

COMMONWEALTH OF PENNSYLVANIA



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June 20, 2023

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Joint Universal Service & Energy Conservation
Plan of Metropolitan Edison Company, Pennsylvania
Electric Company, Pennsylvania Power Company,
and West Penn Power Company for Years 2024 –
2028

Docket Nos. M-2022-3036532
M-2022-3036533
M-2022-3036534
M-2022-3036535

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Comments in the above-referenced proceedings.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

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CERTIFICATE OF SERVICE

Joint Universal Service & Energy Conservation : Docket Nos. M-2022-3036532
Plan of Metropolitan Edison Company, : M-2022-3036533
Pennsylvania Electric Company, Pennsylvania : M-2022-3036534
Power Company, and West Penn Power Company : M-2022-3036535
for Years 2024 – 2028 :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 20th day of June 2023.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Universal Service & Energy Conservation : Docket Nos. M-2022-3036532
Plan of Metropolitan Edison Company, : M-2022-3036533
Pennsylvania Electric Company, Pennsylvania : M-2022-3036534
Power Company, and West Penn Power Company : M-2022-3036535
for Years 2024 – 2028 :

COMMENTS
OF THE
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I. INTRODUCTION

The Office of Consumer Advocate (OCA) files these Comments pursuant to the directive in the Commission’s Order Directing Supplemental Information and Establishing Comment Period (FirstEnergy USECP 2024-2028)¹ entered March 16, 2023.²

A. Background

On November 1, 2022, Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power), and West Penn Power Company (WPP) (collectively, FirstEnergy or Companies) filed a joint proposed Universal Service and Energy Conservation Plan (USECP) for 2024-2028 (*Proposed 2024 USECP*).

Pursuant to a November 5, 2019 Order, the Commission’s CAP Policy Statement was amended effective March 21, 2020. *See 2019 Amendments to Policy Statement on Customer Assistance Programs, 52 Pa. Code § 69.261-69.267, Docket No. M-2019-3012599, Final Policy Statement and Order (Nov. 5, 2019) (Final CAP Policy Statement Order)*. In the *Final CAP Policy*

¹ *FirstEnergy Companies Universal Service and Energy Conservation Plan for 2024-2028 Submitted in Compliance with 52 Pa. Code § 54.74, Docket No. M-2022-3036532, Order During Supplemental Information and Comments (March 16, 2023) (March 16, 2023 Order)*.

² The OCA was assisted in the preparation of these Comments by its consultant, Roger D. Colton, and its regulatory analyst, Nicholas DeMarco. Roger Colton is a principal in the firm of Fisher, Sheehan & Colton, Public Finance and General Economics. Mr. Colton provides technical assistance to a variety of public utilities, state agencies, and consumer organizations on rate and customer service issues for telephone, water/sewer, natural gas and electric utilities. Mr. Colton’s work focuses on low-income energy issues, and he has testified and published extensively in this area.

Nicholas A. DeMarco is a Regulatory Analyst for the Pennsylvania Office of Consumer Advocate. He assists in the research and writing of policy and testimony. Mr. DeMarco has a Master’s Degree in Political Science from Lehigh University and a Bachelor’s of Arts in Political Science and Public Policy from Bloomsburg University of Pennsylvania.

Statement Order the Commission urged electric distribution companies (EDCs) and natural gas distribution companies (NGDCs) to incorporate CAP policy amendments into their USECPs.³

On February 21, 2020, FirstEnergy filed a Joint Petition to amend its 2019 USECP (2020 Joint Petition) which was filed at Docket Nos. P-2020-3018883, P-2020-3018884, P-2020-3018873, P-2020-3018885, M-2017-2636969, M-2017-2636973, M-2017-2636976, and M-2017-2636978. *Petition to Amend Pennsylvania Electric Co. Universal Service and Energy Conservation Plan for 2019-2023, et al*, Docket No. P-2020-3018883, Petition to Amend (Feb. 21, 2020)(*Petition to Amend 2019-2023 USECP*). On March 12, 2020, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed an Answer to the 2020 Joint Petition. Also, on March 12, 2020, the Office of Consumer Advocate (OCA) filed a notice to intervene and an Answer to the 2020 Joint Petition opposing the proposed changes to the USECP without a further investigation as a part of the full USECP changes.

The Commission issued an Order Requesting Additional Information and Comments in July 2021 (hereinafter *July 2021 Order*) in response to the Petition. *Petition to Amend Pennsylvania Electric Co. Universal Service and Energy Conservation Plan for 2019-2023, et al.*, Docket No. P-2020-3018883, Order Directing Supplemental Information and Establishing Comment Period (July 16, 2021). In the *July 16, 2021 Order*, the Commission questioned the impact of the proposed increases in energy burden targets for PCAP⁴ customers. *See July 16, 2021 Order* at 15; *March 16, 2023 Order* at 15. The Commission also questioned the specific impact the proposed changes would have on costs related to PCAP or EDC collection activities. *Id.* The *July*

³ On January 2, 2020, the Commission entered an order at Docket No. L-2019-3012600 directing its Bureau of Consumer Services (BCS) and its Law Bureau to initiate a comprehensive universal service rulemaking. That matter remains under consideration.

⁴ PCAP is the Pennsylvania Customer Assistance Program. PCAP is the branded name for the FirstEnergy Companies' low-income customer assistance program. *See Proposed 2024-2028 USECP* at 3.

2021 Order directed the FirstEnergy Companies to provide additional information showing the impact of the proposed PIPP energy burdens on average monthly PCAP bills, PCAP costs, annual collection costs, and the unused Low Income Home Energy Assistance Program (LIHEAP) grants returned to DHS. *July 16, 2021 Order* at 12-13; *March 16, 2023 Order* at 15. The OCA filed Comments that identified concerns with the costs of the proposed changes and requested that in consideration of the then on-going COVID-19 pandemic and the need for a complete analysis of the proposals, that the proposed changes should be deferred until the next USECP proceeding. On April 14, 2022, the Commission issued its Order in response to the Companies' Petition. *Petition to Amend Pennsylvania Electric Co. Universal Service and Energy Conservation Plan for 2019-2023, et al.*, Docket No. P-2020-3018883, Order (April 14, 2022)(*April 14, 2022 Order*). In the Commission's *April 14, 2022 Order*, the Commission agreed with the OCA's Comments that consideration of FirstEnergy's proposed PCAP changes should be delayed until a full and complete analysis of FirstEnergy's proposed 2024 USECP could be completed. *April 14, 2022 Order* at 7.

As noted above, in compliance with Commission regulations and orders, FirstEnergy filed its Proposed 2024 USECP on November 1, 2022. On December 6, 2022, Commission staff in the Bureau of Consumer Services (BCS) convened a telephonic meeting to allow FirstEnergy and other stakeholders an opportunity to provide informal comments and questions about the Proposed 2024 USECP prior to issuance of a Commission order. Representatives from FirstEnergy, CAUSE-PA, OCA, the Office of Small Business Advocate, and the Commission's Bureau of Investigation and Enforcement were invited to participate.

On March 16, 2023, the Commission issued an Order requesting that the Company provide *Supplemental Information* to its proposed 2024 USECP within 20 days and requesting that the parties provide comments on the *Supplemental Information* 20 days after that information was

provided. *See March 16, 2023 Order* at 63. The Companies requested a 20-day extension period to submit the *Supplemental Information* which was granted by Secretarial Letter issued April 4, 2023, setting the deadline to submit the *Supplemental Information* for April 25, 2023. The Companies filed *Supplemental Information* on that day. *FirstEnergy's Joint Proposed Universal Service and Energy Conservation Plan for 2024-2028, Docket No. M-2022-3036532, Supplemental Information of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company, Docket No. M-2022-3036532 (April 25, 2023) (Supplemental Information)*. Comments were originally due on May 15, and then extended by Secretarial Letter to June 5, 2023 upon grant of CAUSE-PA's request for an extension.

On May 31, 2023, the Companies filed a correction to the Supplemental Information provided in its Amended Response to Information Request No. 1. The Amended Response corrected an error in the formula used to calculate the Proposed Percentage of Income Payment (PIPP) Average Monthly Utility Bills. Also on May 31, 2023, CAUSE-PA filed a letter requesting a further extension in order to evaluate the corrected information. The Commission issued a Secretarial Letter granting the extension on the Comments until June 20, 2023. Reply Comments will be due on July 10, 2023.

