

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

Public Meeting held March 12, 2026

Commissioners Present:

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chair
Kathryn L. Zerfuss
John F. Coleman, Jr.
Ralph V. Yanora

Petition of FirstEnergy Pennsylvania
Electric Company for Approval of its
Act 129 Phase V Energy Efficiency and
Conservation Plan

M-2025-3057327

OPINION AND ORDER

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BY THE COMMISSION:

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Petition (Petition) of FirstEnergy Pennsylvania Electric Company (FirstEnergy or the Company) for approval of its Act 129 Phase V Energy Efficiency and Conservation (EE&C) Plan (EE&C Plan, Phase V EE&C Plan, Phase V Plan, or Plan),¹ filed on November 26, 2025. Also before the Commission for consideration and disposition is the Joint Settlement filed by the Company, the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), the Industrials,² and the Keystone Energy Efficiency Alliance (KEEA) (collectively, the Joint Petitioners) on February 19, 2026.³ Administrative Law Judge (ALJ) Alphonso Arnold III certified the record in this proceeding on February 20, 2026.

For the reasons fully delineated herein, we will: (1) grant FirstEnergy's Petition, in part, and deny it, in part; (2) adopt the Joint Settlement, as modified; and (3) approve the Plan, as modified, consistent with this Opinion and Order.

¹ As noted herein, the Company filed a revised plan on February 19, 2026 to reflect the Joint Petition for Complete Settlement (Joint Settlement or Settlement) reached in this proceeding. Accordingly, the terms "EE&C Plan," "Phase V EE&C Plan," "Phase V Plan," or "Plan" will be used to refer to the Plan, as amended by the Joint Settlement, while the plan filed on November 26, 2025 will be referred to as the Initial Plan.

² The Industrials include the Met-Ed Industrial Users Group (MEIUG), the Penelec Industrial Customer Alliance (PICA), and the West Penn Power Industrial Intervenors (WPPII).

³ Additionally, The Pennsylvania State University (PSU), an intervenor in this proceeding, indicated that it does not oppose the Joint Settlement. *See* Joint Settlement at 1, n.1.

I. Background

A. Act 129

On October 15, 2008, Act 129 of 2008 (Act 129 or Act) was signed into law with an effective date of November 14, 2008. Among other requirements, Act 129 directed the Commission to adopt an EE&C Program, under which each of the Commonwealth's largest electric distribution companies (EDCs) was required to implement a cost-effective EE&C plan to reduce energy consumption and demand. Specifically, Act 129 required each EDC with at least 100,000 customers to adopt an EE&C plan to reduce energy demand and consumption within its service territory. Initially, Act 129 required each affected EDC to adopt an EE&C plan to reduce electric consumption by at least 1% of its expected consumption for June 1, 2009 through May 31, 2010, by May 31, 2011. By May 31, 2013, the total annual weather-normalized consumption was to be reduced by a minimum of 3%. Also, by May 31, 2013, peak demand was to be reduced by a minimum of 4.5% of each EDC's annual system peak demand in the 100 hours of highest demand, measured against the EDC's peak demand during the period of June 1, 2007 through May 31, 2008.

The Act required the Commission to develop and adopt an EE&C Program by January 15, 2009 and set out specific issues the EE&C Program must address.

66 Pa.C.S. § 2806.1(a). The Commission's EE&C Program was to include the following:

- (1) A procedure for approving EE&C plans.
- (2) A process to evaluate and verify the results of each EE&C plan and the EE&C Program as a whole.
- (3) A process to analyze the costs and benefits of each EE&C plan in accordance with a total resource cost (TRC) Test.

- (4) A process to analyze how the EE&C Program as a whole and each EE&C Plan will enable the EDCs to meet or exceed the consumption and peak demand reduction (PDR) requirements.
- (5) Standards to ensure that each EE&C Plan uses a variety of measures that are applied equitably to all customer classes.
- (6) A process through which recommendations can be made for the employment of additional measures.
- (7) A procedure to require and approve the competitive bidding of all EDC contracts with conservation service providers (CSPs).
- (8) A procedure through which the Commission will review and modify, if necessary, all contracts with CSPs prior to execution.
- (9) A requirement for the participation of CSPs in the implementation of all or part of an EE&C Plan.
- (10) A procedure to ensure compliance with the requirements of Sections 2806.1(c) & (d).
- (11) A cost recovery mechanism to ensure that measures approved are financed by the customer class that directly receives the energy and conservation benefits.

On January 15, 2009, the Commission adopted a Final Implementation Order at Docket No. M-2008-2069887 (*Phase I Implementation Order*), which established the standards each EE&C plan must meet, and which provided guidance on the procedures to be followed for submittal, review, and approval of all aspects of the EE&C plans. In addition, the Commission adopted orders implementing specific and

essential components of the EE&C Program, to include the establishment of a TRC Test,⁴ updates to the Technical Reference Manual (TRM),⁵ and the establishment of a Statewide Evaluator (SWE). The Commission subsequently approved a Phase I EE&C plan (and, in some cases, modifications to the plan) for each affected EDC.

Another requirement of Act 129 directed the Commission to evaluate the costs and benefits of the Commission's EE&C Program and of the EDCs' approved EE&C plans by November 30, 2013, and every five years thereafter. The Act provided that the Commission must adopt additional incremental reductions in consumption and peak demand if it determines that the benefits of the EE&C Program exceed its costs.

Consistent with the above, on August 3, 2012, the Commission issued a Final Implementation Order at Docket Nos. M-2012-2289411 and M-2008-2069887 (*Phase II Implementation Order*), which established required standards for Phase II EDC EE&C plans (including the additional incremental reductions in consumption that each EDC must meet) and provided guidance on the procedures to be followed for submittal, review and approval of all aspects of the EDCs' Phase II EE&C plans. Within the *Phase II Implementation Order*, the Commission tentatively adopted EDC-specific

⁴ See *Implementation of Act 129 of 2008 – Total Resource Cost (TRC) Test Order*, Docket No. M-2009-2108601 (Order entered June 23, 2009). Available online at: <https://www.puc.pa.gov/pdocs/1057172.docx>. The most recent modification to the TRC test was by the Commission's Final Order entered on November 7, 2024 in Docket No. M-2024-3048998, providing comprehensive guidance on all aspects of Act 129 benefit-cost calculations for Phase V of Act 129. See *2026 Total Resource Cost (TRC) Test*, Docket No. M-2024-3048998 (Final Order entered November 7, 2024) (*2026 TRC Test Order*). Available online at: <https://www.puc.pa.gov/pdocs/1855583.pdf>.

⁵ See *Implementation of the Alternative Energy Portfolio Standards Act of 2004: Standards for the Participation of Demand Side Management Resources – Technical Reference Manual Update Order*, Docket No. M-00051865 (entered June 1, 2009). Available online at: <https://www.puc.pa.gov/pdocs/1043608.doc>.

consumption reduction targets to be met by May 31, 2016. The Commission subsequently approved a Phase II EE&C Plan (and, in some cases, modifications to the plan) for each affected EDC.

