Joint Applicants Statement No. 4

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

JOINT APPLICATION OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY, WEST PENN POWER COMPANY, MID-ATLANTIC INTERSTATE TRANSMISSION COMPANY, KEYSTONE APPALACHIAN TRANSMISSION COMPANY AND FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY

METROPOLITAN EDISON COMPANY
DOCKET NO. _____

PENNSYLVANIA ELECTRIC COMPANY
DOCKET NO. _____

PENNSYLVANIA POWER COMPANY
DOCKET NO. _____

WEST PENN POWER COMPANY
DOCKET NO. _____

MID-ATLANTIC INTERSTATE TRANSMISSION COMPANY
DOCKET NO. _____

KEYSTONE APPALACHIAN TRANSMISSION COMPANY
DOCKET NO. _____

FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY
DOCKET NO. _____

Direct Testimony
of
Sally A. Thomas

List of Topics Addressed

Contribution of West Penn Assets to KATCo
KATCo Transmission Operations

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DIRECT TESTIMONY
OF
SALLY A. THOMAS

I. INTRODUCTION AND BACKGROUND

Q. Please state your name and business address.

A. My name is Sally A. Thomas. My business address is 76 South Main Street, Akron, Ohio 44308.

Q. By whom are you employed and in what capacity?

A. I have been employed by FirstEnergy Service Company as Director of Transmission Planning & Protection since 2018. In this position, my responsibilities include overseeing the functions of planning, protection, and development and maintenance of the modeling and data required to analyze the FirstEnergy Corp. ("FirstEnergy") transmission system. This system includes transmission assets operated by the following FirstEnergy entities: American Transmission Systems, Incorporated ("ATSI"), Trans-Allegheny Interstate Line Company ("TrAILCo"), Mid-Atlantic Interstate Transmission, LLC ("MAIT"), Jersey Central Power & Light Company, Monongahela Power Company, The Potomac Edison Company, West Penn Power Company ("West Penn"), and Keystone Appalachian Transmission Company ("KATCo").

Q. What is your professional and educational background?

A. I received a Bachelor of Science degree in Electrical Engineering from Grove City College in 2003. I joined FirstEnergy in 2003. From 2016 to 2018, I was the General Manager of Commissioning at FirstEnergy. Prior to serving in that role, I served in various positions at FirstEnergy with increasing levels of responsibility in areas including transmission

planning, substation design, transmission compliance, and substation maintenance and commissioning. I have also been a Registered Professional Engineer in the State of Ohio since 2019.

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), West Penn,[1] FirstEnergy Pennsylvania Electric Company ("FE PA"), MAIT and KATCo. I will collectively refer to these entities as the "Companies" or the "Joint Applicants." My testimony equally applies to all of the Companies, unless otherwise stated.

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is to provide an overview of FirstEnergy's transmission planning and reliability enhancement processes, describe the investment decision-making process, and detail the types of projects that result from these processes. I will also describe the contribution of West Penn's transmission assets to KATCo, KATCo's intended role in the construction, ownership, and operation of transmission assets in Pennsylvania, and the proposed projects and operational benefits related to investment in KATCo.

Q. Are you sponsoring any exhibits as part of your testimony?

A. No.

[1] In my testimony I will collectively refer to Met-Ed, Penelec, Penn Power and West Penn as the "Pennsylvania OpCos."

II. OVERVIEW OF THE TRANSMISSION PLANNING AND RELIABILITY ENHANCEMENT PROCESSES

Q. Please explain how transmission investment decisions are currently made for West Penn.

A. Transmission investment decisions for West Penn are made through FirstEnergy's transmission planning and reliability enhancement processes and are the same as those used for ATSI and MAIT. Transmission Planning and Protection is responsible for implementing these processes for FirstEnergy-owned transmission facilities. Material to this proceeding, West Penn's transmission assets are identified as facilities operating at 100 kilovolts ("kV") or greater ("Transmission Assets").[2]

Q. Please describe how West Penn approaches the transmission planning process.

A. Transmission planning for all FirstEnergy transmission assets, including those owned by West Penn, generally falls into one of three categories: 1) as part of the PJM Interconnection, L.L.C. ("PJM") "baseline" Regional Transmission Expansion Plan ("RTEP") process; 2) as part of the PJM Attachment M-3 planning process; or 3) within the FirstEnergy reliability enhancement process.