In its Plan, the Companies proposes the following PCAP modifications: (1) adopt a PIPP CAP and adopt the maximum energy burdens in the CAP Policy Statement; (2) eliminate the Equal Payment Plan (EPP) and associated true-ups; (3) charge PIPP CAP customers the maximum energy burden or actual usage amount, whichever is lower, each month; (4) eliminate the maximum annual PCAP subsidy credit limits; (5) eliminate the income documentation requirement for recipients for PCAP application or recertification if they received LIHEAP within the last 12 months (income information will be obtained verbally); (6) eliminate the PCAP three-month suspension period for

failure to recertify as part of the recertification process; (7) customers will not be removed from PCAP if they no longer receive monthly credits or retroactive forgiveness; (8) reduce the time period for earning full pre-program arrearage forgiveness from 36 months to 12 months; (9) accept income documentation for at least the last 30 days or 12 months at application or recertification; (10) adopt the Commission-approved zero-income form; (11) extend the PCAP recertification timelines consistent with the maximum recommendations in the CAP Policy Statement (2020); (12) incorporate a Consumer Education and Outreach Plan; and (13) provide retroactive credits to PCAP participants who were removed for not participating in the WARM program and are re-enrolled in PCAP after receiving a WARM evaluation. Order at 8-9. The Companies also proposed the following modifications to its WARM program: (1) require PCAP participants to receive an in-home energy evaluation and to work with an energy educator in order to produce an energy savings plan and (2) to increase the Companies' efforts to reach customers who are eligible to receive WARM program services by expanding the use of digital communications, outbound dialing campaigns, and social media in order to help identify and provide services to eligible customers in need. *March 16, 2023 Order* at 9-10. The Companies did not propose any changes to the Customer Assistance and Referral Evaluation Services (CARES) program or the Hardship Fund. Order at 10.

The OCA's Comments address the following issues raised by the Companies: (1) Proposed Changes to CAP design; (2) Intake Process- Moving PCAP Accounts Between Operating Companies; (3) Recertification Reminder/Text-to-Recertify Process; (4) Final PCAP Budget Bill; (5) Customer Education and Outreach Plan (CEOP); (6) Education about Energy Burden; (7) Refund of Security Deposit; (8) Requiring WARM Participation; (9) Landlord Approval for LIURP (WARM); and (10) LIURP (WARM) Budget.

II. COMMENTS

A. Proposed Changes to CAP Design

FirstEnergy's current PCAP is designed as a fixed credit option (FCO) payment plan that provides a fixed monthly credit to the customer's budget bills, or Equal Payment Plan (EPP) if the customer pays more than 3% of the household's gross income for electric non-heating or more than 9% for electric heating households. Proposed 2024 USECP at 10-13; *March 16, 2023 Order* at 14. FirstEnergy proposes to modify its current fixed credit payment plan to a PIPP and to adopt the maximum energy burdens in the Commission's revised CAP Policy Statement. Proposed 2024 USECP at 10-13; *March 16, 2023 Order* at 14. The change would result in an energy burden decrease for PCAP customers with incomes at or below 50% of the Federal Poverty Level (FPL) and an increase for customers with incomes between 51% and 150% of the FPL. *March 16, 2023 Order* at 14. FirstEnergy also proposes to remove PCAP accounts from the EPP, which would eliminate the need for annual budget bill true-ups. Proposed 2024 USECP at 3, 12013; *March 16, 2023 Order* at 14.

The Commission's Order included a Table 2 that provided the existing and proposed energy burden targets for the fixed credit and PIPP PCAPs:

FPIG Level	Current Fixed Credit ENH	Proposed PIPP ENH	Current Fixed Credit EH	Proposed PIPP EH
0% to 50%	3%	2%	9%	6%
51% to 100%	3%	4%	9%	10%
101% to 150%	3%	4%	9%	10%
Minimum Payment	\$12	\$12	\$45	\$45

Proposed 2024-2028 USECP at 12; *March 16, 2023 Order* at 14.

In its *March 16, 2023 Order*, the Commission requested *Supplemental Information* regarding the following:

1. Projected average monthly PCAP bills from 2024 through 2028, broken down by income tier (i.e., 0%-50%, 51%-100%, and 101%-150%), energy type (i.e., ENH and EH), and EDC, using both the existing and the proposed PCAP models (i.e., 2019 USECP fixed credit and proposed 2014 USECP PIP).

2. Projected cost impact of the proposed PIP energy burdens, Each EDC should provide an estimate of how the energy burden change may impact subsidy credit expenditures from 2024 through 2028. This cost estimate should be based only on the proposed PIP energy burden change. The costs projections should be broken down by income tier (i.e., 0%-50%, 51%-100%, and 101-150%), energy type (i.e., ENH and EH), and EDC.

March 16, 2023 Order at 20-21.

In addition to the proposed changes to the energy burdens, FirstEnergy also proposes to eliminate the maximum CAP credit limits and to shorten the arrearage forgiveness program period from 36 months to 12 months.

For the reasons set forth below, the OCA supports the Companies' proposed transition from the FCO to the PIPP design. The OCA also supports the proposed changes to the energy burdens.

1. Transition from FCO to PIPP

When FirstEnergy initially proposed its pilot program changes in its February 2020 Petition to Amend, the Commission issued a *July 16, 2021 Order* Requesting Supplemental Information that requested information about the impact of a proposed increase in energy burden targets for PCAP customers with incomes above 50% and the increase to current PCAP bills for those customers. *July 16, 2021 Order* at 12. In response to the *July 16, 2021 Order*, FirstEnergy provided information showing the impact of its proposed PIPP energy burdens on average monthly PCAP bills, PCAP costs, annual collection costs, and unused LIHEAP grants returned to DHS. *July 16, 2021 Order* at 12-13. In its *March 16, 2023 Order*, the Commission requested further information about the projected impact of the proposed PIPP on average monthly PCAP bills, PCAP costs, and refunded LIHEAP grants in light of new historical cost data that had become available, and in light

of the fact that energy prices have increased since the 2020 Joint Petition Proceeding. *March 16, 2023 Order* at 20.

In response to the Commission’s *March 16, 2023 Order*, the Company provided the a chart that compared the projected CAP Projected Average Monthly Utility Bills for 2024-2028 if FirstEnergy’s PIPP is used and if a fixed credit option plan remains in place. *Supplemental Information* at 2. The Companies subsequently identified an error in its calculations and provided the following updated information on May 31, 2023:

CAP Projected Avg Monthly Utility Bills -- 2024-2028									
Proposed PIP PCAP Projected Avg Monthly Utility Bills	Met-Ed		Penelec		Penn Power		West Penn Power		
	EH	NH	EH	NH	EH	NH	EH	NH	
0-50%	\$ 41	\$ 13	\$ 34	\$ 11	\$ 34	\$ 11	\$ 33	\$ 10	
51-100%	\$ 121	\$ 51	\$ 108	\$ 47	\$ 112	\$ 45	\$ 113	\$ 46	
101-150%	\$ 188	\$ 79	\$ 186	\$ 77	\$ 184	\$ 74	\$ 188	\$ 77	
Fixed Cr PCAP Projected Avg Monthly Utility Bills	Met-Ed		Penelec		Penn Power		West Penn Power		
	EH	NH	EH	NH	EH	NH	EH	NH	
0-50%	\$ 62	\$ 19	\$ 51	\$ 16	\$ 51	\$ 16	\$ 50	\$ 16	
51-100%	\$ 109	\$ 38	\$ 97	\$ 35	\$ 101	\$ 34	\$ 102	\$ 34	
101-150%	\$ 169	\$ 59	\$ 167	\$ 58	\$ 166	\$ 56	\$ 169	\$ 58	

*Estimated averages are based on all 2022 PCAP participant data.

Amended Supplemental Information at 1.

The OCA supports the Companies’ proposed changes from a fixed credit option to a percentage of income payment plan. Under a PIPP, the CAP customer pays a fixed amount per month based upon the customer’s household income and not based on the customer’s usage. The OCA believes that the PIPP will provide a simpler and easier to understand program as well as improve the overall affordability of the program for customers from 0-50% of the Federal Poverty Level. The *Amended Supplemental Information* shows that for each of the FirstEnergy Companies the bills for the lowest income customers with electric heat would decrease by approximately \$17-

\$20 per month and non-heating customers would decrease by approximately \$5-\$6 per month. *Amended Supplemental Information* at 1. Bills for customers from 51%-150% of the FPL would appear to increase, but under FirstEnergy’s proposed adoption of the maximum CAP Policy Statement energy burdens, the energy burdens utilized for customers from 51%-150% of the Federal Poverty Level would increase from 3% to 4% for ENH customers and from 9% to 10% for EH customers. Proposed 2024-2028 USECP at 12; *March 16, 2023 Order* at 14.

2. Energy Burdens

In its Proposed 2024-2028 USECP filing, FirstEnergy states that it is committed to “results-oriented” universal service programs. *Proposed 2024-2028 USECP* at 2. As discussed above, the FirstEnergy Companies propose to change the energy burdens from the current energy burdens to those identified in the CAP Policy Statement. The proposed energy burdens would decrease for customers from 0%-50% of the Federal Poverty Level from 3% to 2% for ENH customers and from 9% to 6% for EH customers. Proposed 2024-2028 USECP at 12; *March 16, 2023 Order* at 14. The energy burdens would be increased to 4% for ENH customers and 10% for EH customers from 51% to 150% of the Federal Poverty Level. Proposed 2024-2028 USECP at 12; *March 16, 2023 Order* at 14.

In its Petition filing, FirstEnergy initially projected cost increases to annual CAP credits based on the implementation of the Proposed PIPP Energy Burdens across the four companies as follows:

	Met-Ed	Met-Ed	Penelec	Penelec	Penn Power	Penn Power	WPP	WPP
Year	EH	ENH	EH	ENH	EH	ENH	EH	ENH
2022	\$3,255,071	\$4,786,289	\$2,777,887	\$8,382,440	\$853,597	\$1,648,887	\$3,318,885	\$6,616,994
2023	\$3,075,738	\$4,522,596	\$2,745,254	\$8,283,968	\$843,453	\$1,629,293	\$3,277,235	\$6,533,954

August 2021 Supplemental Information at 4; March 16, 2023 Order at 16, Table 5.