The Commission also subsequently issued a Final Implementation Order on June 19, 2015, at Docket No. M-2014-2424864 (*Phase III Implementation Order*) for Phase III of the EE&C Program. The Commission determined in its *Phase III Implementation Order* that additional reductions in consumption and peak demand were cost-effective and therefore prescribed reductions in consumption and peak demand targets to be met by May 31, 2021. The Commission subsequently approved a Phase III EE&C plan (and, in some cases, modifications to the plan) for each affected EDC.

Similarly, the Commission issued a Final Implementation Order on June 18, 2020, at Docket No. M-2020-3015228 (*Phase IV Implementation Order*). Therein, the Commission determined that additional reductions in consumption and peak demand were cost-effective and therefore prescribed reductions in consumption and peak demand targets to be met by May 31, 2026. The targets for peak demand were based on the expected peak demand reductions from energy efficiency (EE) rather than dispatchable demand response (DDR) programs. The Commission subsequently approved a Phase IV EE&C Plan (and, in some cases, modifications to the plan) for each affected EDC.

On February 20, 2025, the Commission issued a Tentative Implementation Order (*Phase V Tentative Implementation Order*) at Docket No. M-2025-3052826 for Phase V of the EE&C Program. Following the submittal and review of comments, on June 18, 2025, the Commission issued a Final Implementation Order at that same docket number (*Phase V Implementation Order*). Among other things, the *Phase V Implementation Order* established standards each plan must meet, including consumption reduction and demand reduction targets, and provided guidance on the procedures to be

followed for submittal, review, and approval of all aspects of the EDCs' EE&C plans for the period from June 1, 2026 through May 31, 2031. The Commission directed that the EDCs file their Phase V EE&C plans by no later than November 30, 2025. *Phase V Implementation Order* at 11, 197-98.⁶

On July 3, 2025, CAUSE-PA and the Tenant Union Representative Network (TURN) (collectively CAUSE-PA/TURN) filed a Petition seeking reconsideration, clarification, and modification of the *Phase V Implementation Order* regarding the process, timeline, and standards for the submittal, review, approval, and any potential changes to the Phase V EE&C plans. On September 4, 2025, the Commission entered an Opinion and Order (*September 2025 Order*) which, *inter alia*, granted the Petition of CAUSE-PA/TURN and revised the program planning timeline set forth in the *Phase V Implementation Order*.⁷

B. Description of the Company

FirstEnergy is an EDC certificated as a public utility permitted to operate within the Commonwealth of Pennsylvania. FirstEnergy's parent Company, FirstEnergy Corporation, is headquartered in Akron, Ohio. Petition at 2. Prior to January 1, 2024, FirstEnergy consisted of four separate EDCs in Pennsylvania: Metropolitan Edison

⁶ Because November 30, 2025 was a Sunday, the actual deadline for the filing of Phase V EE&C plans was on the next business day, Monday December 1, 2025.

⁷ On December 18, 2025, the Commission issued a Secretarial Letter (*December 2025 Secretarial Letter*) to All Parties of Record explaining that although the *September 2025 Order* provided for, *inter alia*, the Commission to publish a notice of each EDC's proposed Phase V EE&C plan in the *Pennsylvania Bulletin* on December 13, 2025, such publication did not occur on this date due to administrative error. Therefore, the Commission explained that such publication would occur on January 3, 2026. As a result of this delay in publication, the Commission revised certain other deadlines previously established in the *September 2025 Order*. *December 2025 Secretarial Letter* at 1-2.

Company (Met-Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power) and West Penn Power Company (West Penn) (collectively, Predecessor Companies). However, these companies have since been merged into a single entity, known as FirstEnergy Pennsylvania Electric Company, with each of the four Predecessor Companies operating as its own rate district under FirstEnergy's tariff. *See 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, et al.*, Docket Nos. A-2023-3038771, *et al.* (Final Order entered December 7, 2023) (*FirstEnergy PA Merger Proceeding*).

In the *Phase V Implementation Order*, the Commission acknowledged the consolidation of the four Predecessor Companies into a single EDC. *Phase V Implementation Order* at 13-14. As of December 31, 2023, FirstEnergy provided service to: (1) more than 590,000 customers within 3,300 square miles of eastern and southcentral Pennsylvania in its Met-Ed rate district; (2) more than 589,000 customers within 17,600 square miles of western, northern and southern central Pennsylvania in its Penelec rate district; (3) more than 171,000 customers within 1,100 square miles of western Pennsylvania in its Penn Power rate district; and (4) more than 739,000 customers within 10,400 square miles of northern, south central and southwestern Pennsylvania in its West Penn rate district. *See Pa. PUC, et al. v. FirstEnergy Pennsylvania Electric Company*, Docket Nos. R-2024-3047068, *et al.* (Recommended Decision issued October 15, 2024) at 2-3.

II. History of the Proceeding

In the *Phase V Implementation Order*, we adopted an EE&C plan approval process, identical to that set forth in Phases II, III, and IV of the EE&C Program, that included the publishing of a notice of each proposed plan in the *Pennsylvania Bulletin*

within twenty days of the filing of the plan, as well as the posting of each proposed plan on the Commission’s website. Answers, along with comments and recommendations, were to be filed within twenty days of the publication of the notice in the *Pennsylvania Bulletin*. We also directed each EDC to file its Phase V EE&C plan by November 30, 2025,⁸ and further directed that each plan was to be assigned to an ALJ for an evidentiary hearing within sixty-five days after the plan was filed, after which, the Parties had ten days to file briefs. The EDC then had ten days to submit a revised plan or reply comments, or both. The presiding ALJ was directed to then certify the record to the Commission. We noted that the Commission would approve or reject all or part of each EDC’s plan at a public meeting in March 2026, within 120 days of the plan filing. *Phase V Implementation Order* at 191-93, 195, 197-98.

As previously noted, on September 4, 2025, we entered the *September 2025 Order* which, *inter alia*, revised the program planning timeline set forth in the *Phase V Implementation Order*. More specifically, we modified our *Phase V Implementation Order* by:

1. Setting a firm deadline of December 13, 2025 for publishing each EDC’s Phase V EE&C plan in the *Pennsylvania Bulletin* in order to provide stakeholders with certainty.
2. Running public comment and litigation tracks concurrently, but separately, consistent with other Commission proceedings.
3. Setting other deadlines and requirements as follows:
 - Thirty (30) days for public comment (to avoid holiday conflicts).

⁸ As previously noted, because November 30, 2025 was a Sunday, the actual deadline for the filing of Phase V EE&C plans was on the next business day, Monday, December 1, 2025.

