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September 6, 2024

VIA ELECTRONIC FILING

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

**Re: 2026 Total Resource Cost (TRC) Test;
Docket No. M-2024-3048998**

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's Tentative Order dated August 1, 2024 in the above-captioned proceeding, please find enclosed the Comments of FirstEnergy Pennsylvania Electric Company.

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

Very truly yours,



Daniel A. Garcia

Enclosures

C: David Edinger (via email; w/attachments)
Tiffany Tran (via email; w/attachments)
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

2026 Total Resource Cost (TRC) Test : Docket No. M-2024-3048998

**COMMENTS OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY TO THE
TENTATIVE ORDER REGARDING THE 2026 TOTAL RESOURCE COST TEST**

Act 129 of 2008 requires electric distribution companies ("EDCs") to demonstrate that their energy efficiency and conservations plans are cost-effective using the Total Resource Cost ("TRC") Test.¹ The TRC Test is "a standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of energy efficiency conservation measures."² On August 1, 2024, the Pennsylvania Public Utility Commission ("Commission") issued a Tentative Order ("Tentative TRC Order") seeking comments and reply comments on the proposed TRC Test for use during the Commission's proposed Phase V Energy Efficiency and Conservation ("EE&C") Plan for Commonwealth EDCs to begin June 1, 2026. FirstEnergy Pennsylvania Electric Company ("FE PA" or the "Company") offers the following comments in response.

I. Comments

The Company appreciates the efforts of the Commission and Statewide Evaluator ("SWE") to update the TRC Test, as well as the opportunity to provide input on the specific issues and topics raised in the Tentative TRC Order. Accordingly, the Company offers the following comments for Commission consideration.

¹ 66 Pa.C.S. § 2806.1(b)(1)(i)(I).

² 66 Pa.C.S § 2806.1(m).

A. General Issues

A.2. – Frequency of Review of the TRC Test

In Part A.2. of the Commission’s Tentative TRC Order, the Commission “reserves the right to update or modify the 2026 TRC Test Order during Phase V or to direct the SWE to develop guidance memos on such topics to promote consistency across EDCs and TRC Test results that are in line with the policy objectives of the Commonwealth.” Changing the 2026 TRC Test assumptions or methodologies mid-phase is expected to lead to inconsistent TRC Test results and comparisons thereto versus those used in the market potential study and EDCs’ EE&C plans as designed and ultimately in effect by that time, potentially undermining EDCs’ approved EE&C plans which would have been developed under Commission directives at the time the EE&C plans were approved. As such, the Company opposes any modifications to assumptions or methodologies mid-phase and strongly recommends that the Commission maintain that the provisions of the 2026 TRC Test apply for the entirety of Phase V.

B. Avoided Costs of Supplying Electricity

B.8. – Avoided Cost of Transmission and Distribution (“T&D”) Capacity

In the Tentative TRC Order, the Commission recommends that EDCs use new avoided T&D values presented in Table 1 of Exhibit 4 to calculate avoided T&D benefits for a potential Phase V of Act 129 and further references the proposed 2026 Avoided Cost Calculator (“ACC”) for a full 20-year forecast with adjustments for inflation and escalation. The Commission further cites that the SWE’s T&D study represents a methodological improvement over the prior approach which was considered simplified and with noted shortcomings. The Commission also cited stakeholder comments that expressed concerns regarding the amount of variation in avoided

distribution capacity costs which resulted in the development of the more granular alternative methodology now being proposed. Finally, the Commission invited comments on additional observations raised by the SWE regarding locational and seasonal variations in loads and avoided T&D values.³

The Company appreciates the Commission’s efforts to improve the methodology of calculating avoided T&D values, however expresses concern regarding the variation in the results as shown in the table below, which provides a comparison of the avoided T&D values proposed for Phase V of Act 129 with the values adopted for Phase IV.

EDC/Rate District	Transmission			Distribution		
	Phase V Proposed		Phase IV	Phase V Proposed		Phase IV
	Summer	Winter	Phase IV	Summer	Winter	Phase IV
PECO	22.48	0	24.96	39.61	10.26	105.81
PPL	48	48	0	25.11	32.44	121.21
DUQ	61.07	0	31.27	59.28	0.21	16.29
ME	58.92	0	25.08	52.46	6.7	70.05
PN	44.19	14.73	30.41	37.18	5.79	46.08
PP	77.1	0	0	43.52	16.27	19.05
WPP	8.83	8.83	0.17	41.25	5.05	23.38

As with other avoided costs, avoided T&D costs will vary over time for many reasons. While the Company appreciates the SWE’s additional observations regarding seasonal and sub-locational variances⁴ with peak loads and avoided T&D, adopting additional granularity in the avoided T&D values for Act 129 programs to address these observations is inappropriate due to all the uncertainties involved. Not only is there uncertainty in how peak loads and avoided T&D will evolve, there is also uncertainty regarding the location of load growth, the capital investments

³ Tentative TRC Order at pages 25-27.