In its *March 16, 2023 Order*, the Commission requested that the Companies provide the projected change in annual PCAP from 2024 through 2028 based on the elimination of annual limits, broken down by income tier (*i.e.*, 0%-50%, 51%-100%, and 101%-150%) energy type (*i.e.*, ENH and EH), and EDC, based on both the Companies’ existing and proposed PCAP models (*i.e.*, fixed credit and PIP) and energy burden target. *March 16, 2023 Order at 25.* In the *Supplemental Information*, FirstEnergy revised its estimates for a PIPP with no maximum CAP credit limit as compared to the FCO with the current maximum CAP credit limit. *Supplemental Information at 3, Attachment A, 1-2.*

Proposed PIPP-Estimated Subsidy with No Maximum Limit⁵

Company	2024	2025	2026	2027	2028
Met-Ed	\$16,414,812	\$16,449,478	\$16,484,146	\$16,518,813	\$16,553,480
Penelec	\$18,932,306	\$19,281,572	\$19,617,094	\$19,999,914	\$20,368,989
Penn Power	\$4,834,351	\$5,095,048	\$5,359,380	\$5,642,349	\$5,940,093
WPP	\$16,150,198	\$16,874,927	\$17,632,646	\$1,8426,381	\$19,251,170

FirstEnergy projects the annual increase in subsidy costs with no maximum CAP limit over the annual estimated subsidy with the current maximum CAP credit limit. The FirstEnergy Companies project a 29% increase in costs for Met-Ed; a 37% increase in costs for Penelec; a 23% increase in costs for Penn Power; and a 27% increase in costs for WPP in 2024. *Supplemental Information at Attachment A, 1.* In 2028, the FirstEnergy Companies project a 29% increase in

⁵ Estimates add together the estimated subsidy for heating and non-heating customers as identified in the Companies’ *Supplemental Information at Attachment A, 1.*

costs for Met-Ed; a 25% increase in costs for Penelec; a 23% increase in costs for Penn Power; and a 26% increase in costs for WPP. *Supplemental Information* at Attachment A, 1

Proposed PIPP-Estimated Subsidy with Current Maximum CAP Credit Limit⁶

Company	2024	2025	2026	2027	2028
Met-Ed	\$12,734,793	\$12,761,690	\$12,788,585	\$12,815,480	\$12,842,376
Penelec	\$15,226,996	\$15,507,903	\$15,793,846	\$16,085,657	\$16,382,678
Penn Power	\$3,931,617	\$4,139,566	\$4,358,606	\$4,588,735	\$4,839,880
WPP	\$12,779,049	\$13,352,498	\$13,952,053	\$14,578,525	\$15,232,731

Supplemental Information at Attachment A, 2.

Due to the unique circumstances of this case, the OCA supports the proposed transition to a PIPP design with the proposed energy burdens. As discussed below, the OCA believes that additional cost mitigation and cost control measures may be appropriate. The OCA also recommends that on-going monitoring of costs be implemented to ensure that costs are controlled.

3. Cost Mitigation and Cost Control Measures

As the Commission discussed in its *March 16, 2023 Order*, the OCA raised initial potential cost mitigation and cost control measures in its October 2021 Comments to FirstEnergy’s Petition to Amend that should be evaluated as a part of a consideration of changes to the energy burdens. In the October 2021 Comments, the OCA recommended that if the Commission approved the proposed PIPP with the revised energy burdens, that the Commission evaluate the need for additional cost mitigation and cost control measures. *OCA October 2021 Comments* at 10-19. The

⁶ Estimates add together the estimated subsidy for heating and non-heating customers as identified in the Companies’ *Supplemental Information* at Attachment A, 2.

OCA provides additional discussion below regarding additional cost mitigation and cost control measures. *Id.*⁷

Cost controls should be examined as the Commission reviews the costs for implementation of program changes. The OCA discusses below its proposal for on-going monitoring of the total USECP costs, and that review of the need for additional cost control measures should be included as a part of the on-going monitoring process. These are controls that the Commission should retain as possible responses should costs increase precipitously. By moving to the PIPP and adopting the energy burdens from the CAP Policy Statement, along with other factors including the cost of default service/electricity supply, there is the potential that there could be sharp and unanticipated increases in costs, and those costs should continue to be evaluated. Each cost control will be discussed below.

a. Controlling Annual Increases in the Universal Service Charge.

In its October 2021 Comments, the OCA raised as a potential cost control measure a mechanism to control annual increases in the universal service charge. The OCA's Comments stated that the Commission could hold the FirstEnergy Companies' annual costs flowed through its automatic universal service cost recovery mechanism to the levels projected in the filing until such time as a full impact evaluation of the program changes can be completed.⁸ After review of the Companies' Proposed 2024-2028 USECP, the OCA does not believe that this cost control

⁷ Among the cost mitigation and cost control measures the OCA identified in its October 2021 Comments were the following: whether the annual increases in CAP costs flowed through the universal service charge; whether the minimum payment should be increased; whether the length of time for arrearage forgiveness should be extended; whether the amount of arrearage forgiveness charged to ratepayers should be capped; whether the overall administrative costs should be addressed; whether there was a need to revisit or adjust the maximum CAP credits ; whether Low Income Usage Reduction Program (LIURP) should be allocated to reduce high user bills; and whether HUD recipient participation should be re-examined. *See* OCA October 2021 Comments at 11-21.

⁸ *See October 2021 Comments* at 11-12.

measure is necessary. The OCA believes that the on-going monitoring of costs discussed below will more effectively address potential increases in the costs without impacting the benefits provided to CAP customers.

b. Minimum Payments

The FirstEnergy Companies initially proposed to lower the minimum bill from \$45 to \$24 for electric heating customers. Proposed Amended 2019-2023 USECP at 14. The Companies modified the proposal as a part of the Proposed 2024 USECP to maintain the current minimum bills for electric non-heating at \$12 and \$45 for heating customers as a cost containment measure. The OCA supports maintaining the existing minimum bills as a cost containment measure and does not recommend any further changes beyond what FirstEnergy has proposed here.

c. Arrearage Forgiveness

An additional cost control measure that the OCA raised in its October 2021 Comments is the timeframe for arrearage forgiveness.⁹ In the Proposed 2024-2028 USECP, the FirstEnergy Companies propose to reduce the time period for PCAP customers to earn full forgiveness of their preprogram arrearage (PPA) balances from 36 months to 12 months. This proposal would allow all PCAP customers to have their PPA balances forgiven after paying PCAP bills in full over a one-year period. *Proposed 2024 USECP* at 14, 20. FirstEnergy also proposed retroactive PPA forgiveness if a customer makes up a missed PCAP payment. *Id.* In its *July 16, 2021 Order*, the Commission requested more information on FirstEnergy's PPA cost projections and how it estimated the annual cost projections of its 12-month PPA forgiveness model. *July 16, 2021 Order* at 20. FirstEnergy explained that a shorter PPA forgiveness period will increase the number of participants receiving full PPA forgiveness, partly due to the extension of recertifications periods. *Id.* FirstEnergy provided the costs associated with each time period by energy type and the

⁹ See *OCA October 2021 Comments* at 14-16.

estimated increases in PPA costs with the reduced time period as compared to FirstEnergy’s current 36-month PPA time period:

Table 12. 2022-2023 Projected PPA Forgiveness Costs

2022						
	36-Month		24-Month		12-Month	
	EH	ENH	EH	ENH	EH	ENH
Projected \$	\$2,817,048	\$7,599,319	\$4,225,574	\$11,398,978	\$8,451,147	\$22,797,955
\$ Increase	-	-	\$1,408,526	\$3,799,659	\$5,634,099	\$15,198,636
% Increase	-	-	50%	50%	200%	200%
2023						
	36-Month		24-Month		12-Month	
	EH	ENH	EH	ENH	EH	ENH
Projected \$	\$3,135,358	\$8,446,843	\$4,173,008	\$11,321,386	\$5,405,861	\$14,549,496
\$ Increase	-	-	\$1,037,650	\$2,874,543	\$2,270,503	\$6,102,653
% Increase	-	-	33.1%	34.0%	72.4%	72.2%

Source: August 2021 Supplemental Information at 26, Attachment 3.

In its *March 16, 2023 Order*, the Commission requested that FirstEnergy provide updated cost projections related to this proposal in light of increased energy prices over 36 months, 24 months, and 12 months from 2024-2028. *March 16, 2023 Order* at 30. FirstEnergy provided this information as Attachment “B” to its *Supplemental Information. Supplemental Information Attachment B* at 1-9.

The FirstEnergy Companies estimate a decrease in the arrearage forgiveness costs over time with the change to the arrearage forgiveness period from 36 months to 12 months. The Companies estimate that the annual rate impact of the change for PCAP customers will range from \$18.62 to \$23.49 for each of the four Companies in 2024 and will be reduced to a range from \$5.95 to \$8.63 in 2028. *Supplemental Information* at 7.