- Ten (10) days for Answers and Petitions to Intervene.
 - Requiring EDCs to serve plans to stakeholders upon filing.
 - Referring plans immediately to the Commission's Office of Administrative Law Judge (OALJ), with Prehearing Conferences by January 6, 2026.
4. Allowing discovery to begin with Petitions to Intervene (or expedite intervention reviews) and shortening discovery responses to ten (10) calendar days.

September 2025 Order at 11-12.

Additionally, as noted above, on December 18, 2025, the Commission issued the *December 2025 Secretarial Letter* to All Parties of Record, explaining that although the *September 2025 Order* provided for, *inter alia*, the Commission to publish a notice of each EDC's proposed Phase V EE&C plan in the *Pennsylvania Bulletin* on December 13, 2025, such publication did not occur on this date due to administrative error. Therefore, the Commission explained that such publication would occur on January 3, 2026. As a result of this delay in publication, the Commission revised certain other deadlines previously established in the *September 2025 Order*. Namely, we specified that Answers and Petitions to Intervene for each EDC's proposed Phase V EE&C plan, which were originally due on December 23, 2025, were to be filed by no later than January 5, 2026. We also directed that any public comments for each EDC's proposed Phase V EE&C plan, which were originally due on January 12, 2026, were to be submitted by no later than January 20, 2026. We further explained that all other procedures and timelines set forth in the *Phase V Implementation Order*, as revised by the *September 2025 Order*, and not modified above, were to remain as previously established, including, but not limited to, the Prehearing Conferences for each EDC's

proposed Phase V EE&C Plan, which were to occur by January 6, 2026. *December 2025 Secretarial Letter* at 1-2.

FirstEnergy timely filed its Petition for approval of its Act 129 Phase V EE&C Plan on November 26, 2025. Notice of the filing was published in the *Pennsylvania Bulletin* on January 3, 2026, at 56 *Pa. B.* 156. Additionally, the Company's Joint Petition and Initial Plan were posted on the Commission's website at <https://www.puc.pa.gov/filing-resources/issues-laws-regulations/act-129/energy-efficiency-and-conservation-eec-program/>. The Petition and the EE&C Plan were assigned to ALJ Arnold.

On December 2, 2025, CAUSE-PA filed a Petition to Intervene and Answer.

On December 4, 2025, the OSBA filed a Notice of Appearance.

On December 5, 2025, the OCA filed a Notice of Appearance.

On December 15, 2025, the OCA filed a Notice of Intervention and Public Statement.

On December 16, 2025, the OSBA filed a Notice of Intervention, Public Statement, and Verification.

On December 18, 2025, the Industrials filed a Petition to Intervene.

On December 23, 2025, PSU filed a Petition to Intervene.

On December 30, 2025, the Commission issued an Initial Telephonic Prehearing Conference Notice scheduling this matter for a prehearing conference on January 6, 2026, and assigning this matter to ALJ Arnold.

On January 6, 2026, KEEA filed a Petition to Intervene and Answer, as well as a Notice of Appearance.

On January 6, 2026, the prehearing conference was held as scheduled. Counsel for FirstEnergy, the OCA, the OSBA, CAUSE-PA, the Industrials, and PSU were present.

On January 7, 2026, the Commission issued the Prehearing Order of ALJ Arnold, wherein he, *inter alia*, established a litigation schedule, modifications to the Commission's discovery regulations, and formally granted the Petitions to Intervene of CAUSE-PA, the Industrials, and PSU.

On January 8, 2026, the Commission issued a Secretarial Letter tolling the 45-day deadline to review FirstEnergy's proposed CSP contract and requesting FirstEnergy's response to a data request.⁹

Also on January 8, 2026, the Commission issued ALJ Arnold's Revised Prehearing Order.

On January 9, 2026, the Commission issued an Initial Telephonic Hearing Notice, setting a telephonic evidentiary hearing in this matter for January 29, 2026.

⁹ As discussed in Section V.C, *infra*, on November 26, 2025, FirstEnergy filed an executed Confidential evaluation, measurement, and verification (EM&V) CSP contract for FirstEnergy's Phase V Plan for the Commission's approval.

Also on January 9, 2026, the Commission issued the Interim Order of ALJ Arnold, wherein he granted KEEA's Petition to Intervene.

Additionally, on January 9, 2026, the Commission issued ALJ Arnold's "Prehearing Order #2."

On January 16, 2026, Comments to the Plan were filed by the Coalition for Equitable Energy and Housing in Pennsylvania (CEEH-PA) and a coalition of environmental, energy efficiency, consumer, housing, business, and faith-based organizations (collectively, the Energy Advocates).

On January 18, 2026, Comments to the Plan were filed by the Rocky Mountain Institute (RMI),¹⁰ the Clean Air Council, and Uplight.

On January 29, 2026, prior to the start of the evidentiary hearing, counsel for FirstEnergy emailed ALJ Arnold advising that all parties agreed to waive cross-examination of witnesses.

Also on January 29, 2026, the evidentiary hearing was convened as scheduled. FirstEnergy, the OCA, the OSBA, CAUSE-PA, the Industrials, KEEA, and PSU were present and represented by counsel. FirstEnergy, the OCA, the OSBA, CAUSE-PA, and KEEA moved for the admission of pre-served testimony and exhibits into the evidentiary record. Further, the Parties advised the ALJ that they had reached a settlement in principle. Accordingly, the ALJ instructed the Parties to file the Settlement, along with all supporting documentation, by February 19, 2026.

¹⁰ RMI is an independent, non-partisan, non-profit organization whose mission is to transform the global energy system to secure a clean, prosperous, zero-carbon future for all.

On February 19, 2026, FirstEnergy, the OCA, the OSBA, CAUSE-PA, the Industrials, and KEEA filed the instant Joint Settlement, accompanied by a Statement in Support of the Settlement (Statement in Support) from each Joint Petitioner. Additionally, attached as Appendix A to the Settlement is FirstEnergy's revised Phase V EE&C Plan, as modified by the terms and conditions of the Settlement.

On February 20, 2026, the Commission issued ALJ Arnold's Order Certifying Record to the Commission (*Certification Order*).¹¹

III. Description of the Plan and the Joint Settlement

As noted above, the Joint Settlement was filed on February 19, 2026, resolving all issues. The Plan, as modified by the Joint Settlement, is summarized below.

A. The Plan

FirstEnergy states that its proposed EE&C Plan includes a portfolio of energy efficiency programs, which are designed to achieve the Company's specific electric consumption and peak demand reduction targets during the Phase V period, as set forth in the *Phase V Implementation Order*. According to FirstEnergy, its portfolio of EE&C programs is targeted to a variety of customer segments, including the following customer classes: (1) residential (with programs specifically targeted to the low-income sector); (2) small commercial and industrial (C&I); and (3) large C&I. FirstEnergy continues that the Phase V Plan is generally an extension of the programs and measures included in its Predecessor Companies' Phase IV Plans, with the addition of new

¹¹ Pages 5 through 9 of the *Certification Order* provide the complete list of documents that comprise the evidentiary record in this proceeding.

program offerings and measures and revisions to some existing program offerings and measures. Petition at 9-10.

