

April 8, 2024

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: FirstEnergy PA Joint Proposed Universal Service and Energy Conservation Plan for 2024-2028; Metropolitan Edison Company Universal Service and Energy Conservation Plan for 2024-2028; West Penn Power Company Universal Service and Energy Conservation Plan for 2024-2028; Pennsylvania Power Company Universal Service and Energy Conservation Plan for 2024-2028; Pennsylvania Electric Company Universal Service and Energy Conservation Plan for 2024-2028.

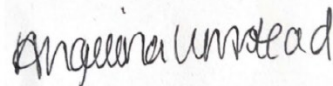
Docket Nos. M-2022-3036532, M-2022-3036533, M-2022-3036534, M-2022-3036535

Dear Secretary Chiavetta:

Enclosed please find the Answer of FirstEnergy Pennsylvania Electric Company to the Petition for Reconsideration and/or Clarification of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania with regard to the above-captioned matter.

Please contact me if you have any questions regarding this matter.

Very truly yours,



Angelina Umstead

Enclosures

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Metropolitan Edison Company Universal Service and Energy Conservation Plan for 2024-2028	: : : : :	M-2022-3036532
West Penn Power Company Universal Service and Energy Conservation Plan for 2024-2028	: : : : :	M-2022-3036533
Pennsylvania Power Company Universal Service and Energy Conservation Plan for 2024-2028	: : : : :	M-2022-3036534
Pennsylvania Electric Company Universal Service and Energy Conservation Plan for 2024-2028	: : : : :	M-2022-3036535

**ANSWER OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY TO
RECONSIDERATION AND/OR CLARIFICATION OF THE COALITION FOR
AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN
PENNSYLVANIA**

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Date: April 8, 2024

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I. INTRODUCTION

FirstEnergy Pennsylvania Electric Company (“FE PA” or the “Company”), pursuant to 52 Pa. Code §§ 5.61 and 5.572, hereby respectfully submits this Answer to the Petition for Reconsideration filed by the Coalition for Affordable Utility Services and Energy Efficiency (“CAUSE-PA”) on March 29, 2024 (“Petition”). In its Petition, CAUSE-PA requests reconsideration because, among other things, it contends that the Pennsylvania Public Utility Commission’s (“Commission”) Final 2024 Universal Service and Energy Conservation Plan (“USECP”) Order, with respect to eliminating CAP subsidy credit limits, fails to address and/or overlooks critical issues of material fact and law, overlooks FE PA’s rate unification timeline as set forth in the settlement reached as a result of the consolidation of the Pennsylvania operating companies (“PA Consolidation”), and overlooks implementation details.

While FE PA supports its original proposition to eliminate maximum credit subsidy limits, it disagrees with certain nuances and arguments laid out by CAUSE-PA in its Petition. As explained further below, the Company disagrees with CAUSE-PA’s assertions that the Commission’s 2024 USECP Order overlooks or is in conflict with the Commission-approved settlement reached as a result of PA Consolidation. Additionally, FE PA disagrees with CAUSE-PA’s alternative suggestion that a maximum credit limit would only apply if a participant refused to participate in the Company’s WARM¹ program. Accordingly, FE PA respectfully requests that the Petition for Reconsideration be denied with respect to these two issues.

¹ WARM is the Company’s low-income usage reduction program.

II. BACKGROUND

By way of relevant procedural background, on November 1, 2022, FE PA, through its predecessor operating companies, Metropolitan Edison Company (“Met-Ed”), West Penn Power Company (“West Penn”), Pennsylvania Electric Company (“Penelec”), and Pennsylvania Power Company (“Penn Power”) (collectively referred to as the “Rate Districts”) filed a joint proposed USECP for 2024-2028 (“Proposed 2024 USECP”). In their Proposed 2024 USECP, each of the Rate Districts proposed to eliminate the maximum subsidy credit limits for PCAP customers.

On March 16, 2023, the Commission entered an Order requiring additional information from FE PA. On April 25, 2023, FE PA filed supplemental information in response. CAUSE-PA, the Office of Consumer Advocate (“OCA”) and other stakeholders filed comments and reply comments thereafter. Specifically, CAUSE-PA supported FE PA’s proposal to eliminate maximum subsidy credits. The OCA did not support the proposal and instead suggested that PCAP participants should be referred to the Low-Income Usage Reduction Program (“LIURP”) upon reaching 80% of their maximum subsidy credit and should not be removed from the program if they accept LIURP remediation.

