

COMMONWEALTH OF PENNSYLVANIA



PATRICK M. CICERO
Consumer Advocate

OFFICE OF CONSUMER ADVOCATE
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
(800) 684-6560

 @pa_oca
 /pennoca
FAX (717) 783-7152
consumer@paoca.org
www.oca.pa.gov

July 10, 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 Reply Comments in the above-referenced proceedings.

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

Respectfully submitted,

/s/ Christy M. Appleby
Christy M. Appleby
Senior Assistant Consumer Advocate
PA Attorney I.D. # 85824
CAppleby@paoca.org

Enclosures:

cc: Office of Administrative Law Judge (**email only:** crainey@pa.gov)
Paul Diskin, TUS (**email only:** pdiskin@pa.gov)
Jennifer Johnson, BCS (**email only:** jennifjohn@pa.gov)
Regina Carter, BCS (**email only:** regincarte@pa.gov)
Christina Chase-Pettis, Office of Communications (**email only:** cchasepett@pa.gov)
Louise Fink Smith, Law Bureau (**email only:** finksmith@pa.gov)
Office of Special Assistants (**email only:** ra-OSA@pa.gov)
Certificate of Service

*348789

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 Reply 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 10th day of July 2023.

SERVICE BY E-MAIL ONLY

Richard A. Kanaskie, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120
rkanaskie@pa.gov
Counsel for I&E

NazAarah Sabree, Small Business Advocate
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101-1923
ra-sba@pa.gov
Counsel for OSBA

Angelina Umstead, Esquire
First Energy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001
Harrisburg, PA 17101
aumstead@firstenergycorp.com
Counsel for FirstEnergy Companies

Elizabeth R. Marx, Esquire
John W. Sweet, Esquire
Ria M. Pereira, Esquire
Pennsylvania Utility Law Project
118 Locust Street
pulp@pautilitylawproject.org
Counsel for CAUSE-PA

Todd S. Stewart, Esquire
Hawke McKeon & Sniscak LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmslegal.com
Counsel for "PA-CLEEC"

/s/ Christy M. Appleby
Christy M. Appleby
Senior Assistant Consumer Advocate
PA Attorney I.D. # 85824
CApplby@paoca.org

Mackenzie C. Battle
Assistant Consumer Advocate
PA Attorney I.D. # 330879
MBattle@paoca.org

Counsel for:
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Dated: July 10, 2023
*348790

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	:	

REPLY COMMENTS
OF THE
OFFICE OF CONSUMER ADVOCATE

Christy M. Appleby
Senior Assistant Consumer Advocate
PA Attorney I.D. # 85824
E-Mail: CAappleby@paoca.org

Mackenzie Battle
Assistant Consumer Advocate
PA Attorney I.D. # 330879
E-Mail: MBattle@paoca.org

Counsel for:
Patrick M. Cicero
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Dated: July 10, 2023

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The Office of Consumer Advocate (OCA) files these Reply Comments¹ pursuant to the directive in the Commission’s Order Directing Supplemental Information and Establishing Comment Period (*March 16, 2023 Order*).²

I. INTRODUCTION

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*).³

On June 20, 2023, the OCA, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and Pennsylvania Coalition of Local Energy Efficiency Contractors (PA-CLEEC) filed Comments. In the Comments submitted by the Office of Consumer Advocate (OCA) in this proceeding on June 20, 2023, the OCA included the following sentences on page 20:

¹ 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.

² *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*).

³ A complete procedural history of FirstEnergy’s USECP has been set forth in the OCA’s Comments at pages 1-4. *See also March 16, 2023 Order* at 2-7.

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.

The OCA would like to let the Commission and the Parties know that these sentences should be deleted from the OCA's Comments.

The OCA responds to the Comments filed by CAUSE-PA regarding: (1) the maximum CAP credits; (2) arrearage forgiveness; (3) preprogram arrearage forgiveness expansion and higher threshold; and (4) LIURP budget.

II. REPLY COMMENTS

A. Maximum CAP Credits

In its Comments, CAUSE-PA supports FirstEnergy's proposal to eliminate the maximum CAP credits. CAUSE-PA Comments at 15-18. In particular, CAUSE-PA argues that "[t]o require PCAP customers to pay unaffordable full tariff rates, at any point, that far exceed applicable energy burdens undermines the ability of PCAP to serve its intended purposes." CAUSE-PA Comments at 15. CAUSE-PA also states that if the Commission should reject FirstEnergy's proposal to eliminate the maximum CAP credits, then the Commission should reject FirstEnergy's proposal to revert to a fixed credit model. CAUSE-PA Comments at 17. In the alternative, CAUSE-PA recommends that the matter be referred to the Office of Administrative Law Judge. The OCA agrees with CAUSE-PA that the newly designed PIPP with the revised energy burdens should be implemented and that affordability for low-income customers is of paramount importance. The OCA also agrees that if maximum CAP credits are retained, the Fixed Credit Option (FCO) should not be retained. However, the OCA submits that it is not apparent from the information we currently have that the inclusion of a redefined maximum CAP credit as discussed in the OCA's Comments will per se undermine affordability if appropriately implemented. OCA Comments at

15-18. The OCA submits that both affordability for CAP customers and continued monitoring of program costs are essential and requests that the Commission adopt the revisions outlined in the OCA's Comments. This would include ensuring staggered maximum CAP credits that can be adjusted as costs (distribution costs from rate cases or energy costs) increase, and that create safeguards for households who exceed those credits but who take steps to reduce their usage through LIURP. *See* OCA Comments at 20. Moreover, the OCA has proposed the implementation of consumer protections for CAP participants by providing an exemption for customers who receive either energy remediation or energy education even if LIURP does not immediately reduce usage.