FirstEnergy claims that it has selected measures to be included in its Plan, estimated participation levels and corresponding program and measure savings and costs, and developed program budgets within the mandated spending limitations established under Act 129. FirstEnergy adds that potential program offerings were assessed based on: (1) experience gained through implementation of its Phase IV Plans and prior EE&C plans; (2) performance of the programs and measures offered in the Predecessor Companies' Phase IV Plans; (3) information related to the design and performance of programs and measures being offered by other FirstEnergy affiliates and other utilities, both within and outside of Pennsylvania; and (4) input from various stakeholders and vendors, as well as the Company's energy efficiency consultant. Specifically, FirstEnergy submits that based upon the information known at the time of filing, its Plan is designed to do the following:

1. Assist the Company in achieving the required consumption reduction and peak demand reduction targets set forth in our *Phase V Implementation Order* within the statutory 2% budget cap discussed in Section V.B, *infra*;
2. Assist the Company in achieving the consumption reduction target from the low-income sector, from programs solely directed at low-income customers or low-income verified participants in multifamily housing programs;
3. Meet the budget requirement that at least 50% of EE&C Plan budgets are for incentives;
4. Include at least one comprehensive program for residential and at least one comprehensive program for non-residential customer classes;

5. Offer a well-reasoned and balanced set of measures that are tailored to usage and with the potential for savings and reductions for each customer class; and
6. Coordinate with other conservation programs and leverage these external programs and funding to complement the Act 129 programs and encourage further participation within the existing budget limitation.

Petition at 10-11.

FirstEnergy represents that the Company has designed a suite of programs for all major customer segments. Programs for residential customers include the Energy Solutions Program and a program targeted to low-income customers, entitled the Low-Income Energy Efficiency Program. Programs for small and large C&I customers include a C&I Energy Solutions Program which is targeted to both classes of C&I customers. Each of the above programs include numerous subprogram components. Additionally, FirstEnergy notes that, like the Phase IV Plan, the Phase V Plan continues the use of incentive level ranges. FirstEnergy explains that under this approach, the Company has the ability to adjust rebate levels within the range as market conditions warrant, provided that these adjustments do not increase program costs beyond approved budgets. However, FirstEnergy clarifies that the Company will not begin offering incentives and rebates to customers until Commission approval of its proposed Phase V Plan, and that it will ensure that the rebates apply to only those measures installed and commercially operable on or before May 31, 2031. Petition at 10, 12, 16.

FirstEnergy provides that its Plan includes cost estimates for the development and implementation of all measures. FirstEnergy avers that it has proposed a cost-recovery tariff mechanism in accordance with Section 1307 of the Pennsylvania Public Utility Code (Code), 66 Pa.C.S. § 1307, that is designed to ensure full and current recovery of all reasonable and prudent costs of the Plan, including administrative costs,

as well as incremental costs incurred in developing, provisioning, managing, and obtaining Commission approval of the Plan. FirstEnergy represents that the total costs of the Company's Plan to be recovered will not exceed the spending limitations outlined on page 34 of our *Phase V Implementation Order*. Moreover, the Company explains that program results will be determined consistent with the 2026 TRM and that the projected savings and costs generated and evaluated through the Company's EE&C Plan are based on the requirements and guidance set forth in the *2026 TRC Test Order*. FirstEnergy asserts that its Plan passes the TRC Test. FirstEnergy Petition at 11-12, 13.

Additionally, FirstEnergy states that it proposes to recover the costs of its Phase V Plan through a Phase V Energy Efficiency and Conservation Charge (Phase V EE&C-C) Rider,¹² which will ensure that approved measures are financed by the customer class that receives the direct energy and conservation benefit of the measures. The Company's Plan includes first-year cost estimates for implementation of all measures, along with proposed rates to be charged through its Rider during the first program year of the Phase V period (*i.e.*, June 1, 2026 through May 31, 2027). The rates included in the Phase V EE&C-C Rider will be calculated at the consolidated FirstEnergy level and stated separately for the residential, commercial, and industrial customers, according to the provisions of the Rider. The rates will be billed throughout the Phase V period and will be expressed and billed as a price per kilowatt-hour (kWh) charge, except for the industrial customer class. The rates for this class will be expressed on the basis of an individual customer's peak load contribution (PLC) in kilowatts (kW). FirstEnergy adds that customers taking service under Borderline Service rate schedule in the Met-Ed rate district or the Penelec rate district will not pay the Phase V EE&C-C Rider charge. FirstEnergy explains that these rate schedules are only available to public utility companies for resale in adjacent service territories under reciprocal agreements between

¹² FirstEnergy attached its Phase V EE&C-C Rider to FirstEnergy Statement 2. *See* FirstEnergy Exhs. SRZ-1 and SRZ-2.

the other public utilities and either the Met-Ed or the Penelec rate districts. FirstEnergy continues that these public utilities are ineligible for any of the EE or PDR programs proposed in the Company's Phase V Plan. Therefore, no Phase V EE&C-C Rider charge will be applied to Borderline Service customers. Petition at 13-14; FirstEnergy St. 2 at 7.

The Phase V EE&C-C Rider will be effective for services rendered on or after June 1, 2026, through the end of the Phase V Period on May 31, 2031. The Phase V EE&C-C Rider will include a reconciliation process that will calculate annual over-or under-collection by rate class. On an annual basis, to be effective June 1 of each year starting June 1, 2026, the Company will file by May 1st of the same year certain information regarding reconciliation between actual Phase V EE&C-C revenues and actual Phase V EE&C-C costs. The Company anticipates that the Phase V EE&C-C Rider rates will be changed annually on June 1st of each year. However, the Phase V EE&C-C Rider includes a provision that allows the Company to seek interim revisions to the Phase V EE&C-C Rider rates, should the Company determine that the rates, if left unchanged, would result in material over- or under-collection of all recoverable costs incurred or expected to be incurred by customer class. Application of the Phase V EE&C-C rates will be subject to annual review and audit by the Commission. Additionally, First Energy explains that its Phase IV costs will be reconciled in two distinct steps. The first step will reconcile the total actual recoverable Phase IV Plan expenditures incurred through March 31, 2026 to the actual Phase IV Plan revenues collected through March 31, 2026. Because the Phase IV EE&C-C Rider will end on May 31, 2026, the result of the Phase IV reconciliation through March 31, 2026 will appear as a separate component of the Phase V EE&C-C Rider, which will go into effect on June 1, 2026. The second step will account for all actual Phase IV revenues and expenses that are realized during the period of April 1, 2026 through March 31, 2027 in a final reconciliation. The final over/under collection that results from this reconciliation will also be included as a separate component of the Phase V EE&C-C Rider rate

calculation that will be effective on June 1, 2027. Petition at 14; FirstEnergy St. 2 at 11-13.