On March 14, 2024, the Commission issued an Order (“2024 USECP Order”) directing FE PA to file a revised USECP to reflect the changes noted within and approving the Proposed 2024 USECP pending submission of the revised plan. In the 2024 USECP Order, the Commission found that eliminating cost control measures such as credit limits would be inconsistent with the Electric Competition Act to ensure universal service programs are operated in a cost-effective manner. Additionally, the Commission found that it would be inappropriate for FE PA to establish different subsidy credit limits for each Rate District. Accordingly, the

Commission directed the Company to establish new subsidy credit limits applicable to all FE PA service territories in its revised USECP.²

In the instant Petition for Reconsideration, CAUSE-PA contends that the 2024 USECP Order overlooks the settlement agreement reached in PA Consolidation, specifically with respect to FE PA's commitments regarding rate unification. On December 7, 2023, the Commission approved the settlement agreement reached as a result of PA Consolidation ("Consolidation Settlement").³ The relevant settlement commitments relating to rate unification and low-income programs in the Consolidation Settlement were as follows:

32. In line with the concept of gradualism, the Joint Applicants will not propose to reach full base distribution rate unification of all classes until the conclusion of three rate cases, filed on or after January 1, 2025, or a period of ten years from the date of the Commission's approval of the Transaction, whichever occurs first, except that any newly introduced base distribution rate, for which no customers are currently receiving service and on which any customers eligible to take service on this newly introduced rate would voluntarily enroll, can be charged as one FE PA uniform rate (*e.g.*, new EV or lighting rates), as approved by the Commission in any subsequent rate case. FE PA is not precluded from proposing unification of any of its tariff rules and regulations of service and associated fees prior to January 1, 2025. See, Consolidation Settlement, at p. 9, para. 32.

36. It is the intent of all parties to this Settlement that no customer group in any FE PA Rate District should be extraordinarily disadvantaged or harmed in the event of a rate unification and that such rate unification should adhere to the principle of gradualism. See, Consolidation Settlement, at p. 11, para. 36.

55. FE PA will hold collaborative meetings in advance of filings for modifications to the Joint Applicants' regulatory-required plans

² Please note that FE PA will file its revised USECP in compliance with the 2024 USECP Order following resolution of the issues presented in CAUSE-PA's Petition.

³ *Joint Application of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company, Keystone Appalachian Transmission Company, Mid-Atlantic Transmission, LLC, and FirstEnergy Pennsylvania Electric Company*, Docket Nos. A-2023-3038771, et al. (Order entered December 7, 2023).

or its next scheduled plan filings, to include Default Service Plan, USECP, Energy Efficiency and Conservation Plan, Long-Term Infrastructure Improvement Plan and, in the event that PJM implements a seasonal capacity construct, any filings related to revisions to the Joint Applicants' recovery methodology concerning those capacity market changes. The collaborative meetings will be used to discuss the consolidation's impact on each of the respective filings and FE PA's plans to unify such programs moving forward. See, Consolidation Settlement, at p. 17 para. 55.

As demonstrated above, the Consolidation Settlement discusses a commitment to not propose unification of base distribution rates for a specified time period. There is no such restriction on the Company's ability to pursue unification of its rider rates, which is what would be impacted by Commission directive challenged by CAUSE-PA. Accordingly, CAUSE-PA's assertion that the Commission's 2024 Order overlooks the terms agreed to in the Consolidation Settlement is without merit.

Additionally, in its Petition, CAUSE-PA proposed an alternative solution that if the Commission declines to reconsider this issue, it should clarify that the new maximum CAP subsidy credit limits will only apply if a CAP participant refused to participate in FE PA's WARM program. FE PA disagrees with this suggestion as it is problematic for a number of reasons as further explained below.

III. ARGUMENT

A. CAUSE-PA'S ASSERTION THAT THE 2024 USECP ORDER OVERLOOKS THE CONSOLIDATION SETTLEMENT IS WITHOUT MERIT AND MUST BE DENIED.

As explained above, the Consolidation Settlement commitment relating to unification of rates pertains to the unification of base distribution rates and does not extend to implementation of the Company's low-income programs or eventual unification of any of its rider rates.

Therefore, CAUSE-PA's assertions that the Commission's directive to impose a uniform maximum subsidy credit limit across the Rate Districts overlooks the Consolidation Settlement is unfounded. In fact, the unification of the Company's USECP was explicitly contemplated by other provisions of the Consolidation Settlement. See, Consolidation Settlement at p. 17, para. 55.