The OCA submits that evaluating annual costs for arrearage forgiveness may lead to misleading results. If FirstEnergy moves from a 36-month plan to a 24-month plan, or to a 12-

month plan, then the immediate costs go up on an annual basis, but, the annual costs over time should go down as customers retire their arrears more quickly. A PCAP participant may also be more likely to make 12 monthly payments than 36 monthly payments. The arrearage forgiveness costs presented here do go down in later years, but it is not clear whether that is due to FirstEnergy predicting that customers will retire their pre-program arrears and thus there will be a lower need for forgiveness altogether, or whether that is driven somehow by the in-program arrears that get incorporated because of the transition. FirstEnergy should clarify what is driving its decreasing arrearage costs in this case.

The OCA believes that there is a benefit provided to customers by having the PPA eliminated in 12 months, particularly because a household only gets PPA once. When the customer has the opportunity to get all of the debt forgiven within the first 12 months, with allowance for catch-up of missed payments, the OCA believes that this should reduce the overall costs over time.

d. Administrative Costs

In the OCA's October 2021 Comments, the OCA raised that the costs of program administration should be examined as a part of whether any cost control measures are needed.¹⁰ A limit on administrative costs that flow through the automatic recovery mechanism should be examined as part of the cost control measures. The OCA does not believe that an across-the-board metric should be established. The OCA has not identified any specific concerns about the administrative costs proposed by FirstEnergy in the *Proposed 2024-2028 USECP*, but the OCA believes that these costs should continue to be monitored and evaluated if costs of the program significantly increase.

¹⁰ See OCA October 2021 Comments at 16.

e. Maximum CAP Credit Ceilings

Another area that can be evaluated for cost controls is the maximum CAP credit ceilings.¹¹ As a part of its Proposed 2024-2028 Plan, FirstEnergy proposes to eliminate maximum CAP credits. November Plan at 3. In its *July 16, 2021 Order*, the Commission questioned how FirstEnergy's proposal to eliminate the maximum PCAP credit limits would impact PCAP costs. *July 16, 2021 Order* at 16-17. The Commission specifically requested information on 1) how FirstEnergy proposes to control PCAP costs due to high usage if maximum limits are eliminated; 2) the actual annual number of PCAP customers whose usage exceeded the maximum CAP credit limits in 2018 and 2019, and 3) the projected increase in annual PCAP costs based on the elimination of annual limits for 2022 and 2023. *July 16, 2021 Order* at 16-17.

In response to the *July 16, 2021 Order*, FirstEnergy described its plan to control PCAP costs from high usage. *August 2021 Supplemental Information* at 8; *March 16, 2023 Order* at 22-23. FirstEnergy stated that they plan to control costs by performing outreach to PCAP participants whose usage increases by at least 125% compared to the previous year at the same address, and referring those customers to WARM for evaluation and services if eligible. *Id.* FirstEnergy also provided the minimum, maximum, and average amounts exceeding the CAP Policy Statement for each EDC and energy type, and information identifying the projected change in CAP credit costs in 2022 and 2023 based on the adoption of the proposed PIPP with no PCAP credit limits. *March 16, 2023 Order* at 22-23. For the reasons set forth below, while the OCA does not support elimination of the maximum CAP credits for the PIPP design, the OCA supports implementation of FirstEnergy's proposed outreach to high use CAP participants for customers with 125% of usage compared to the last year. The OCA would suggest that the Companies also include outreach to

¹¹ See *OCA October 2021 Comments* at 16-19.

customers with high CAP credits. LIURP can be an effective tool to reduce the high costs of CAP for customers with high CAP credits.

In the *August 2021 Supplemental Information*, the Companies identifies the following information for 2018 related to PCAP participants who exceeded the maximum CAP credits:

PCAP EXCEEDED SUBSIDY 2018						
ME - Exceeded Annual Maximum						
Annual Max	\$2,670			\$1,090		
Heat Type	Heating	Heating	Heating	Non-Heatin	Non-Heatin	Non-Heating
FPL	0-50%	51-100%	101-150%	0-50%	51-100%	101-150%
# Exceeding Annual Max	22	31	11	90	142	72
Subsidy Received	\$68,267	\$90,579	\$32,886	\$112,846	\$178,244	\$88,795
Amount over Annual Max	\$9,527	\$7,809	\$3,516	\$14,746	\$23,464	\$10,315
PN - Exceeded Annual Maximum						
Annual Max	\$2,710			\$1,110		
Heat Type	Heating	Heating	Heating	Non-Heatin	Non-Heatin	Non-Heating
FPL	0-50%	51-100%	101-150%	0-50%	51-100%	101-150%
# Exceeding Annual Max	9	18	4	99	203	80
Subsidy Received	\$26,432	\$53,435	\$11,740	\$122,100	\$248,267	\$100,838
Amount over Annual Max	\$2,042	\$4,655	\$900	\$12,210	\$22,937	\$12,038
PP - Exceeded Annual Maximum						
Annual Max	\$2,550			\$1,040		
Heat Type	Heating	Heating	Heating	Non-Heatin	Non-Heatin	Non-Heating
FPL	0-50%	51-100%	101-150%	0-50%	51-100%	101-150%
# Exceeding Annual Max	21	39	13	136	314	178
Subsidy Received	\$58,049	\$106,692	\$34,488	\$150,459	\$346,897	\$198,836
Amount over Annual Max	\$4,499	\$7,242	\$1,338	\$9,019	\$20,337	\$13,716
WPP - Exceeded Annual Maximum						
Annual Max	\$2,550			\$1,090		
Heat Type	Heating	Heating	Heating	Non-Heatin	Non-Heatin	Non-Heating
FPL	0-50%	51-100%	101-150%	0-50%	51-100%	101-150%
# Exceeding Annual Max	21	34	6	116	247	108
Subsidy Received	\$61,232	\$96,902	\$18,299	\$143,273	\$296,906	\$130,711
Amount over Annual Max	\$7,682	\$10,202	\$2,999	\$16,833	\$27,676	\$12,991
<i>Includes subsidv for monthlv credits. 12-month true-ups. and EPP true-ups.</i>						

August 2021 Supplemental Information at 8.

In the *August 2021 Supplemental Information*, the Companies identifies the following information for 2019 related to PCAP participants who exceeded the maximum CAP credits:

PCAP EXCEEDED SUBSIDY 2019						
ME - Exceeded Annual Maximum						
Annual Max	\$2,670			\$1,090		
Heat Type	Heating	Heating	Heating	Non-Heatin	Non-Heatin	Non-Heating
FPL	0-50%	51-100%	101-150%	0-50%	51-100%	101-150%
# Exceeding Annual Max	63	46	14	194	323	174
Subsidy Received	\$181,899	\$138,029	\$43,807	\$240,043	\$396,436	\$209,931
Amount over Annual Max	\$13,689	\$15,209	\$6,427	\$28,583	\$44,366	\$20,271
PN - Exceeded Annual Maximum						
Annual Max	\$2,710			\$1,110		
Heat Type	Heating	Heating	Heating	Non-Heatin	Non-Heatin	Non-Heating
FPL	0-50%	51-100%	101-150%	0-50%	51-100%	101-150%
# Exceeding Annual Max	23	34	11	202	428	256
Subsidy Received	\$68,298	\$103,005	\$35,832	\$247,843	\$527,331	\$313,628
Amount over Annual Max	\$5,968	\$10,865	\$6,022	\$23,623	\$52,251	\$29,468
PP - Exceeded Annual Maximum						
Annual Max	\$2,700			\$1,090		
Heat Type	Heating	Heating	Heating	Non-Heatin	Non-Heatin	Non-Heating
FPL	0-50%	51-100%	101-150%	0-50%	51-100%	101-150%
# Exceeding Annual Max	3	7	1	26	53	31
Subsidy Received	\$8,630	\$21,254	\$2,925	\$35,622	\$67,780	\$37,352
Amount over Annual Max	\$530	\$2,354	\$225	\$7,282	\$10,010	\$3,562
WPP - Exceeded Annual Maximum						
Annual Max	\$2,550			\$1,090		
Heat Type	Heating	Heating	Heating	Non-Heatin	Non-Heatin	Non-Heating
FPL	0-50%	51-100%	101-150%	0-50%	51-100%	101-150%
# Exceeding Annual Max	8	14	4	80	167	78
Subsidy Received	\$22,638	\$42,718	\$10,589	\$94,259	\$197,859	\$91,343
Amount over Annual Max	\$2,238	\$7,018	\$389	\$7,059	\$15,829	\$6,323
<i>Includes subsidy for monthly credits, 12-month true-ups, and EPP true-ups.</i>						

August 2021 Supplemental Information at 9.

In its *March 16, 2023 Order*, the Commission found that a review of the updated program related to this proposal was warranted, as new historical cost data is available and energy prices have increased since 2020. Specifically, the Commission requested that FirstEnergy provide 1) the annual number of PCAP customers whose usage exceeds the maximum subsidy credit limits from 2020 through 2022, broken down by income tier; 2) the projected change in annual PCAP subsidy costs from 2024 through 2028 based on elimination of annual limits, broken down by income tier, and 3) what CAP credit limits FirstEnergy would propose for each energy type if the elimination of CAP credit limits is not approved. *March 16, 2023 Order* at 25.