B. Joint Settlement

1. Terms and Conditions

The Joint Settlement consists of a fourteen-page document outlining the terms and conditions of the Settlement. Additionally, the Joint Settlement contains the following Appendices:

Appendix A – FirstEnergy’s EE&C Plan, as revised by the Settlement

Appendix B – FirstEnergy Statement in Support

Appendix C – OSBA Statement in Support

Appendix D – Industrials Statement in Support

Appendix E – CAUSE-PA Statement in Support

Appendix F – KEEA Statement in Support

Appendix G – OCA Statement in Support

The specific terms of the Settlement related to the Company’s EE&C Plan are set forth in Paragraphs 21 through 51 of the Settlement, which are shown below in full as they appear in the Joint Settlement:

A. GENERAL

21. The following terms of this Joint Petition reflect a carefully balanced compromise of the interests of all the active parties in this proceeding. The Joint Petitioners unanimously agree that this settlement is in the public interest.

22. The Joint Petitioners agree that the Company's Phase V Plan, as Revised in **Appendix A** to the Joint Petition, should be approved, subject to the terms and conditions of this Joint Petition as specified below.

**B. RESIDENTIAL AND RESIDENTIAL
LOW-INCOME PROGRAM**

23. The Company agrees to target an increase equal to 650 megawatt-hour ("MWh") savings from the Residential Comprehensive Audits and the Residential Multifamily program components in the aggregate over the proposed plan targets, and to target an equivalent decrease in the MWh savings from its Residential Behavioral program component. The Company commits to tracking and reporting customer participation in the Company's proposed Residential Comprehensive Audits and Residential Multifamily program components consistent with the reporting templates established for Phase V.

24. The Company agrees to target decreases from its Low-Income Behavioral program component and its Low-Income Products program component, specifically its LED Linear, Smart Strip Plug Outlets and Air Purifier/Cleaner measures, by 2,500 MWh in the aggregate over the proposed plan targets. The Company will target an equivalent 2,500 MWh increase from heat pumps, heat pump water heaters, and building insulation and air sealing measures provided through the Low-Income Weatherization component and/or Low-Income Multifamily program components, in the aggregate. The Company commits to tracking and reporting customer participation in the Company's proposed Low-Income Weatherization and Low-Income Multifamily program components consistent with the reporting templates established for Phase V.

25. The Company agrees to pursue Health and Safety remediation with other available programs. If other programs are not timely available or applicable, the Company will provide a portion of its Low-Income Weatherization program component budget for Health and Safety remediation, up to 50% of the total weatherization measure cost, when the cost and energy savings attributable to the

remediation meet program component acquisition cost based on available program funds. The Company will develop a description of protocols and processes for addressing health and safety issues, including clear criteria for making referrals to Low Income Usage Reduction Program (“LIURP”) or outside agencies versus addressing the health and safety issues within the Act 129 programs, and a process flow chart that illustrates the customer journey from audit through health and safety remediation through installation of energy efficiency measures. The Company will also devise and implement a process for tracking and following up on health and safety referrals to reduce the number of deferrals. The Company will share the protocols and processes developed under this paragraph with the parties within 150 days of approval of the Plan.

26. The Company agrees to target spending of at least \$600,000 per year of its Act 129 Low-Income Energy Efficiency Program budget on Health and Safety remediation to remove impediments for the installation of air sealing, insulation, and heat pumps for low-income households, subject to available program funding.

27. The Company agrees to continue implementing and operating its low-income programs throughout the full duration of Phase V even if it meets its low-income carveout before the end of the phase. The Company will monitor program expenditures and forecast expected participation. If it identifies that the low-income programs may fully expend their allocated budgets prior to the end of Phase V, the Company will consider reallocation of funds from other programs, subject to the Company’s sole discretion as to its ability to satisfy its other savings targets, requirements and the Plan’s overall cost effectiveness. The Company will notify the parties if it projects that funds will be depleted prior to the end of Phase V and will inform parties of any plans to reallocate funds from other programs.

28. The Company agrees to assess cross-participation by Home Energy Report recipients in other residential energy efficiency programs through evaluation of the program and will leverage this information to encourage participation in other residential programs.

C. SMALL COMMERCIAL AND INDUSTRIAL LIGHTING

29. The Company agrees to decrease MWh savings from interior and exterior Small Commercial and Industrial lighting by 10% and commensurately increase MWh savings from other Small Commercial and Industrial custom, custom building improvements, air sealing, insulation offerings and/or HVAC/heat pump offerings.

D. TARIFF STREETLIGHTING

30. The Company agrees to remove participation and incentives for tariff streetlighting measures and to reallocate the incentive budgets to target equivalent increases in MWh and megawatt (“MW”) savings from the Custom and/or the Energy Management program components in the aggregate, over the proposed plan targets, based on available program funds. The Company will maintain a one-year reconciliation rate for Phase IV costs for the Streetlighting class. After that, any remaining balance will be transferred to the Commercial class.

E. DAILY LOAD SHIFTING AND PEAK DEMAND REDUCTION

31. The Company will revise its Daily Load Shifting (“DLS”) and Peak Demand Reduction (“PDR”) program components projections for smart thermostats to 6 MW to reflect a ramp up in participation and savings that also allows sufficient time for a Conservation Service Provider (“CSP”) to be onboarded.

32. The Company agrees to revise its eligibility criteria for the DLS and PDR program components to exclude diesel and other fossil fuel backup generators, so long as such exclusion does not impede the Company’s ability to meet its DLS and PDR targets. In all cases, customers who receive incentives from the Company’s DLS and PDR program components will comply with local air quality standards. On an annual basis, the Company will report the number of participating customers in the DLS and PDR program

components (if any) that used diesel and other fossil fuel backup generators.

33. The Company agrees to clarify the incentive structure for the DLS and PDR program components in Appendix B Table 8: Eligible Measures, by technology, and that the incentive structure will be based on industry experience. The Company agrees to work with its evaluation, measurement and verification CSP, implementation CSP and the Statewide Evaluator to develop interim measure protocols for DLS and PDR and to conduct seasonal reviews of relevant data in the Company's tracking system (e.g., participation, opt-out rates, summer and winter peak load reductions). The Company further agrees to review the performance of its DLS and PDR program performance in stakeholder meetings.

F. MULTIFAMILY PROGRAMMING

34. Within 150 days of Plan approval, the Company will develop and disseminate clear information and program marketing materials to multifamily property managers regarding the measures, incentives, and cost sharing requirements that will be available to them to improve the energy efficiency of their properties. The Company will share this information and program marketing materials with the parties at stakeholder meetings.

35. Tenant Participation. Within 150 days of Plan approval, the Company will review its landlord consent protocols with its Phase V implementation CSP and convene a meeting with interested parties and other interested stakeholders to discuss any additional measures or delivery mechanisms that would allow tenants to benefit from Act 129 programming where landlord approval is not required.