Q. What is the PJM "Baseline" RTEP process?

A. PJM, in its capacity as the regional reliability coordinator, transmission planner, and transmission operator for various states, including those within which FirstEnergy operates, identifies the need for, and timing of, transmission system upgrades to preserve

[2] West Penn Power Company Tariff - Electric Pa. P.U.C. No. 40, 2015, Original Page 19, General Rules and Regulations, Definition of Terms, Distribution Line (Issued: May 1, 2015, Effective May 3) ("An electric supply line and related equipment of up to 100,000 voltage from which energy is delivered to one (1) or more Service Lines, and Original Page 26, Transmission Voltage – Voltage equal to or greater than 100,000 volts.").

the reliability of the regional electricity grid that is under PJM's functional control as a Regional Transmission Organization ("RTO"). PJM selects transmission system upgrades using its RTEP process, which consists of a comprehensive series of detailed analyses to ensure that PJM's own regional reliability planning criteria and those of the applicable transmission owners ("TOs") – in this instance, West Penn – are satisfied, which in turn satisfies the North American Electric Reliability Corporation ("NERC") and the ReliabilityFirst[3] reliability standards with which the PJM and TO criteria are required to comply. The activities conducted under the baseline RTEP planning process are designed to adhere to good utility practice and ensure compliance with the aforementioned reliability standards. Because its utility subsidiaries are members of PJM, much of FirstEnergy's transmission planning is conducted in coordination with PJM. FirstEnergy's transmission planning supports PJM's planning process while also providing additional analyses to confirm the validity of PJM's studies. In this regard, the transmission planning process and the "baseline" RTEP projects selected for construction under that process are required by the applicable reliability and planning criteria and, once approved by PJM, become mandatory. In addition, as I explain below, FirstEnergy identifies transmission needs on the systems of its subsidiaries and plans for future transmission investment through its own reliability enhancement process.

[3] ReliabilityFirst is the organization responsible for enforcing the reliability criteria of NERC.

Q. Please describe the PJM Attachment M-3 process.

A. The PJM Attachment M-3 process ("M3 Process") is a Federal Energy Regulatory Commission ("FERC")-approved framework for planning supplemental projects under the PJM Open Access Transmission Tariff ("OATT"). The M3 Process was implemented in 2018 to enhance the transparency of the investment projects of PJM TOs that fall outside of the PJM baseline RTEP planning criteria. The M3 Process includes: (1) a planning assumptions meeting which is held annually that reviews FirstEnergy's Energizing the Future ("EtF")[4] methodology and its End of Life ("EOL")[5] Project component; (2) a monthly needs meeting to discuss system needs; and (3) a monthly solutions meeting to allow TOs to provide recommended solutions. Once a project works its way through the M3 Process, a TO may submit the recommended solution as part of the local plan. The M3 Process permits PJM stakeholders to ask questions and provide feedback in each step of the process during PJM-conducted meetings. In addition, the M3 Process provides stakeholders the right to submit written comments to PJM and the TOs to provide their thoughts on the identified system need or proposed solution. Prior to finalizing the recommended solution, PJM performs a "do no harm" analysis to ensure that the selected solution does not result in other reliability criteria violations. PJM also considers whether

[4] Through the EtF program, FirstEnergy identifies and makes the needed investments in its transmission system. EtF is focused on supporting the health, reliability, and capacity of the FirstEnergy transmission system for existing and new customer loads. In particular, EtF is designed to fulfill the obligations of the FirstEnergy companies under the PJM RTEP process, upgrade the condition of equipment, enhance system performance, improve operational flexibility, improve the Information Technology ("IT") network infrastructure, upgrade system cyber and physical security, and evaluate the health and inventory of the transmission system.