In response to the Commission’s request, FirstEnergy provided the projected cost impact of the proposed PIPP energy burdens for each of the four companies from 2024-2028, and the annual amount of PCAP customers whose usage exceeded the maximum subsidy credits from 2020-2022 broken down by income tier. *Supplemental Information* at 3-4. The Companies also explained that if elimination of CAP credit limits is not approved, it would propose keeping the fixed credit plan with modified subsidy maximum. *Id.* at 4-5. The Companies updated in the *Supplemental Information* the annual number of customers from 2020 through 2023 broken down by income tier, energy type and utility of the number of PCAP customers that exceeded the maximum CAP credit limits as follows:

PCAP Customers - Usage Exceeded Maximum Subsidy										
2020	Met-Ed		Penelec		Penn Power		West Penn Power			
Heat Type	EH	NH	EH	NH	EH	NH	EH	NH	EH	NH
0%-50%	15	80	9	106	6	17	13	95		
51%-100%	20	216	26	407	7	70	26	248		
101%-150%	9	121	7	225	1	58	10	132		
2021	Met-Ed		Penelec		Penn Power		West Penn Power			
Heat Type	EH	NH	EH	NH	EH	NH	EH	NH	EH	NH
0%-50%	8	126	4	195	3	31	4	178		
51%-100%	4	234	10	434	2	83	16	326		
101%-150%	1	128	4	211	0	48	0	146		
2022	Met-Ed		Penelec		Penn Power		West Penn Power			
Heat Type	EH	NH	EH	NH	EH	NH	EH	NH	EH	NH
0%-50%	37	91	23	107	3	14	19	71		
51%-100%	37	93	31	160	5	24	32	106		
101%-150%	11	57	7	92	2	19	8	46		

Supplemental Information at 4.

If the Companies’ proposal to eliminate maximum CAP credits is not approved, in its *Supplemental Information*, FirstEnergy proposed that the Companies should keep a fixed credit plan with modified subsidy maximums. FirstEnergy also provided the CAP credit limits it would impose for heating and non-heating customers. *Supplemental Information* at 4-5. If a customer

reaches their maximum CAP credit, the OCA recommends that the customer should at that point be referred to LIURP rather than be removed from the discount.

The OCA recommends that the FirstEnergy Companies retain the PIPP with the maximum CAP credits. In the *Supplemental Information*, the Companies list the maximum CAP credits needed to get 80% of the PCAP participants to achieve PIPP energy burdens. *Supplemental Information* at 6. When a CAP customer reaches 80% of their maximum CAP credit, the customer should be referred to LIURP. The customer should not be removed from CAP even if they reach with maximum CAP credit if they accept LIURP remediation. Even if LIURP does not fix the issue, the customer should be allowed to exceed the maximum CAP credit so long as the customer accepts LIURP including usage reduction education. If the household does not accept LIURP, the customer should not receive a CAP subsidy when they reach 125% of their maximum CAP credits for the year.

In addition, the OCA recommends moving away from defining maximum CAP credits in dollar terms. Instead of using a dollar benchmark, customer usage should determine whether a customer is able to exhaust the maximum CAP credit. Maximum CAP credits should be expressed in terms of dollars and should be tiered so that households receive a larger subsidy if the customer has lower Federal Poverty income levels and a larger subsidy if they are electric heating customers versus a non-electric heating customer. Maximum CAP credits should be adjusted each year to account for increases in energy prices based on any base rate increases allowed or Price to Compare (PTC) increases. If the distribution or commodity prices increase, then the max CAP credit should also increase, and if they decrease, then the maximum CAP credits should remain the same.

FirstEnergy should also be required to update its Appendix A to reflect PIPP and maximum CAP credits. FirstEnergy should also be required to track the CAP credit totals, and if the

total/aggregate CAP credits for all customers exceeds 125% of the projected amounts, then the Companies should be required to file with the Public Utility Commission and propose additional cost control features. The OCA discusses the proposal in more detail below regarding the need for on-going monitoring.

As set forth above, the OCA recommends that the PIPP design be retained with maximum CAP credits as defined above. In addition, the OCA supports implementation of FirstEnergy's proposed outreach to high use CAP participants and for customers with 125% of usage compared to the last year. IURP can be an effective tool to reduce the high costs of CAP for customers with high CAP credits.

f. HUD Recipient Participation in CAP

The OCA submits that the Commission should consider the extent of participation in CAP by tenants in public and assisted housing who receive utility allowances from the Department of Housing and Urban Development (HUD) that limit total shelter costs, including utilities, to no more than 30% of income.¹² Providing assistance above and beyond the HUD allowances would appear to substitute ratepayer dollars for HUD dollars. In response to the OCA's previous proposal on this issue, the Commission did not adopt the proposal, but stated that "[a]t this time, we are not persuaded that these changes would benefit the universal service programs, its participants, or other ratepayers. Nevertheless, the Commission may further explore the following policies in future utility-specific or other Commission proceedings." (*Final CAP Policy Statement Order*, at 99-100). (emphasis added). The OCA submits that the Commission should require FirstEnergy to provide the data necessary for a consideration of whether it would be appropriate to limit HUD recipient participation in CAP. The OCA does not recommend that this measure be implemented

¹² See *October 2021 Comments* at 19-20.

at this time, but the OCA instead recommends that the Commission continue to evaluate the need for such a cost containment measure if costs significantly increase.

g. Impact of Unused LIHEAP Grants

An additional cost element that should be examined is the impact of unused LIHEAP grants.¹³ In response to the Commission’s *July 16, 2021 Order*, the FirstEnergy Companies provided data on the actual and projected unused LIHEAP grants based upon the proposed PIPP energy burdens. See *March 16, 2023 Order* at 17, Table 6; *August 2021 Supplemental Information* at 6. The Companies’ *August 2021 Supplemental Information* provided:

LIHEAP 2 YEAR REFUNDS - PCAP PARTICIPANTS		
ACTUAL		
ME	2019	2020
0-50%	45	55
51-100%	46	16
101-150%	9	3
PN	2019	2020
0-50%	70	121
51-100%	49	33
101-150%	12	2
PP	2019	2020
0-50%	16	28
51-100%	8	6
101-150%	5	1
WPP	2019	2020
0-50%	14	129
51-100%	17	35
101-150%	2	5
Unknown	8	

August 2021 Supplemental Information at 6.

In its Comments in response to the *July 16, 2021 Order*, the OCA questioned the small number of proposed LIHEAP refunds given the actual number of refunds during 2019-2020. OCA

¹³ See *October 2021 Comments* at 20-21.

Comments at 21. At this time, the impact of the change to the energy burdens on unspent LIHEAP grants is unknown. Unspent LIHEAP grants must be returned to DHS after two years. However, DHS made a policy change in the last year that could also impact the amount of unspent LIHEAP grants. Unspent LIHEAP grants may be applied to not-yet forgiven pre-program arrearages if they are not spent after two years.¹⁴

The OCA submits that the LIHEAP grant money should be fully utilized or else the full benefit may not be realized. FirstEnergy should be required to track the amount of unspent LIHEAP grants and the extent to which the change in DHS policy may impact the unused LIHEAP grants.

4. On-Going Monitoring

FirstEnergy should continue to monitor the program's outcomes to evaluate whether its USECP is achieving its intended results. The Commission should direct FirstEnergy to develop specific outcomes, and metrics by which those outcomes should be monitored, with input from its Universal Services Advisory Committee, to be presented by the end of 2024 or FirstEnergy's next base rate case, whichever comes sooner. The following are areas where OCA believes continuous monitoring is appropriate.

First, FirstEnergy would benefit from having a clear outcome objective is regarding its disconnection rates. "Universal service" is defined to include those policies, protections and services that help low-income customers maintain electric service. Despite its programs, Met-Ed had the highest low-income disconnect rate for electric utilities in 2019, while West Penn Power

¹⁴ Commonwealth of Pennsylvania Low Income Home Energy Assistance Program (LIHEAP), Fiscal Year 2023, Proposed State Plan, § 601.45 (Application of Benefits)

https://www.dhs.pa.gov/Services/Assistance/Documents/Heating%20Assistance_LIHEAP/LIHEAP_Proposed-24-SP-Clean.pdf

had the third highest. In addition to tracking its low-income disconnection rates and reporting its findings to the Commission and the parties, FirstEnergy should include a plan for how it intends to *reduce* its rate of disconnections for low-income customers.

Disconnection Rates (BCS, page 17)	2019 Rank (electric) ¹⁵
Duquesne	6
Met Ed	1
PECO electric	4
Penelec	5
Penn Power	7
PPL	2
West Penn Power	3

Second, FirstEnergy should have a clear outcome objective regarding the percentage of low-income customers in debt. The Bureau of Consumer Services (2021 Annual Report on Universal Service and Credit and Collection at 2)¹⁶ specifically states that “[t]he goal in monitoring these programs is to ensure they *increase the effectiveness of EDC. . .collections* while protecting the public’s health and safety.” (emphasis added). Despite its universal service programs, the FirstEnergy companies had the four highest percentages of confirmed low-income customers in debt in 2019. In addition to adopting a plan by which to reduce disconnections, FirstEnergy should also adopt a plan by which to reduce the percentage of confirmed low-income customers in debt.