36. Low-Income Multifamily Incentive Structure. The Company agrees to clarify the incentive structure for the Multifamily Program components by measure type in Appendix B Table 8: Eligible Measures. Specifically, for master metered and individually metered multifamily buildings, the Company will provide an enhanced incentive of up to 80% in common areas and 100% in low-income tenant spaces. Individually metered tenant units in multifamily

buildings will be eligible for the same incentives available through the residential or low-income programs, depending on whether the building meets the low-income occupant threshold.

37. ASHRAE Level 2 Audits. The Company will cover up to 80% of the cost of an ASHRAE Level 2 Audit with the Pennsylvania Department of Environmental Protection (“DEP”) for multifamily buildings that participate in DEP’s Home Energy Rebate Program if the project is likely to result in significant electric savings that could be claimed through the Commission’s 100% attribution rule in its Implementation Order.

38. Low-Income Multifamily Eligibility Threshold. If at least 50% of the occupants of a multifamily building have household income at or below 150% of the Federal Poverty Line, the entire building will qualify for enhanced incentives.

39. The Company will work with interested parties to develop a list of low-income housing programs that will be considered categorically eligible for enhanced incentives through the Low-Income Multifamily Program. This list will include housing types that are supported through local, state, or federal funds and have independent eligibility guidelines that are consistent with the eligibility guidelines identified in Paragraph 38. Within 150 days of Plan approval, the Company will file a compliance letter with the Commission identifying the housing programs that will qualify for categorical eligibility.

G. FRONT OF THE METER

40. The Company agrees to assign Front of the Meter (“FTM”) savings and costs to the appropriate customer classes based on energy savings, except that no FTM savings will be assigned or allocated to the low-income customer savings carve-out requirement, and no costs will be assigned to the low-income customer programs.

41. The Company agrees to review FTM measures that it identifies to include in its Plan, including costs,

projected energy and demand savings by sector and EM&V protocols, with interested parties ninety (90) days prior to their implementation during Phase V, and will consider and respond to any comments provided by the parties.

42. The parties' agreement in this settlement is not an indication that they agree to the prudence or cost effectiveness of the FTM proposal, as further clarified pursuant to Paragraph 40, and reserve the right to challenge the FTM program in an appropriate filing or subsequent phases.

H. TRACKING AND REPORTING

43. The Company agrees to track and report unique customer participation in its Small and Large Commercial and Industrial program components in its Annual Reports consistent with the Commission's reporting templates established for Phase V.

44. The Company commits to tracking and reporting customer participation in the Company's Plan consistent with the reporting templates established for Phase V.

45. The Company agrees to identify and describe participation pathways for industry-specific customer segments, including, at a minimum, agriculture and data center customers, where such pathways are cost-effective and consistent with Act 129 requirements and the Company's Plan, within 150-days of approval of the Company's Phase V Plan.

46. The Company agrees to track and report participation and expenditures for multi-family buildings and other businesses in its Annual Reports consistent with the Commission's reporting templates established for Phase V.

47. The Company agrees to track and report customer participation and demand savings of its DLS and PDR program components in its Annual Reports consistent with the Commission's reporting templates established for Phase V.

48. The Company will track and report Health and Safety remediation in its annual reports consistent with the Commission's reporting templates established for Phase V.

I. PROGRAM COORDINATION

49. On at least an annual basis through the duration of Phase V, the Company will convene program coordination meetings with other partners, including Natural Gas Distribution Companies with overlapping service territory, LIURP providers, Weatherization Assistance Program providers, home preservation program providers, DEP, and other stakeholders, including, but not limited to, interested parties to this proceeding, to identify steps to improve program coordination. At a minimum, the meetings will address implementation of recommendations from the Commission's data sharing work group, streamlined referral processes and coordinated measure delivery. The Company will provide updates regarding its coordination with other partners at the Company's Act 129 stakeholder meetings.

J. STAKEHOLDER MEETINGS

50. The Company will hold biannual stakeholder meetings for the duration of the Plan. At least one stakeholder meeting per year will be held in person at a central location and will include a remote option.

51. Notice of stakeholder meetings will be sent to all stakeholders, including, but not limited to, the parties to this proceeding, at least 45 days in advance of the meeting, and an agenda and meeting materials will be circulated at least one week prior to the meeting.

Joint Settlement at 4-11, ¶¶ 21-51.

In addition to the specific terms to which the Joint Petitioners have agreed, the Joint Settlement contains other general terms and conditions typically found in settlements submitted to the Commission. Specifically, the Joint Petitioners agree that the Joint Settlement is conditioned upon the Commission's approval of all the terms and

conditions contained therein, without modification. The Joint Settlement establishes the procedure by which any of the Joint Petitioners may withdraw from the Settlement and proceed to litigate this case, if the Commission should act to modify or reject the Settlement. In addition, the Joint Petitioners assert that although the Joint Settlement is proffered to settle the instant case, it may not be cited as precedent in any future proceeding, except to the extent required to implement any term specifically agreed to by the Joint Petitioners. Further, the Joint Petitioners submit that the Joint Settlement is made without any admission against, or prejudice to, any position which any of the Joint Petitioners might adopt in future proceedings, except to the extent necessary to effectuate or enforce any term specifically agreed to in the Settlement before us. Moreover, the Joint Petitioners state that if the Commission adopts the Joint Settlement without modification, then they: (1) will not initiate or join in any challenge to the Settlement; (2) will not take any positions that run contrary to the Settlement; and (3) will waive their right to appeal or to seek reconsideration, rehearing, reargument, or clarification of the Commission Order approving the Settlement. Joint Settlement at 11-13, ¶¶ 52-61.

2. Statements in Support

As noted above, each of the six Joint Petitioners individually filed a Statement in Support of the Settlement. Each Joint Petitioner submits that the Settlement is in the public interest, and that the Settlement should be approved, without modification. This section of this Opinion and Order provides an overview of the Positions of the Joint Petitioners, outlined in their Statements in Support, regarding the nine major issues resolved by the Joint Settlement.

a. FirstEnergy

In its Statement in Support, FirstEnergy notes that its Phase V Plan contains two programs specific to the residential sector: the Energy Solutions Program and the

Low-Income Energy Efficiency Program. FirstEnergy explains that CAUSE-PA's witness, Mr. Jim Grevatt, expressed concern that the Company's Initial Plan lacked sufficient information in its filing to demonstrate whether FirstEnergy intends to provide its low-income customers with "deep-saving efficiency measures." Therefore, FirstEnergy touts the provisions set forth in Paragraphs 23-28 of the Settlement regarding the Company's residential and residential low-income programs. According to FirstEnergy, these Settlement terms provide clarity on the concerns raised by CAUSE-PA and incorporate several of CAUSE-PA's recommendations regarding the Company's residential EE programs, including the Low-Income Energy Efficiency Program, and the measures offered thereunder. Thus, the Company asserts that these Joint Petition provisions are reasonable and in the public interest and should be approved without modification. FirstEnergy Statement in Support at 3-6.

