



COMMONWEALTH OF PENNSYLVANIA

September 12, 2024

E-FILED

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

Re: Pennsylvania Public Utility Commission v. FirstEnergy Pennsylvania Electric Company / Docket No. R-2024-3047068

Dear Secretary Chiavetta:

Enclosed please find the Statement in Support of the Joint Petition for Approval of Settlement, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

/s/ Rebecca Lyttle

Rebecca Lyttle
Assistant Small Business Advocate
Attorney ID No. 201399

Enclosures

cc: Mark Ewen
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2024-3047068
	:	
	:	
v.	:	
	:	
FirstEnergy Pennsylvania Electric Company	:	

**STATEMENT IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF SETTLEMENT
ON BEHALF OF THE OFFICE OF SMALL BUSINESS ADVOCATE**

TO THE HONORABLE ADMINISTRATIVE LAW JUDGES, THE HONORABLE KATRINA L. DUNDERDALE AND THE HONORABLE EMILY DEVOE (“ALJs”)

I. INTRODUCTION

The Office of the Small Business Advocate (“OSBA”) is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. The OSBA participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Approval of Settlement of All Issues (“*Settlement*”). The OSBA submits this statement in support of the *Settlement*.

II. BACKGROUND

A full recitation of the background and procedural history in this case is set forth in Section II to *Settlement*. As a signatory to the *Settlement*, the OSBA adopts the procedural history outlined in Section II to the *Settlement*.

III. SETTLEMENT

The *Settlement* sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Settlement* was in the best interests of FE’s small business customers.

A. GENERAL

The OSBA participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Approval of Settlement of All Issues (“*Settlement*”).

B. REVENUE REQUIRMENT

In First Energy Pennsylvania Electric Company’s (“FE”) initial filing, it sought a total increase in distribution revenues of \$502 million annually across all “Rate Districts” based on data for a fully projected future test year ending December 31, 2025. (*Settlement*, p. 3, ¶ 14). By contrast, the *Settlement* provides FE with an annual increase in electric operating revenues of \$225.0 million across all “Rate Districts” (*Settlement*, p. 10, ¶ 41-42).

At a time when all types of utility service are becoming more expensive, and the COVID-19 pandemic continues to impact customers, the significant reduction in the overall revenue increase provided by the *Settlement* will benefit all FE’s consumers, including the Company’s small business customers.

C. REVENUE ALLOCATION AND RATE DESIGN

Paragraphs 43 through 45 of the *Settlement* contain provisions related to revenue allocation and rate design.

In its initial filing FE proposed a revenue allocation that would move class cost recovery 10 percent of the way from its current status to toward fully allocated costs. (“OSBA Statement No. 1 at 9, *citing* FE Statement No. 7 at 12). However, as noted by OSBA witness Mr. Ewen in his direct testimony, although the company’s proposed allocation moves in the direction of aligning revenues with allocated costs, a 10 percent shift effectively perpetuates significant misalignment between the two measures and would reduce the subsidies from/to each rate class by 90 percent in about 175 years. (OSBA Statement No. 1 at 9, *See also* fn. 3).

The most important criterion for setting regulated utility rates is the cost incurred by the utility for providing the service.¹

For purposes of this Settlement, class revenue allocation will be based on the information provided in the Settlement Petition’s Appendix E. This allocation recognizes instances of cost over-recovery and under-recovery for certain rate classes under current rates and makes some progress toward cost-based rates across customer classes.

As a result, the OSBA concludes that the *Settlement* revenue allocation provides a reasonable result and a meaningful benefit to small business customers

D. RATE CASE STAYOUT

As a condition of this Settlement, FE agrees that it will not file another general base rate increase for any of its Rate Districts for new rates to be effective prior to January 1, 2027. (*Settlement*, p. 11, ¶ 46). This provision provides assurance to small business customers that the Company will not seek to increase rates for a significant period of time.

Such assurance that electric rates will not increase for a set period of time provides certainty

¹ The Commonwealth Court affirmed this basic principle, referring to cost of service as the “polestar” criterion. *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006).

and predictability, which in turn allows small businesses to better budget and forecast their own financial needs during the stay-out period.

E. DSIC REPORTING

The OSBA took no position on these issues.

F. ACCOUNTING

The OSBA took no position on these issues

G. CUSTOMER SERVICE AND UNIVERSAL SERVICE ISSUES

The OSBA took no position on these issues.

H. ADDITIONAL PROVISIONS

The OSBA took no position on these issues

IV. CONCLUSION

For the reasons set forth in the *Settlement*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Settlement* and respectfully requests that the ALJ and the Commission approve the *Settlement* in its entirety.

Respectfully submitted,

/s/ Rebecca Lyttle
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Dated: September 12, 2024

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	Docket Nos. R-2024-3047068
	:	C-2024-3048411
v.	:	
	:	
FirstEnergy Pennsylvania Electric Company	:	

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served via email (*unless otherwise noted below*) upon the following persons, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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