For the reasons set forth in the OCA's Comments, the OCA believes that it is important that the FirstEnergy Companies retain maximum CAP credits as a cost control measure as outlined more fully in the OCA's comments. OCA Comments at 15-18.⁴ The OCA, however, recommends that the term maximum CAP credit be redefined to be tiered to customer income levels, to not operate in a draconian manner and importantly to be paired with energy efficiency weatherization to give the customer the necessary tools to be able to reduce their maximum CAP credit. OCA Comments at 20-21.⁵ 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. In its Comments, the OCA recommended that 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 the maximum CAP credit if they accept LIURP remediation. Even if LIURP does not reduce usage, the customer should be allowed to

⁴ Please note the above-referenced correction to the OCA's recommendations.

⁵ The OCA notes that on June 28, 2023, the OCA filed a letter correcting its June 20, 2023 Comments on this issue.

exceed the maximum CAP credit so long as the customer accepts LIURP including usage reduction education. Only 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 its Comments, the OCA provided that the definition of maximum CAP credit should be redefined as follows:

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.

OCA Comments at 20-21.

The OCA recommends that the proposal be paired with on-going monitoring to track the impact of the tiered maximum CAP credits, FirstEnergy's outreach to high use CAP participants, and the number of customers with 125% of usage compared to the prior year. OCA Comments at 23-28. The OCA also recommended that customers with high CAP credits be targeted for LIURP outreach as well. OCA Comments at 16-17.

As the OCA discussed in its Comments, the OCA supports the proposed changes to the energy burdens and the PIPP design to improve affordability. For the reasons set forth above and in the OCA's Comments, however, the OCA submits that the Companies' proposed changes to the energy burdens should be approved with the additional cost control measures identified in the OCA's Comments.

B. Arrearage Forgiveness

In its Comments, CAUSE-PA and the OCA both recommend that the FirstEnergy Companies decrease its current 36-month arrearage forgiveness period to 12-months. OCA Comments at 13-15; CAUSE-PA Comments at 19-26. CAUSE-PA also identifies a concern with how existing PCAP customers will be transitioned to a new debt forgiveness program, particularly those that may only be a few months away from retiring their preprogram arrears. CAUSE-PA Comments at 23. CAUSE-PA recommends that:

[a]t the time of transition, all existing PCAP customers should be credited for payments previously made toward arrearage forgiveness under the 36-month timeframe. If an existing PCAP customer has made the equivalent of 12 in-full payments to qualify for full forgiveness under the new 12-month forgiveness timeframe, that customer's debt should be eligible for immediate and full forgiveness under the new program rules.

CAUSE-PA Comments at 24. The OCA agrees with CAUSE-PA's concerns and recommends that CAUSE-PA's proposal be adopted.

The FirstEnergy Companies identify that the proposed transition will take approximately three months and that in that transition time CAP participants will be removed from the Equal Payment Plan (EPP or budget billing). Proposed 2024 USECP at 4; CAUSE-PA Comments at 24. At the time of conversion, FirstEnergy proposes that all unpaid balances will become preprogram arrearages and will be subject to forgiveness under the new arrearage forgiveness structure. *Id.*

In its Comments, CAUSE-PA identified concerns with how FirstEnergy plans to eliminate the Equal Payment Plan (EPP or budget billing) component and whether that will subject customers to substantially higher bills for the three months that the conversion is taking place. CAUSE-PA Comments at 24. CAUSE-PA raises an important issue regarding how PCAP customers will be in the end of their EPP cycle and how the true-up will impact customers and the timing of whether that transition occurs in the shoulder months or peak heating and cooling

seasons. CAUSE-PA Comments at 24-25. CAUSE-PA recommends that the FirstEnergy Companies work with stakeholders through its Universal Service Advisory Committee (USAC) to develop written and verbal customer communications and make specific recommendations regarding the information to be provided and the outreach needed towards those PCAP customers with potentially large true-up balances. CAUSE-PA Comments at 25.

The OCA supports the recommendations of CAUSE-PA. The OCA agrees that everyone who has been on PCAP and has made twelve payments should have the remainder of their preprogram arrears forgiven. In particular, the OCA agrees that a PCAP participant who has only a few months remaining should not be penalized for FirstEnergy Companies' decision to implement a new arrearage forgiveness plan. The OCA also agrees that targeting the transition to the shoulder months when it does not fall in the high costs months makes a great deal of sense and supports discussing the issue with the FirstEnergy Companies' USAC. The OCA agrees that it is important that PCAP participants be provided clear information and notices about the program changes.