FirstEnergy also notes that under the Settlement, the Company has agreed to decrease megawatt-hour (MWh) savings from interior and exterior small C&I lighting by 10% and commensurately increase MWh savings from other small C&I measures, including custom building improvements, air sealing, insulation offerings and/or HVAC/heat pump offerings. FirstEnergy Statement in Support at 6 (citing Settlement at ¶ 29). The Company claims that this provision effectively addresses the concern raised by the OSBA's witness, Ms. Angela Vitulli, regarding the Company's ability to attain projected savings from the small C&I sector prior to the start of Phase V. Accordingly, the Company supports this provision of the Settlement as being reasonable and in the public interest. FirstEnergy Statement in Support at 6.

FirstEnergy further touts the provisions of the Settlement related to: (1) the Company's agreement to remove participation and incentives for tariff streetlighting measures and reallocate the incentive budgets to target equivalent increases in MWh and Megawatt (MW) savings from the Company's Custom and/or Energy Management program components in the aggregate, over the proposed Plan targets, based on available

program funds; (2) the Company's agreement to modify certain Daily Load Shifting (DLS) and PDR program components in its Plan; (3) clarity regarding the Company's low-income multifamily program provisions; (4) the Company's agreement to assign front of the meter (FTM) savings and costs to the appropriate customer classes based on energy savings; and (5) the Company's agreement to certain tracking and reporting requirements and to hold various stakeholder meetings. FirstEnergy submits that these provisions of the Settlement reflect a reasonable compromise of the interests of the Joint Petitioners, are in the public interest, and should be approved, without modification. FirstEnergy Statement in Support at 7-15 (citing Joint Settlement at ¶¶ 30-52).

b. OCA

In its Statement in Support, the OCA highlights the provisions of the Settlement related to small C&I lighting and tariff streetlighting. OCA Statement in Support at 7-11 (citing Joint Settlement at ¶¶ 29-30). The OCA submits that these Settlement terms will address the concerns raised by the OCA regarding the saturation of the savings seen in both the C&I market and streetlight programs. The OCA submits that by reducing small C&I lighting savings by 10% and reallocating those resources to custom, building shell, air sealing, insulation, and HVAC/heat pump offerings, the Settlement appropriately shifts investment toward longer-lived, higher-impact measures that provide more durable energy and peak demand savings. According to the OCA, this rebalancing reflects the continued maturation of the lighting market and ensures that program funds are directed to areas with stronger incremental savings potential and greater lifecycle cost effectiveness. Similarly, the OCA contends that the removal of tariff streetlighting participation and incentives from the Plan, coupled with the reallocation of those budgets to Custom and Energy Management program components, strengthens the Company's portfolio by targeting deeper, site-specific savings opportunities, "while maintaining equivalent MWh and MW performance." OCA Statement in Support at 9-10.

The OCA also highlights certain provisions of the Settlement related to the Company's residential and residential low-income programs. The OCA specifically points to Paragraph 28 of the Settlement, which sets forth the Company's agreement to assess cross-participation by home energy report recipients in other residential energy efficiency programs through evaluation of the program and to leverage this information to encourage participation in other residential programs. The OCA asserts that this settlement provision is in the public interest because it ensures that home energy report recipients are evaluated for participation in other residential energy efficiency programs and are encouraged to enroll in complementary measures. OCA Statement in Support at 11-13.

In addition, the OCA points to Paragraphs 25, 26, and 48 of the Settlement, which set forth the Company's commitments to: (1) pursue Health and Safety remediation with other available programs; (2) target annual spending of at least \$600,000 of its Act 129 Low-Income Energy Efficiency Program budget on Health and Safety remediation to remove impediments for the installation of air sealing, insulation, and heat pumps for low-income households, subject to available program funding; and (3) track and report Health and Safety remediation. The OCA contends that these provisions benefit both low-income households and non-low-income households by helping the Company maximize the overall effectiveness and efficiency of its EE programs. The OCA adds that by dedicating funding to remove health and safety barriers, more households, including low-income participants, can successfully complete energy efficiency upgrades, which increases total energy and peak demand savings across the system and helps limit costs for all ratepayers. OCA Statement in Support at 13.

The OCA also submits that the Company's agreement to modify certain DLS and PDR program components in its Plan are in the public interest because they ensure that DLS and PDR programs are transparent, accountable, and effective. The OCA adds that by tracking and reporting customer participation and demand savings in

annual reports, consistent with templates prepared by the Commission's Phase V SWE, these provisions ensure transparency and will allow regulators and stakeholders to verify that the Company's DLS and PDR program delivers measurable benefits. Collectively, the OCA reasons, these measures optimize energy and peak demand savings, enhance program effectiveness, and protect ratepayers by ensuring that utility resources are used efficiently and equitably. OCA Statement in Support at 16-18 (citing Settlement at ¶¶ 31, 33, 47).

Moreover, the OCA touts the Company's agreement in the Settlement to assign FTM savings and costs to the appropriate customer classes based on energy savings. According to the OCA, assigning FTM savings and costs to the appropriate customer class provides the Company and interested parties with a clear picture of the savings projected from this program, per customer class and in the aggregate. In addition, the OCA reasons that FirstEnergy's willingness to involve interested parties in reviewing key components of the plan will benefit both the Company and the public as it will allow for a robust plan to be shaped meeting both Company and public goals. OCA Statement in Support at 18-20 (citing Settlement at ¶¶ 40-42).

c. OSBA

In its Statement in Support, the OSBA submits that the Settlement contains several provisions that will protect the interests of small businesses. OSBA Statement in Support at 2. Specifically, the OSBA highlights: (1) the requirement under the Settlement that FirstEnergy track and report small C&I participation in terms of numbers of small businesses served; and (2) FirstEnergy's agreement to decrease MWh savings from small C&I lighting measures by 10% and to commensurately increase MWh savings from other small C&I measures which have better potential for cost-effective energy savings, including small business custom programs, HVAC, insulation, and air sealing. *Id.* at 2-3 (citing Settlement at ¶¶ 29, 43).

The OSBA also highlights the Company's agreement in the Settlement to assign FTM savings and costs to the appropriate customer classes based on energy savings. According to the OSBA, this will help ensure that small businesses only bear the cost of EE&C measures that benefit them. OCA Statement in Support at 3 (citing Settlement at ¶¶ 40-41).