[5] Identifying FirstEnergy transmission facilities approaching their EOL is one of the core objectives of the EtF program. FirstEnergy determines an individual asset is near or at the end of its useful life based on an engineering recommendation driven by multiple factors: asset failure or presenting undue risk of failure; uneconomical maintenance; and/or outdated or obsolete technology and equipment. Factors for a particular asset that is near or at the end of its useful life are evaluated based upon the facility's: health and condition, performance and maintenance history, and/or equipment criticality, risk, age, and other considerations.

there is a baseline RTEP project that already meets the identified need and whether facilities from the TO-submitted EOL list for replacement should be dealt with during project construction.

Q. Please describe the FirstEnergy reliability enhancement process.

A. Reliability enhancement projects are identified through the EtF methodology to improve the health, reliability, and capacity of the FirstEnergy transmission system through upgrade of condition of equipment, enhancement of system performance, improvement of operational flexibility, improvement of the IT network infrastructure, upgrade of system cyber and physical security, and evaluation of the health and inventory of the transmission system. Projects that alter ratings, impedances, or topology are required to go through the M3 Process.

Q. Please describe the types of reliability enhancement projects that West Penn undertakes as a result of the reliability enhancement process.

A. As discussed above, reliability enhancement projects are developed to:

- Upgrade the condition of transmission equipment to improve the health and increase the reliability of the FirstEnergy transmission facilities based on a strategic review of the present system using condition-based assessments.
- Enhance transmission system performance and improve the speed at which operators can respond to system conditions and restore service in the event of outages.
- Improve operational flexibility by increasing the system capacity (*i.e.*, loading margin) of the FirstEnergy transmission system, which enhances reliability for

existing customers and accommodates the loads of both existing and new customers.

- Improve IT network infrastructure through targeted investments to upgrade legacy transmission substation communication networks to provide secure and resilient communications for data, voice, and supervisory control and data acquisition ("SCADA")/energy management system ("EMS") traffic.
- Upgrade system cyber and physical security to proactively address safety (perimeter security), copper theft, vandalism and other nefarious acts at substations, and also meet new reliability requirements under the NERC Critical Infrastructure Protection ("CIP") Standards.
- Evaluate the health and inventory of the transmission system through the implementation of an Asset Health Monitoring System ("AHMS"), which combines the full range of disparate asset information and asset management algorithms on a single platform able to cover all asset types.

III. KATCO's PROPOSED ROLE IN CONSTRUCTION, OWNERSHIP AND OPERATION OF TRANSMISSION ASSETS IN PENNSYLVANIA

Q. Please describe KATCo and its current role in the FirstEnergy corporate structure.

A. KATCo is a direct subsidiary of FirstEnergy. Further detail of KATCo's role in the FirstEnergy corporate structure is provided in Ms. Joanne M. Savage's testimony and reflected in exhibits thereto (Joint Applicants Statement No. 1 and Exhibits JMS-5 and JMS-7). No assets are currently owned or operated by KATCo.

Q. Please describe KATCo's role in the proposed transaction.

A. Transmission assets owned and operated by West Penn will be contributed to KATCo as a part of the proposed transaction explained in detail in the testimony of Ms. Savage (Joint Applicants Statement No. 1) and Mr. Fatusha (Joint Applicants Statement No. 3). The financial benefits of the proposed transaction are explained in the testimony of Mr. Fatusha (Joint Applicants Statement No. 3). After the proposed transaction is complete, KATCo will own the Transmission Assets formerly owned and operated by West Penn. Following this contribution, PJM will function as the RTO for KATCo, as it does currently for West Penn. The transmission investment decision-making process for KATCo will be the same as it had been for West Penn. Decisions will be made through FirstEnergy's transmission planning and reliability enhancement processes for KATCo-owned transmission facilities.