¹⁵ 2020 data not used given lack of disconnections due to COVID.

¹⁶ https://www.puc.pa.gov/media/2188/2021_universal_service_report_rev122722.pdf

Pct Confirmed Low-Income in Debt (BCS, page 27)		
Duquesne	12.7%	6
Met Ed	39.7%	2
PECO electric	5.0%	7
Penelec	37.8%	4
Penn Power	38.2%	3
PPL	32.8%	5
West Penn Power	43.4%	1

Third, FirstEnergy should have a clear outcome objective with respect to the percentage of Confirmed Low-Income customers it is enrolling in CAP, with a particular focus on low-income customers who would otherwise be in debt and subject to the disconnection of service for nonpayment. One reason that FirstEnergy has a poor performance with respect to its disconnection of low-income customers, as well as its percentage of low-income customers in debt, is that, with the exception of Penn Power, FE has three of the four lowest CAP enrollment rates (as a percentage of estimated low-income) in the state. Thus, FirstEnergy should develop results-oriented outcome objectives to set clear goals for increasing its enrollment of Confirmed Low-Income customers in CAP, and retaining those CAP participants once enrolled. It should, as part of the plan it files pursuant to the recommendation above, include an evaluation of its progress at achieving such goals for consideration in future proceedings.

Fourth, as FirstEnergy improves its universal service programs through the first three steps identified above, it should carefully track the costs of its programs. The OCA supports FirstEnergy’s proposed changes to the energy burdens because of the benefits provided to CAP participants and the relatively low impact on other ratepayers. The goal of the revised energy burdens is to improve affordability for low-income customers so that those customers can remain connected to service. It is also the case, however, that the cost impact on other ratepayers should

be considered.¹⁷ The OCA believes that the proposed energy burdens effectively balance those goals.

However, the OCA recommends that the Commission continue to monitor the total USECP costs of the program and the total/aggregate maximum CAP credits throughout the duration of the Company's plan. The OCA recommends that the FirstEnergy Companies should be required to monitor the impact of the revised energy burdens on the actual PCAP program costs and provide information to the parties about the actual cost information if the actual annual total USECP costs exceed the original budget by greater than 20%. If this criterion is met, the FirstEnergy Companies should provide the actual cost information to all parties in this proceeding and schedule a meeting with interested stakeholders within 30 days of providing the data to receive input on the need for cost controls. Any party would be able to petition the Commission before or after those meetings to address cost control concerns or to raise or oppose cost control measures in any subsequent USECP or base rate proceeding. The FirstEnergy Companies should propose going forward cost control measures if the total USECP costs exceed budgeted amounts by 20% or more, or justify why, despite this increase, no cost control measures are needed. This circuit breaker mechanism would allow for ongoing monitoring of costs so they do not get too far afield from what the FirstEnergy Companies are projecting. This is an important safeguard given the changes that the FirstEnergy Companies are proposing here, the length of the USECP, and the currently ongoing volatility of the energy markets.

¹⁷ The Commission noted this balance in its *Final CAP Policy Statement Order* when it provided:

[t]he Commission balances the interests of customers who benefit from CAPs with the interests of the other residential customers who pay for such programs. See *Final Investigatory Order on CAPs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923 (Dec. 18, 2006) (*Final CAP Investigatory Order*), at 6–7.

Final CAP Policy Statement Order at 8.

The OCA notes that Commissioner Coleman cited favorably to a similar cost tracking mechanism for CAP costs approved as a part of the Settlement of the Duquesne Light Company 2020-2025 USECP. The Duquesne Settlement provided for the tracking of important cost data and for further evaluation if costs exceeded the identified trigger (in that case 10%). In his Statement in response to the most recent Peoples Natural Gas Company and Peoples Gas Company USECP, Vice Chairman Coleman supported the Duquesne Settlement's provisions for tracking cost increases and recommended that similar provisions be considered in all USECP proceedings. In response to the Settlement, Commissioner Coleman's Statement provided:

[t]he proposed Order before us today directs the Peoples Companies to track data related to these CAP payment changes for review during their next USECP. I agree with the proposed Order, but I also encourage the Peoples Companies to take more immediate action if CAP costs increase beyond the projected budgets. The Commission recently approved a Joint Petition for Settlement in Duquesne Light Company's 2020-2025 USECP which contained a provision whereby Duquesne Light Company will notify the parties to their proceeding and seek their input if USECP costs will exceed the projected budget by 10% and file a petition with the Commission explaining the cost increase and outlining possible programmatic cost-containment measures.

I believe similar provisions should be considered for inclusion in all USECPs. The Peoples Companies' Proposed 2019 USECP will be in effect for at least five years after it is approved. The Peoples Companies' next proposed USECP is not due until April 1, 2028, for the five years starting January 1, 2029. The Commission should not wait until five years, or more, have passed to address any disproportionate cost impact to the residential customers who are paying for the Peoples Companies' CAPs. To that end, I encourage the Peoples Companies to notify the parties to this proceeding and seek their input if CAP costs will exceed the annual projected budget by 10% and to file a petition with the Commission explaining the cost increase and outlining possible cost-containment measures.

Peoples Natural Gas Company LLC and Peoples Gas Company LLC 2019-2024 Universal Service and Energy Conservation Plan Submitted in Compliance with 52 Pa. Code § 62.4, Docket Nos. M-2018-3003177, et al., Statement of Commissioner John Coleman (May 12, 2022). The factual

circumstances of the instant case differ from the Duquesne USECP. There the threshold was a 10% increase in total USECP costs. Here, the OCA is proposing a trigger of 20% increase for total USECP costs. However, the concept and the objective are the same. The total USECP costs should be monitored and evaluated, and the parties should not wait five years to evaluate significant changes to the costs if they increase at rates significantly in excess of what has been projected.

In addition, as recommended above regarding the maximum CAP credits, a second trigger should be established for maximum CAP credits. FirstEnergy should be required to update its Appendix A to reflect PIPP and maximum CAP credits. FirstEnergy should also be required to track the CAP credit totals, and if the total/aggregate CAP credits for all customers exceeds 125% of the projected amounts, then the Companies should be required to file with the Public Utility Commission and propose additional cost control features. Finally, FE should calculate the total dollar amount of unused LIHEAP grants returned to the Department of Human Services (DHS) each year and provide the information as a part of the Company's next Universal Service and Energy Conservation Plan. The OCA recommends that the following data specifically be tracked: (1) the annual number of CAP accounts which have had or may have unused LIHEAP funds returned to DHS;(2) the total and average annual amount of those funds; (3) if the LIHEAP grants were used to offset the arrearage amounts, and (4) the average amount by which the LIHEAP grants offset arrearages. The FirstEnergy Companies should provide actual data for 2024-2028, broken down by income tier (*i.e.*, 0%-50%, 51%-100%, and 101%-150%). This information will provide a useful base to determine whether CAP tiers are appropriately targeting affordability.

5. OCA Recommendation

As noted throughout this section, the OCA supports the proposed changes to the PIPP/energy burdens due to the specific facts of this case. The OCA recommends that the changes to the maximum CAP credit and proposals for continued monitoring of USECP costs and the total/aggregate maximum CAP credit costs be approved as important cost control and monitoring measures. For the reasons set forth above, the OCA submits that the Companies' proposed changes to the energy burdens should be approved with the OCA's additional proposed recommendations to monitor the costs, and to track and report the LIHEAP refunds in the next USECP.

However, FirstEnergy noted that it may propose revisions to its USECP at its sole discretion, which would seem to indicate that FirstEnergy is able to do this between its USECP filings. *Proposed 2024 USECP* at 3. If FirstEnergy makes revisions to its USECP during the operation of that USECP, it should be required to bring such revisions to the attention of the Commission and the parties for comments and to propose changes, if appropriate.

B. Intake Process-Moving PCAP Accounts Between Operating Companies

The Proposed 2024 USECP states that if a PCAP customer discontinues service at one address and establishes service within 12 months at another within the same operating service territory that the customer will be enrolled in PCAP at the new address automatically. Proposed 2024 USECP at 11; *March 16, 2023 Order* at 33. If the customer moves to a residence in another FirstEnergy operating company, however, PCAP eligibility does not follow to the new account. Proposed 2024 USECP at 11; *March 16, 2023 Order* at 33. The Commission requested clarification regarding why the FirstEnergy Companies cannot allow customers to maintain PCAP eligibility when they move between operating EDC service territories. *March 16, 2023 Order* at 33. The Commission's *March 16, 2023 Order* provided:

[a]s long as the customer confirms that the household size and income have not changed, it seems reasonable that one operating EDC could verify the customer's eligibility to the other. The CAP Policy Statement recommends that public utilities allow CAP customers to retain program enrollment status when transferring service within the public utility's, or an affiliate's service territory. 52 Pa. Code § 69.265(10).

