line	Transmission Owner Projected In-Service Date
b3800.128	Construct new Woodside-Goose Creek 500 kV line for ~15 miles on single circuit monopole structures within the Doubs-Goose Creek Corridor. (FE Portion)	$13.20	APS	6/1/2027	Yes	
b3800.129	Construct 500 kV line from existing structure MVF1-101 on the Doubs-Millville 138 kV line around Doubs substation and into the entrance of the Doubs-Goose Creek corridor. (~2 miles)	$115.30	APS	6/1/2027	No	

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Audubon, PA 19403

Attachment B: RTEP projects with Change in Scope:
In 2024, it was determined that the baseline reliability projects listed below required a change in scope. These baseline reliability projects are required to be constructed by the PJM required in-service date.

RTEP projects with Change in Scope:

PJM Baseline Upgrade ID	Project Description	Cost Estimate ($M)	Construction Designation	Required In-Service Date	Related To Tie Line	Transmission Owner Projected In-Service Date
B3800.105	Rebuild Millville-Doubs 138 kV for ~16 miles from structure MVF1-39 to structure MVF1-101(outside of Doubs Substation) with 500 kV overbuild	$147.45	AP	6/1/2027	Yes	

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Audubon, PA 19403

Attachment C: Cancelled RTEP projects:

In 2024, it was determined that the projects listed below are no longer included in the PJM RTEP as baseline upgrades. The Transmission Owner may still wish to construct some or all of these projects. In that case, the corresponding scope of work should be coordinated with PJM and assigned a supplemental project upgrade identifier.

Cancelled RTEP projects: None

ATTACHMENT D

PJM TARIFF, ATTACHMENT H-11A

ATTACHMENT H-11A

Other Supporting Facilities Charges — Monongahela Power Company, The Potomac Edison Company, and FirstEnergy Pennsylvania Electric Company

Formula Rate – Monongahela Power Company, The Potomac Edison Company, and West Penn Power Company* ("South FirstEnergy Operating Companies" or "SFC") for Network Integration Transmission Service

Service Below 115 kV in the Allegheny Power Zone (Other Supporting Facilities Charges)

As provided in Attachment H-11, service utilizing facilities at voltages below 115 kV owned by one of the Operating Companies designated in the table below to transmit energy to and from a customer within the Allegheny Power Zone will be provided at the rates set forth below ("Other Supporting Facilities Charges").

Customer/Interconnection Point/Customer Facility	Operating Company	Rate
WM Renewable Energy, LLC	FirstEnergy Pennsylvania Electric Company	$2,592.00/mo.
All Dams Generation, LLC (Allegheny River Lock and Dam No. 5)	FirstEnergy Pennsylvania Electric Company	$4,320.00/mo.
Harrison Rural Electrification Association, Inc. (Barnetts Run, Chiefton, Dola, Oral Lake, Crystal Lake, Buckhannon, Milford Rd.)	Monongahela Power Company	$13,047.00/mo.

Thurmont Municipal Light Company (Main Street, Moser Road (Primary) and Moser Road (Back-Up)	The Potomac Edison Company	$11,529.18/mo.
Allegheny Electric Cooperative, Inc.	FirstEnergy Pennsylvania Electric Company	$30,400.00/mo.

Service At or Above 115 kV in the Allegheny Power Zone by SFC

See attached formula rate.

* The reference to West Penn Power Company is solely to ensure the continued effectuation of the formula rate true-up.