Q. Why is West Penn proposing to contribute its Transmission Assets to KATCo at this time?

A. KATCo was established in anticipation of contributing West Penn's Transmission Assets to a separate transmission-only entity. The contribution of Transmission Assets to KATCo will align the ownership and operation of West Penn Transmission Assets with the ownership and operation of similar transmission assets by West Penn's affiliated utilities in Pennsylvania, including ATSI, MAIT, and TrAILCo, as transmission-only companies. The requested contribution of Transmission Assets to KATCo is occurring in tandem with FirstEnergy's consolidation of its Pennsylvania OpCos into one distribution-only utility, i.e., FE PA. As noted, Met-Ed, Penn Power and Penelec have previously contributed their transmission assets to transmission-only entities through a series of staged transactional efforts. The West Penn to KATCo contribution has been planned as the final step of

FirstEnergy's broader plan to separate its Pennsylvania distribution and transmission assets. With KATCo acquiring the Transmission Assets, FE PA will be free to focus solely on distribution projects.

Q. Did the Commission previously approve transactions that are similar to the proposed contribution of transmission assets by West Penn to KATCo?

A. Yes. The Commission has twice approved transactions for specific transmission companies to own and operate Pennsylvania-based transmission assets (i.e., MAIT and ATSI), which each created the functional separation of transmission and distribution operations, to align with FirstEnergy's functional separation of its Pennsylvania transmission and distribution operations. The proposed transaction represents the third of similar transactions undertaken to further align function and form by separating FirstEnergy's transmission and distribution facilities. More specifically, KATCo was established in anticipation of contributing West Penn's transmission assets to a separate transmission-only entity.

Q. After the proposed transaction, how will transmission investment decisions be made for the Transmission Assets being contributed to KATCo from West Penn?

A. Once the Transmission Assets are contributed to KATCo, transmission investment decisions will continue to be made using FirstEnergy's transmission planning and reliability enhancement processes described earlier in this testimony. Through the application of these criteria, KATCo will continue to address needed investments in its transmission system, which will, in turn, improve system reliability, capacity, operating flexibility, security, customer service, and resiliency for existing and new customers.

Q. How will KATCo facilitate the maintenance, remediation, and enhancement of transmission infrastructure in Pennsylvania?

A. KATCo, with the consummation of the proposed contribution, will consolidate the Transmission Assets into a separate corporate entity with a singular focus on efficiently and effectively operating, maintaining, and where necessary, expanding, its transmission system. On a day-to-day basis, KATCo will operate under the series of agreements that will facilitate the sharing of employee time and materials described by Ms. Amy Patterson (Joint Applicants Statement No. 2) in the exact same way that MAIT, ATSI and TrAILCo are operated.

IV. OPERATIONAL BENEFITS RELATED TO THE CONTRIBUTION OF WEST PENN'S TRANSMISSION ASSETS TO KATCO

Q. Are there any benefits associated with the proposed contribution of West Penn's transmission assets to KATCo?

A. Yes.

Q. What are those benefits?

A. As I discussed above, West Penn's proposed contribution of assets to KATCo is the third of a series of similar transactions by the Pennsylvania OpCos that involved the contribution of transmission assets by the Pennsylvania OpCos to transmission-only public utilities in Pennsylvania. It is occurring at this time to ensure that the contemplated consolidated distribution entity, i.e., FE PA, will not hold any transmission assets and will be free to focus exclusively on distribution operations and projects in Pennsylvania.

Aligning the operational separation of transmission and distribution functions with a corporate separation of transmission and distribution functions has a number of benefits as

described by Ms. Joanne Savage (Joint Applicants Statement No. 1) and Mr. Ermal Fatusha (Joint Applicants Statement No. 3). Critically, from a project planning perspective, it will allow FE PA to exclusively focus on projects that are driven by distribution needs in Pennsylvania, while KATCo continues to undertake transmission projects driven by transmission planning and operations. This separation of operations and project planning is anticipated to facilitate various financing benefits as explained by Mr. Fatusha (Joint Applicants Statement No. 3).

Q. Do you foresee any negative impact from the proposed contribution of assets?

A. No. The contribution of assets to KATCo impacts neither the transmission investment decision-making process nor the focus put on ensuring these assets remain safe and reliable through the implementation of the transmission planning and reliability enhancement processes.

V. CONCLUSION

Q. Does this complete your direct testimony?

A. Yes, it does.