March 16, 2023 Order at 33. The Commission directed the FirstEnergy Companies to explain why current PCAP customers are not given the opportunity to transfer their PCAP accounts when they move among the FirstEnergy Companies' service territories. *March 16, 2023 Order* at 33. The Commission also directed the FirstEnergy Companies to clarify if customers are informed that they can apply for PCAP at the new address. *March 16, 2023 Order* at 33.

In its *Supplemental Information*, the Companies explained that current PCAP customers are only allowed to transfer their PCAP amounts when moving if they are moving from one location to another within the same operating company. *Supplemental Information* at 7. If the customers' new location has a different operating company, the customers' balance cannot be transferred because FirstEnergy's system is unable to evaluate all prior enrollments by operating companies. *Id.*

While the Company's system may not be able to automatically transfer customers' PCAP accounts when they move to a new service territory, the OCA believes that the Company should still be able to provide customers with an opportunity to transfer their accounts. For example, FirstEnergy could provide questions on its application forms to discern whether 1) a customer is coming from another FirstEnergy utility; 2) if so, was the customer a PCAP customer at that utility; and; 3) if so, does the customer wish to continue being a PCAP customer. If the customer answers in the affirmative to each of these questions, FirstEnergy should be obligated to then help the customer transfer the PCAP account.

Further, if a PCAP participant at a FirstEnergy utility switches service territories, FirstEnergy should ensure that their arrearage forgiveness moves with them as well. For example, if a customer is on month 26 of a 36-month arrearage forgiveness program, that customer should be able to continue payments as if there was no break in the program after a move to a new FirstEnergy utility service territory.

C. Recertification Reminder/Text-to-Recertify Process

FirstEnergy identifies several ways customers can enroll or recertify for PCAP, including by telephone, online, or through in-office appointments. *Proposed 2024 USECP* at 11. FirstEnergy also notes that DEF may contact PCAP customers to use a text-to-recertify option. *Id.* at 11. The Commission directed FirstEnergy to provide an explanation of how DEF will decide which customers are selected for the text-to-recertify process and a step-by-step description of how that process will work, including how DEF will inform customers about potential costs related to texting data rates. *March 16, 2023 Order* at 35. The OCA submits that a text-based recertification option is essential to facilitate recertification among the greatest number of applicable customers and the Companies should ensure that such an option is available.

The Companies also state that customers will be notified to recertify by mail 60 days prior to their recertification date. Customers will be notified with a message on their electric bills and another mailing 30 days prior to their recertification date. Reminder calls will be placed to customers 45 and 15 days prior to their recertification dates. *Proposed 2024 USECP* at 15. In its *Supplemental Information*, the Companies clarified that a text-to-recertify option is available when the Companies have a phone number on file that is SMS capable for the relevant customer. FirstEnergy should ensure that customers are aware of this text-to-recertify option. FirstEnergy

should also use these text capabilities to remind customers of their upcoming recertification dates at 60, 45, 30, 15, and 3 days prior.

In the *Supplemental Information*, regarding the text-to-recertify process, the FirstEnergy Companies state that they provide a list of customers that need to complete a recertification, and DEF determines if the phone number is SMS capable. *Supplemental Information* at 8. If it is, then DEF may initiate a text-to-recertify process. *Supplemental Information* at 8-9. If it is not, then a letter is produced that instructs the customers to contact Dollar Energy Fund to recertify. *Supplemental Information* at 9.

If customers do not complete recertification within 10 days of their recertification dates, letters and electronic notification by either email or text should be sent to customers notifying them of their removal and the steps they must take to re-enroll. Such letter or other notification should also be sent if FirstEnergy receives an application that it deems incomplete or incorrect to let customers know that their application for recertification has not been accepted and further action is necessary. The Companies should offer the customer the opportunity to recertify via paper, phone, fax, or text to allow the customer the maximum number of options to recertify.

The OCA strongly supports the FirstEnergy Companies efforts to utilize a text-to-recertify process that provides another avenue for customers. To the extent that the Companies are not already doing so, the OCA would also recommend that the Companies consider using a text process for other notifications to customers in addition to the traditional mailing. The OCA would also suggest that the Companies consider implementing text reminders for customers with embedded links to allow the customer to recertify through the message.¹⁸

¹⁸ The OCA identifies additional areas where technology should be implemented into the Companies' Plan below in Section F regarding the Customer Education and Outreach Plan.

D. Final PCAP Budget Bill

The Commission noted that FirstEnergy did not describe or list its final PCAP billing practice in its Proposed 2024 USECP. *March 16, 2023 Order* at 37. However, the Commission did note that in a CAP Final Billing proceeding, FirstEnergy reported that it provided PCAP customers with a final bill that includes all residential tariff rate charges minus their full, non-prorated monthly CAP credit. *Id.* at 37-38. In its *March 16, 2023 Order*, the Commission directed FirstEnergy to describe its current PCAP final billing practices and explain whether the practices have changed since the Commission’s CAP Final Billing proceeding. *Id.* at 39. The Commission also directed FirstEnergy to address how its final PCAP billing practices reflect compliance with the relevant statutes and regulations discussed in the CAP Final Billing Order. *Id.*

The Companies’ current PCAP billing practices require that each month, a CAP customer is billed his or her equal payment plan (EPP or budget billing) amount minus the monthly CAP credit and the monthly arrearage forgiveness credit, if applicable. *Supplemental Information* at 10. When the Final PCAP bill is issued for the CAP customer, the EPP is removed from the account, which bills a “true-up” amount for the budget billing balance. The Companies provided the following calculation to demonstrate how this occurs:

An example final billing calculation follows:

\$29.40	Actual consumption charges from final billing period
+\$43.12	EPP true-up balance
<u>-\$12.00</u>	<u>Monthly CAP credit</u>
\$60.52	Asked-to-pay amount on final bill

Supplemental Information at 11.

The OCA opposes this true-up of final customer bills. The OCA is concerned about what would have happened to those true-up dollars if they would have been billed in the month the service was initially rendered. The FirstEnergy Companies are proposing to move from the FCO

design to a PIPP design so if the customer would have been billed their percentage of income CAP bill, everything else would have been a CAP credit. Hence, if the customer is on a budget bill, when a customer received the Final PCAP budget bill, then the true-up should not be charged if it is more than the CAP payment charged. If the true-up is less than the CAP payment, the customer should get charged the true-up amount.

E. Customer Education and Outreach Plan (CEOP)

FirstEnergy's Proposed 2024 USECP included information about FirstEnergy's planned communications, outreach, and promotion of energy assistance program enrollment to its PCAP applicants. Proposed 2024 USECP at 19-19. In its *March 16, 2023 Order*, the Commission requested that FirstEnergy provide more specific information about the educational and outreach events it plans to participate in, including the Commission Consumer Education program Be Utility Wise.¹⁹ *March 16, 2023 Order* at 40. The Commission requested that FirstEnergy identify 1) the number of virtual, in-person, and Be Utility Wise events that FirstEnergy EDCs will participate in for their respective service territories annually; 2) whether FirstEnergy offers or plans to offer universal service program training to community agencies within its EDC service territories, and 3) the ways that FirstEnergy's proposed CEOP differs from what the FirstEnergy companies are already doing. *March 16, 2023 Order* at 40. The Commission also requested that FirstEnergy provide examples of its consumer education materials and that FirstEnergy provide more details about its educational strategies for training webinars, workshops, and other events. *Id.* at 40-41.

Regarding customer education and outreach, the Companies indicated that they use a variety of methods to encourage enrollment in universal service programs and expand customer

¹⁹ <https://www.puc.pa.gov/about-the-puc/consumer-education/be-utility-wise-events/>

outreach. *Supplemental Information* at 12. FirstEnergy also indicated that it plans to offer universal service program training to community agencies within its service territories. *Id.* at 12. FirstEnergy provided few details about its outreach methods or proposed trainings. As such, it will be essential that its Advisory Committee remain involved in FirstEnergy's CEOP to suggest any necessary additions or changes to its implementation. FirstEnergy should provide updates to its Advisory Committee about its CEOP regularly in between USECP proceedings to solicit feedback and make ongoing improvements, rather than waiting for its next USECP to address issues.

The OCA also recommends that the FirstEnergy Companies be directed to pursue prescribed types of technology to advance the identification of Confirmed Low-Income customers and their enrollment into PCAP, as well as improving the retention of PCAP customers by decreasing the extent to which the FirstEnergy Companies lose PCAP participants to defaults attributable to the failure to recertify.

Many of the problems facing the FirstEnergy Companies today with respect to enrolling low-income customers in PCAP, and preventing them from being dropped due to a failure to recertify, are similar to the problems facing other health and human service programs. Examples include:

- Agencies that have a low completion rate for interviews at the time of the initial application and renewal. Underlying issues include clients who don't receive timely notice of the scheduled interview, are unable to complete the interview at the scheduled time, or are unable to reach agency staff to reschedule appointment.
- Clients that do not provide required verification documents with their application, and must then send them through the mail. Frequently, applications are thus denied because documents are never submitted or are lost. Underlying issues include clients who don't know what documents are required, clients who cannot electronically submit documents (or must have access to a scanner to do so), and agencies that have a backlog in processing mailed applications.
- Agencies that have a low rate of completion at renewable because clients fail to complete the renewal form properly or fail to submit the form, the result

being that their benefits are terminated (and they must reapply to have benefits reinstated).

