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September 16, 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 Reply 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: As Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REPLY 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 conservation 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 reply comments.³

I. Reply 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

¹ 66 Pa.C.S. § 2806.1(b)(1)(i)(I).

² 66 Pa.C.S § 2806.1(m).

³ Absence of a reply to any specific comment made by a party should not be interpreted as the Company’s agreement

raised in the Tentative TRC Order. Accordingly, the Company offers the following reply comments for Commission consideration.

A.8 Measures Supported By Both Act 129 Programs And Other Funding Streams

Several parties, including the Center for Coalfield Justice and Coalition for Affordable Utility Service and Energy Efficiency of Pennsylvania (“CAUSE PA”), support the Commission’s proposal to continue its current policy allowing EDCs to factor in non-Act 129 incentives and funding that is “reasonably quantifiable by the EDC” to reduce the cost of the measure used in the TRC calculation. The Company agrees. However, the Center for Coalfield Justice and the Northeast Energy Efficiency Partnerships (“NEEP”) both provide additional comments related to the calculation of energy savings or the energy savings targets. The Center for Coalfield Justice advocates that the EDC targets should take into account the potential of such leveraged funding. The Center for Coalfield Justice further recommends the Commission adopt a negotiated attribution framework for Phase V for the purposes of calculating energy savings attributable to an EDC’s required energy savings target. NEEP recommends the Commission establish an additional and separate technical workshop, proceeding, and/or stakeholder process in coordination with the Pennsylvania Department of Environmental Protection to discuss the treatment of Inflation Reduction Act Home Energy Rebates concerning the TRC Test, net-to-gross adjustments, savings goals, and other parts of the Act 129 regulatory framework.

The full savings of a project or measure that is installed with Act 129 funding should count towards the EDC’s targets. As cited by the Center for Coalfield Justice, capturing the full savings of the project or measure under Act 129 will better promote the utilities to leverage and coordinate with, rather than compete with, other energy programs and funding streams and incentivize

delivery of comprehensive and coordinated efficiency services. This leveraging and coordination will also maximize the benefits of both funding sources for Pennsylvanians while at the same time reducing the costs to customers under Act 129.

The Center for Coalfield Justice's recommendation that the EDC's account for leveraged funding in their targets is inappropriate for several reasons. First, increasing EDC targets to reflect potential additional funding effectively circumvents the Act 129 maximum allowable budgets upon which the EDC targets are based.⁴ Increasing the EDC targets as a result of this potential funding increases the reliance on this funding, and effectively increases the budgets to meet the targets. Second, attempting to quantify participation and potential by funding source for each EDC is extremely problematic due to the uncertainty in customer participation utilizing only one or multiple funding sources available to them. This is only exacerbated by the fact that eligibility requirements will vary between programs making such leveraging opportunities smaller subsets.

Finally, NEEP's recommendation for the Commission to conduct a technical workshop, proceeding, and/or stakeholder process to inform Act 129 processes is unnecessary given the established Act 129 processes, such as the comment and reply comment processes regarding tentative orders, as well as the independent research, analysis and other studies completed by the SWE, which should be leveraged to avoid adding unnecessary administrative activities and costs.

For the above reasons, the Commission should continue to allow the EDCs to reflect the reasonably quantifiable incentives as an offset to the measure cost in the TRC calculation, while recognizing the full energy savings of the project or measure in full alignment with Act 129, which does not require the full costs to be borne by the EDC,⁵ to best promote program leveraging and

⁴ 66 Pa.C.S. § 2806.1(g).

⁵ 66 Pa.C.S. § 2806.1(m)(1)(iii).

coordination of programs and comprehensive projects to maximize benefits and reduce costs for all Pennsylvania customers.

B.9. Compliance with Alternative Energy Portfolio Standards (“AEPS”)

In addition to comments which essentially support the inclusion of AEPS benefits in the TRC Test, Keystone Energy Efficiency Alliance (“KEEA”) recommends that Pennsylvania should encourage Act 129 and other energy efficiency programs to seek AEPS certification as a potential revenue stream. This recommendation is misplaced in these comments and should instead be considered as part of the Commission’s Tentative Phase V Implementation Order to have the benefit of input by all interested stakeholders. The Company further highlights that such a recommendation, along with all associated costs and requirements, should be carefully considered and understood in recognition of the competitive market to avoid unnecessary costs and competition and to avoid any unintended consequences.

B.12 Reductions in Arrearages And Collection Costs

CAUSE PA supports the SWE’s recommendation for the Commission to consider further analysis for FE PA noting that the SWE stated in the Arrearages and Collections Study submitted as part of Appendix H that it was “unclear why the study did not find reductions in arrears, collection notices, collections calls and shutoffs for the FE rate districts” and that differences between the treatment and comparison groups for the FE rate districts not found for the other EDCs could account for this. While the Company appreciates CAUSE PA’s recommendation for further analysis regarding the quantification of this benefit, the Company instead recommends the

Commission adopt the SWE's recommendation of using the statewide average values for FE PA⁶ based on the Act 129 planning process schedule, noting that using the statewide average values for FirstEnergy PA would be closely aligned with the values calculated for Duquesne Light Company, and their adoption would avoid the time and costs of conducting a further study.

C.4 Interactive Effects

NEEP recommends that the Commission require fuel oil and propane to be measured and tracked separately from natural gas instead of using the avoided cost of natural gas for all fuels as proposed by the Commission and consistent with prior TRC Test Orders. The Company disagrees and supports the Commission's proposal. First, according to the Energy Information Administration, when excluding electricity, natural gas accounts for over 78% of the remaining energy source used for home heating in Pennsylvania versus approximately only 15% for fuel oil and natural gas.⁷ The significant penetration of natural gas versus the relatively small penetration of fuel oil and propane, supports the use of natural gas as a reasonable proxy for all fuels in the TRC Test.

Second, there would be additional administrative costs and added complexities not only to develop additional projections and assumptions by fuel type to be used in the calculations, but to also develop and incorporate into both conservation service provider and EDC systems, models and processes associated with program development, implementation, tracking and reporting and evaluation. Lastly, there would be great uncertainty in projecting participation by type of heating

⁶ While the SWE provided the same statewide value for each FE PA rate district, the Company's initial comments to the TRC Test clarified that the TRC Test inputs should be developed and provided for FE PA and not by rate district.

⁷ State Energy Profile Data (eia.gov), <https://www.eia.gov/state/data.php?sid=PA>

fuel and as a result, attempting to be more precise in the quantification of benefits could in fact introduce greater error or uncertainty in the results. For these reasons, the Company supports the Commission's proposal to use natural gas a proxy for all fuels in the TRC Test.

II. Conclusion

FirstEnergy Pennsylvania Electric Company appreciates the opportunity to provide rely 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 16, 2024



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