⁴ The recommended values are provided by EDC/Rate District and therefore are locational. Sub-locational refers to specific locations within each EDC.

needed to support that load growth, and uncertainty in the program measures adopted by customers and the market forces that may impact peak loads. As such, attempting to be more precise in its quantification, quantifying avoided T&D for Act 129 in a more granular seasonal or locational basis for program planning, may introduce greater error in its quantification. Recognizing that avoided T&D is one of many benefits, the Company recommends that it should be quantified for program planning in a manner that is considered reasonable when viewed collectively with all other benefits. In other words, attempting a very high level of precision with quantification of individual avoided costs in Act 129 program planning may very well exaggerate and overestimate the total projected benefits of a program. In addition, the Company is concerned with the incremental administrative and tracking and reporting costs that would be required to adopt a more granular seasonal and locational basis for avoided T&D, which will increase the administrative costs of programs and will reduce the available customer incentives under the Act 129 allowable budgets. As such, the Company recommends adopting single values for FE PA as discussed below to reduce the amount of variation in the avoided T&D values across the State. Further, the Company recommends against adopting additional granularity to address seasonal and sub-locational differences in the avoided T&D values for its Act 129 program planning.

G. Demand Response

G.2. – Calculation of TRC Benefits

In the Tentative Order, the Commission proposed that for a “daily load shifting” demand response (“DR”) program design, peak impacts for a daily load shifting program are much like coincident demand reductions from energy efficiency because they are in place each day of the

Act 129 peak demand definition, and thus propose that a derate factor not be applied.⁵ It is inappropriate to not apply a derate factor to daily load shifting programs. Unlike installed energy efficiency measures, most demand response programs utilizing this type of “daily load shifting” equipment allow customers to override event participation or to opt out of the program at any time. Further, these programs typically utilize internet accessibility and customer connected devices which may be set in certain modes of operation or be offline preventing their control. These common program implementation practices, internet connectivity and customer equipment settings, which support customer satisfaction and participation in DR programs, result in uncertainty that the “daily load shifting” measure will generate demand reductions. The Company further recommends a derate factor be applied to these types of measures for DR as not all connected customer devices will be available and controllable at all times.

G.4. – Measure Life.

In the Tentative Order, the Commission proposes that for DR programs targeting the control of customer equipment such as smart thermostats, batteries and electric vehicle chargers that the measure life be equivalent to the remaining years of Phase V.⁶ This is inappropriate for several reasons. Unlike energy efficiency measures where there is certainty that a measure will generate savings for its expected useful life, there is no certainty that the control of customer connected equipment will generate demand reductions for the term of Phase V. Most demand response programs utilizing this type of equipment allow customers to opt out of the program at any time. While the Company acknowledges there is potential for customer DR measures to generate demand reductions for longer than one-year, it is inappropriate to assume that all will

⁵ Tentative TRC Order at page 56.

⁶ Tentative TRC Order at page 58.

generate reductions for the term of Phase V. Therefore, the Company recommends that the measure life should be based on the program design to avoid overcounting of benefits. For programs that enroll customers every year, such as with annual participation incentives, the measure life should align and be set at one year. Whereas, for programs that enroll customers for a longer term, such as by contract for an extended period of time, the measure life should be set to the length of the contract, not to exceed the length of Phase V.

New Topics

In a December 7, 2023 Order,⁷ the Commission approved FirstEnergy Corp.'s Pennsylvania distribution operating companies' (i.e., Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company) request to merge into FirstEnergy Pennsylvania Electric Company. Due to the merger transaction, FE PA became successor in interest to all matters previously belonging to the individual Pennsylvania operating companies. As such, for use in planning for and during a potential Phase V of Act 129, that, if approved, would begin June 1, 2026, the use of the EDC level FE PA is appropriate for setting component values to be used in the TRC Test. This treatment is consistent with the intentions articulated within the proceeding related to the Company merging its distinct rate district-level regulatory programs at the next available opportunity⁸, as well as the intent contemplated within the settlement reached resolving the matter amongst the intervening parties,

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

⁸ *Joint Petition for Approval of Settlement of All Issues*, Docket Nos. A-2023-3038771, et al. (Order entered December 7, 2023).

as approved by the Commission.⁹ As such, references to “Rate District” either be removed or replaced with EDC, or as applicable a single FE PA Electric Value in the TRC Test Order and supporting Arrearages and Collections, Demand Reduction Induced Price Effects and Avoided Cost of Transmission and Distribution Capacity studies where appropriate.

II. Conclusion

FirstEnergy Pennsylvania Electric Company appreciates the opportunity to provide comments on the Commission’s Tentative Order regarding the 2026 Total Resource Cost Test. The Company looks forward to working with the Commission and the other parties on this matter.

Respectively submitted,

Dated: September 6, 2024



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⁹ *Joint Application of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company, Keystone Appalachian Transmission Company, Mid-Atlantic Interstate Transmission, LLC, and FirstEnergy Pennsylvania Electric Company*, Docket Nos. A-2023-3038771, et al. (Order entered December 7, 2023).