A recent publication by the Center on Budget and Policy Priorities (CBPP) identified technological tools that help to address these challenges. According to the CBPP publication:

Improving client-facing processes – systems that applicants and recipients use directly for actions like applying, submitting documents, or getting information about their case – allow clients to better obtain information and receive benefits more quickly. They also help agencies get the information they need to conduct eligibility determinations and improve performance and outcomes.

(Improving Customer Service at 1).²⁰ The publication “outlines common challenges agencies face while administering these benefits and gives examples of how the technologies profiled. . .can streamline processes.” CBPP notes that “the technologies discussed here are not theoretical; rather they are applicable to real-world issues clients and agencies face each day.” (Id.). It provides best practices in using web-based tools, mobile-based technology, and call center tools. (Id.)

The OCA recommends that the FirstEnergy Companies take the following steps:

- Present the question of how to incorporate technology tools into the process of identifying Confirmed Low-Income customers; enrolling low-income customers in appropriate low-income programs (e.g., CRP, winter moratorium), and maintaining that enrollment at the time of recertification or reverification, to the Universal Service Advisory Committee with a report to the Bureau of Consumer Services with recommendations and
- Include, beginning with the FirstEnergy Company’s next-filed USECP, a specific USECP section addressing the technology tools used to improve the process of identifying Confirmed Low-Income customers, enrolling low-income customers in appropriate low-income programs, and maintaining that enrollment at the time of recertification or reverification.

²⁰ Improving Customer Service in Health and Human Services through Technology, Center on Budget and Policy Priorities, <https://www.cbpp.org/research/health/improving-customer-service-in-health-and-human-services-through-technology> (Aug. 22, 2018)

The OCA recommends that the FirstEnergy Companies undertake a more concerted effort to incorporate technology to address the issues they face with respect to identifying its low-income customers, enrolling those low-income customers in PCAP, and maintaining that enrollment.

F. Education about Energy Burden

In its *March 16, 2023 Order*, the Commission directed FirstEnergy to identify how its Companies educate customers about household energy burdens to help customers identify how much of their household income is spent on energy. *March 16, 2023 Order* at 41. In its *Supplemental Information* the Companies described how each year, they identify customers that have exceeded their prior years consumption by 25%. *Supplemental Information* at 13. The Companies then provide these customers with outreach materials to explain behaviors and energy conservation measures that customers can use to help reduce their energy burdens. For WARM participants specifically, the Companies explained that an energy auditor reviews and discusses what the highest users are within the home and behavioral adjustments that can be made to reduce electric consumption in addition to the measures that can be installed to facilitate energy savings. *Id.*

FirstEnergy should provide tools to all of its customers to evaluate their respective energy burden, not just those customers who exceed their prior years' usage by 25% or WARM participants. Specifically, FirstEnergy should provide a tool that encourages its high energy burden customers to enroll in PCAP.

G. Refund of Security Deposit

FirstEnergy's Proposed 2024 USECP stated that FirstEnergy does not assess security deposits on PCAP accounts. Proposed 2024 USECP at 17. In its *March 16, 2023 Order* the Commission sought clarification about how FirstEnergy addresses the refunding of security

deposits when it is later determined that the customer was PCAP-eligible when the deposit was collected. *March 16, 2023 Order* at 37. In response to the Commission's Order, FirstEnergy stated that its SAP system automatically releases the deposit requirement at the time of a customer's enrollment. *Supplemental Information* at 10. Held deposits are released and applied to the account balance, and this is reflected on the customer's next billing statement. *Id.*

In addition to not assessing security deposits on PCAP accounts, FirstEnergy should refund any security deposits on PCAP accounts that had previously been assessed. *Proposed 2024 USECP* at 17. FirstEnergy should also ensure that any such refunds go directly back to the customer. The customer should be given the ability to direct where and how he or she wants the money refunded. If FirstEnergy applies the refund to a balance of arrears that would otherwise be forgiven through the program, a customer should be provided the informed choice to receive a refund of the security deposit or to allocate it towards the back balance.

Depending on how FirstEnergy applies the refunds back to the account, its current practice of refunding the security deposit may not be a waiver or refund of the deposits consistent with the Public Utility Code or the Commission's regulations. 66 Pa. C.S. § 1404(a)(1); 52 Pa. Code § 56.32(e). It may be simply redirecting the deposit to be applied against the customer's account to reduce the arrears that would otherwise be subject to forgiveness. FirstEnergy should clarify its policy, and if it is applied to any arrears, the Commission should direct FirstEnergy to provide customers with an affirmative choice of whether to receive a refund of the security deposit or to apply the amount to the customer's balance that would otherwise be subject to forgiveness with monthly payments.

H. Requiring WARM Participation

FirstEnergy's Proposed 2024 USECP contained a contradiction regarding which PCAP customers are required to create an energy-savings plan. *Proposed 2024 USECP* at 20, 30. First, the Companies state that PCAP customers with annual usage of 6,500 kWh or more are required to receive an in-home energy evaluation and work with a trained energy educator to create an energy savings plan. *Id.* at 20. Later, FirstEnergy states that all PCAP customers are required to undergo this process. *Id.* at 30. The Commission directed FirstEnergy to clarify this contradiction. *March 16, 2023 Order* at 43.

FirstEnergy clarified that it requires WARM participation for customers with an annual usage of 6,500 kWh or more. *Supplemental Information* at 14. The OCA seeks confirmation that FirstEnergy has the resources to deliver services to every WARM participant that seeks out such services. The OCA also seeks more information about whether requiring WARM participation for certain customers is the most efficient use of FirstEnergy's WARM funding, or whether those funds could be used more efficiently if participation in WARM was not a requirement.

I. Landlord Approval for LIURP (WARM)

The Proposed 2024 USECP states that while both homeowners and renters qualify for WARM, renters must obtain landlord approval for certain WARM measures to be installed. *Proposed 2024 USECP* at 21, 23. However, the Proposed 2024 USECP does not specify how FirstEnergy obtains and documents landlord approval/refusal and customer consent to share electronic information with agencies and contractors. The Commission directed FirstEnergy to clarify the method by which it obtains and documents landlord approval to perform WARM measures and customer consent to share electronic information. *March 16, 2023 Order* at 45.

The Companies indicated that they provide a landlord agreement form that must be completed before a WARM application is considered eligible. After that form is completed by the landlord, the customer's application is eligible to be assigned to a WARM contractor or agency. *Supplemental Information* at 15. FirstEnergy should implement additional options to facilitate customers' abilities to obtain landlord approval, such as approval by text or email and accepting e-signatures.

J. LIURP (WARM) Budget

The Commission encourages public utilities to establish an allowance for the installation of routine health and safety measures and has also requested that public utilities identify their recommended parameters and allowance for performing incidental repairs. *March 16, 2023 Order* at 47-48. In its Proposed 2024 USECP, FirstEnergy described how its contractors and agencies use a cost-effective budget calculation called seasonal allowance, which assists in the selection of WARM measures designed to reduce electric heating and cooling for each residence based on past electric consumption with consideration given to the regulatory seven-to-twelve-year payback requirement. *Proposed 2024 USECP* at 22. The USECP further states that contractors may spend up to 50% of the seasonal allowance budget to install health and safety measures, in addition to the seasonal balance for weatherization measures. *Id.*

In its *March 16, 2023 Order*, the Commission sought clarification about whether FirstEnergy tracks the number of homes disqualified or deferred for WARM service due to health and safety issues. *March 16, 2023 Order* at 47. The Commission also sought clarification about whether contractors are provided an allowance for performing incidental repairs, as is encouraged by the Commission. *Id.*

FirstEnergy notes that costs to perform energy conservation have gone up significantly in recent years. *Supplemental Information* at 21. FirstEnergy also notes that it is proposing increases for the Met-Ed, Penelec, and West Penn Power WARM budgets “due primarily to higher prices and higher job costs.” *Id.* at 24. The Commission has held recently that changes to LIURP budgets, and thus the WARM budget in this proceeding, can only be made in USECP reviews. In light of the fact that companies such as FirstEnergy are experiencing higher prices and higher job costs, the OCA questions whether utilities should be allowed to make between-USECP changes to their LIURP budgets to address these issues. If, going forward, LIURP budgets are only allowed to be addressed in USECP proceedings, there must be a continuing increase of LIURP budgets in anticipation of increasing costs and higher rates from rate cases. One solution would be for the Commission to provide for automatic LIURP budget increases in anticipation of future events (knowing that such events may or may not occur). Alternatively, utilities and the parties should be allowed to respond to future events as those events do occur, even if they occur in between USECP proceedings.

III. CONCLUSION

The OCA appreciates the opportunity to Comment on FirstEnergy's Joint Universal Service & Energy Conservation Plan, as well as the *Supplemental Information* provided by FirstEnergy in response to the Commission's March 16, 2023 Order. The OCA respectfully submits that its Comments and recommendations contained herein should be adopted.

Respectfully Submitted,

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