C. Preprogram Arrearage Forgiveness Expansion and Higher Threshold

FirstEnergy proposes that customers who re-enroll in PCAP under the new 12-month arrearage forgiveness structure will be eligible for PPA forgiveness, if the CAP participant's original PPA balance from their prior enrollment was \$300 or less. Proposed 2024 USECP at 13; CAUSE-PA Comments at 36. In its Comments, CAUSE-PA strongly supports FirstEnergy's proposal to allow PCAP customers to reenroll in the program and receive additional PPA forgiveness. CAUSE-PA Comments at 37-38. CAUSE-PA recommends that the Companies set "the threshold for additional PPA at the average amount of deferred debt of customers entering PCAP, based on the Company and heating type – rather than utilizing a flat \$300 threshold for all

customers seeking enrollment in the program.” CAUSE-PA Comments at 37. CAUSE-PA references Table 4 included in FirstEnergy’s *Supplemental Information*:

TABLE 4: Average PPA Debt (March 22, 2023)

	Electric Heat	Non-Electric Heat
Met Ed	\$591	\$366
Penelec	\$553	\$340
Penn Power	\$578	\$312
West Penn	\$537	\$336

Supplemental Information at 10; CAUSE-PA Comments at 36.

The OCA supports CAUSE-PA’s recommendation that the average amount of deferred debt be used. The OCA does not believe that there should be a single dollar amount. Instead, it should be based on heating and non-heating. While the average PPA debt difference for non-heating customers is slightly higher than \$300, there is a significant difference for electric heating customers with a range of \$537 for West Penn Power customers to \$591 for Met-Ed customers. *Supplemental Information* at 10. As CAUSE-PA notes, this change will allow “more customers to establish and maintain service at reasonably affordable rates through FirstEnergy’s redesigned PCAP.” CAUSE-PA Comments at 38.

D. LIURP Budget

In its Comments, CAUSE-PA argues that the Companies’ LIURP is not appropriately funded to meet the energy efficiency and weatherization services in any of the Companies’ service territories. CAUSE-PA Comments at 65-69. As CAUSE-PA notes, in response to the Commission’s request for Supplemental Information, FirstEnergy estimated that in its service territories there are

approximately 281,897 potential participants at or below 150% of the Federal Poverty Level (FPL) and 125,011 potential participants between 151-200% of the FPL. *Supplemental Information* at 23; CAUSE-PA Comments at 66. FirstEnergy proposes to serve approximately 4,305 participants across its four operating companies each year. *Id.* In addition, CAUSE-PA notes the impact of the average per job cost increases on the overall LIURP budget. CAUSE-PA Comments at 68. CAUSE-PA recommends that “absent further justification for the substantial increase in projected per job costs” the Commission should require FirstEnergy to revise its enrollment goals utilizing the weighted per job cost from 2022 and that the Commission order a further increase in FirstEnergy’s LIURP funding across each of the operating companies to better serve the need. CAUSE-PA Comments at 69. CAUSE-PA recommends that the Commission order FirstEnergy to establish a budget and enrollment targets that are designed to increase the percentage of the eligible population from 1% to 3%, or an annual increase to 12,207 participants. CAUSE-PA Comments at 69. CAUSE-PA identifies that increasing the budget in this manner would mean that it would reduce the time to serve eligible participants from the current 99 years to 33 years. *Id.*

The OCA strongly supports CAUSE-PA’s recommendation for an increase to the LIURP budget. LIURP benefits both CAP participants who receive the weatherization services and the non-CAP residential ratepayers who pay the costs of the program. CAP participants benefit from improved energy efficiency measures in the home and a potential reduction in the customer’s maximum CAP credit. Non-CAP residential ratepayers will benefit because the reduced usage will potentially lower the amount of the CAP shortfall, or the difference between the amount the CAP participant pays and the full tariffed rate.

The OCA also agrees with CAUSE-PA that the LIURP budget should be more directly tied to the needs identified by the Companies. With increasing per job costs, as CAUSE-PA correctly

notes, fewer participants will be able to be served which will extend the time for the FirstEnergy Companies to address the weatherization needs in their communities. This is particularly true with FirstEnergy's proposal to perform 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.* The OCA also recommended that outreach should include high CAP users as well. OCA Comments at 16-17. The proposed outreach would potentially increase the number of customers that participate in LIURP and the proposal by CAUSE-PA would expand the available funds to address these additional customers.

III. CONCLUSION

WHEREFORE, the Office of Consumer Advocate requests that the 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 be approved subject to the recommendations in the OCA's Comments and identified herein.

Respectfully Submitted,

/s/ Christy M. Appleby

Christy M. Appleby
Senior Assistant Consumer Advocate
PA Attorney I.D. # 85824
E-Mail: CAappleby@paoca.org

Mackenzie C. Battle
Assistant Consumer Advocate
PA Attorney I.D. # 330879
E-Mail: MBattle@paoca.org

Counsel for:
Patrick M. Cicero
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
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348400