In its Petition, CAUSE-PA pointed out that FE PA agreed to a gradual process toward base rate unification and committed to engaging in a collaborative process in advance of proposing further consolidation of the universal service programs. CAUSE-PA further noted that by imposing a uniform credit subsidy limit, the Commission erroneously concluded that the merger would quickly usher in uniform rates. To the contrary, the Commission's directive is consistent with the terms set forth in the Consolidation Settlement.

FE PA maintains that it intends to fully comply with terms and commitments set forth in the Consolidation Settlement, which it agrees require gradualism as applied to base distribution rate unification and collaboration regarding unification of its universal service programs. To that end, FE PA is not seeking to unify base distribution rates prior to the timeframe agreed upon. However, the Consolidation Settlement clearly outlines the terms and conditions as relating to the unification of base distribution rates only. With respect to CAUSE-PA's other concerns, FE PA intends to participate in a collaborative process to discuss changes to its universal service program with stakeholders including CAUSE-PA at its next Universal Service Advisory Committee ("USAC") meeting. At the USAC meeting, stakeholders including CAUSE-PA will have an opportunity to raise concerns regarding proposed changes to the program.

For these reasons, CAUSE-PA's assertion that the Commission's directive to create a uniform maximum subsidy credit limit across the Rate Districts in its 2024 USECP Order

overlooks the Consolidation Settlement must be denied given that the programmatic cost of such change is not recovered through the Company's base distribution rates but rather through its Universal Service Charge Rider.

B. CAUSE-PA'S ALTERNATIVE SUGGESTION THAT CAP CREDIT LIMITS WILL ONLY APPLY IF A PARTICIPANT REFUSES TO PARTICIPATE IN FE PA'S WARM PROGRAM IS PROBLEMATIC AND MUST BE DENIED.

As noted above, FE PA is still in support of its original proposal to remove the maximum CAP subsidy credit limit. However, in its Petition, CAUSE-PA proposed an alternative solution should the Commission decline to reconsider this issue. Specifically, CAUSE-PA urged the Commission to clarify that the new maximum CAP subsidy credit limits will only apply if a CAP participant refused to participate in FE PA's WARM program. FE PA disagrees with this suggestion as it is problematic for a number of reasons.

The Commission has historically supported FE PA's requirement that high-usage CAP customers participate in WARM, including the installation of weatherization program measures. As a result, FE PA has seen that program participation rates are much higher from customers that are receiving CAP benefits with this requirement. While there are an adequate number of weatherization service providers to serve all Rate District areas, actually assigning those services can be challenging when customers do not respond to outreach attempts.

CAUSE-PA's suggested alternative approach would impose a new standard that would allow a customer that does not participate in the Company's WARM program to remain on the Company's CAP program, albeit with the new maximum CAP credit limits. This is problematic because if customers are not able to afford their monthly bills, the Company's WARM program offers services that are both educational and provide free energy saving measures. This, in turn,

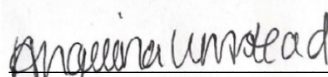
can make the customers' homes safer and more energy efficient at no additional cost to them. The importance of this element of the Company's program is reflected not only in the benefits to the recipient customers, but also to the remainder of the Company's customers who must bear the burden of paying for the benefits provided under CAP. Requiring WARM participation serves the purpose of at least mitigating the burden shouldered by the Company's customers to help ensure the CAP is sustainable as a program in the future.

Accordingly, FE PA maintains that the requirement that high-usage CAP customers participate in the WARM program is an important component of its universal service program. For these reasons, FE PA requests that CAUSE-PA's alternative suggestion that maximum credit limits would apply only if a participant refused to participate in WARM be denied.

IV. CONCLUSION

WHEREFORE, for all the foregoing reasons, FirstEnergy Pennsylvania Electric Company respectfully requests that the Pennsylvania Public Utility Commission deny the Petition for Reconsideration of the Coalition of Affordable Utility Services and Energy Efficiency in Pennsylvania with respect to the two issues outlined above.

Respectfully submitted,



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Date: April 8, 2024

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Answer of FirstEnergy Pennsylvania Electric Company to the Petition for Rehearing and Reconsideration of the Coalition for Affordable Utility Services and Energy Efficiency upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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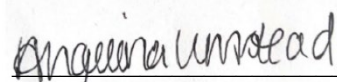
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