Further, the OSBA highlights the Company's agreement to modify certain DLS and PDR program components in its Plan. Namely, the OSBA submits that:

(1) FirstEnergy's agreement to exclude the use of backup diesel generators (unless necessary to meet their Plan targets), and to report annually the number of customers who use diesel generation, will encourage demand response opportunities that are accessible to small businesses and protect local air quality; and (2) the Company's agreement to develop more robust measurement protocols will provide greater transparency, while ensuring a more accurate assessment of whether the Company's DLS and PDR program will benefit C&I customers as intended. OSBA Statement in Support at 3-4 (citing Settlement at ¶¶ 32-33).

d. CAUSE-PA

In its Statement in Support, CAUSE-PA submits that the Joint Settlement reached in this proceeding reflects a carefully balanced compromise of the varied interests of the Joint Petitioners. CAUSE-PA contends that the Joint Settlement results in: (1) additional focus on comprehensive program measures; (2) clarity regarding the Company's low-income multifamily program offerings; (3) improved processes for remediating health and safety barriers; (4) enhanced program coordination; (5) improved transparency regarding FTM program measures; (6) continuity of low-income programming; and (7) a number of metrics that the Company will track and report throughout Phase V of the EE&C Program, which will improve the ability of the Company, the Commission, and stakeholders to understand and evaluate the Company's

progress in achieving the goals in its Plan and complying with the terms of the Joint Settlement. According to CAUSE-PA, the terms of the Settlement are just and reasonable and should be approved, without modification. CAUSE-PA Statement in Support at 4-11.

e. Industrials

In their Statement in Support, the Industrials submit that the Settlement is in the public interest, arguing that: (1) expenses incurred by the Joint Petitioners and the Commission for completing this proceeding will be substantially less than they would have been if the proceeding had been fully litigated; (2) uncertainties regarding further expenses associated with possible appeals from the Commission's Order in this proceeding are avoided as a result of the Settlement; (3) the Settlement results in terms and provisions that present a just and reasonable resolution of the Company's proposed Phase V Plan; and (4) the Settlement is presented without prejudice to any position any party may advance in future proceedings involving the Company. The Industrials also specifically highlight the Company's agreement to modify certain DLS and PDR program components in its Plan. Industrials Statement in Support at 3.

f. KEEA

In its Statement in Support, KEEA submits that provisions set forth in the Joint Settlement will improve the effectiveness of FirstEnergy's EE&C programs. First, KEEA highlights the Company's commitment to target annual spending of at least \$600,000 of its Act 129 Low-Income Energy Efficiency Program budget on health and safety remediation to remove impediments for the installation of air sealing, insulation, and heat pumps for low-income households, subject to available program funding. KEEA submits that this health and safety remediation is essential to enabling effective weatherization upgrades for low-income customers, who are often deferred from such

programming due to the condition of their homes. Second, KEEA highlights FirstEnergy's agreement to cover up to 80% of the cost of an American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) Level 2 Audit with the Pennsylvania Department of Environmental Protection (DEP) for multifamily buildings that participate in DEP's Home Energy Rebate (HER) Program. KEEA asserts that multifamily customers are traditionally underserved, and that lessening the cost barrier for an audit should help to overcome some of the historical underinvestment in this sector. Third, KEEA points to FirstEnergy's agreement to convene program coordination meetings with other interested partners, including Natural Gas Distribution Companies (NGDCs) that have overlapping service territories with the Company, Low Income Usage Reduction Program (LIURP) providers, Weatherization Assistance Program providers, home preservation program providers, DEP, and stakeholders. Therefore, KEEA argues that the Settlement should be approved in its entirety. KEEA Statement in Support at 2.

IV. Legal Standards

Because the Joint Petitioners have reached a settlement, the Joint Petitioners have the burden to prove that the Joint Settlement is in the public interest. Pursuant to our Regulations at 52 Pa. Code § 5.231, it is the Commission's policy to promote settlements. Settlement terms often are preferable to those achieved at the conclusion of a fully litigated proceeding. In addition, a full settlement of all the issues in a proceeding eliminates the time, effort, and expense that otherwise would have been used in litigating the proceeding, while a partial settlement may significantly reduce the time, effort, and expense of litigating a case. Act 129 cases often are expensive to litigate, and the reasonable cost of such litigation is an operating expense recoverable in the EDC's rates approved by the Commission. Partial or full settlements allow the parties to avoid the substantial costs of preparing and serving testimony, cross-examining witnesses in lengthy hearings, and preparing and serving briefs, reply briefs, exceptions,

and reply exceptions, together with the briefs and reply briefs necessitated by any appeal of the Commission's decision, yielding significant expense savings for the Company's customers. For this and other sound reasons, settlements are encouraged by long-standing Commission policy.

The Commission must, however, review proposed settlements to determine whether the terms are in the public interest. *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered January 7, 2004); *Pa. PUC v. C.S. Water and Sewer Assoc.*, 74 Pa. P.U.C. 767 (1991) (*C.S. Water and Sewer*); *Pa. PUC v. Philadelphia Electric Co.*, 60 Pa. P.U.C. 1 (1985). In order to accept a settlement such as that proposed here, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order entered October 4, 2004); *Pa. PUC v. C.S. Water and Sewer, supra*. Additionally, this Commission's decision must be supported by substantial evidence in the record. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & Western Ry. Co. v. Pa. PUC*, 413 A.2d 1037 (Pa. 1980).

Finally, we note that any issue that we do not specifically address has been duly considered and will be denied without further discussion. It is well settled that the Commission is not required to consider, expressly or at length, each contention or argument raised by the parties. *Consolidated Rail Corporation v. Pa. PUC*, 625 A.2d 741 (Pa. Cmwlth. 1993); *see also, generally, University of Pennsylvania v. Pa. PUC*, 485 A.2d 1217 (Pa. Cmwlth. 1984).

V. Discussion of the Plan

Before addressing the merits of the proposed Phase V Plan, in conjunction with the Settlement, we first note that in the Settlement, FirstEnergy agrees to adopt or

investigate and study several improvements proposed by the Parties to the Settlement. All Parties to this proceeding either agreed to the Settlement or did not oppose it. Because we will review the Company's Plan in conjunction with the terms of the Settlement, it appears there are no remaining contested issues. Accordingly, we will not specifically discuss the Comments filed by CEEH-PA, the Energy Advocates, RMI, the Clean Air Council, and Uplight (collectively, Commenting Parties) on January 16 and 18, 2026 in this Opinion and Order because, although they were not parties to the Settlement, none of them have opposed it.

Accordingly, we will now address FirstEnergy's Proposed Phase V EE&C Plan, in conjunction with the Settlement, to determine whether the Settlement is in the public interest and whether the Phase V Plan, either on its own, or as supplemented by the Settlement, complies with Act 129, the *Phase V Implementation Order*, and related Phase V Orders.

A. Phase V Conservation and Demand Reduction

1. Overall Conservation Requirements

a. Requirements

The *Phase V Implementation Order* established a Phase V energy consumption reduction target of 1,097,605 MWh for FirstEnergy, including a low-income consumption reduction target of 86,913 MWh. *Phase V Implementation Order* at 12; *See also*, Petition at 8; FirstEnergy Plan at 25. Consumption reductions are measured using the savings approach. Under this approach, estimates of the weather-normalized annual energy savings expected over the course of a measure's expected useful life were developed, absent any dual baseline considerations. *Phase V*

Implementation Order at 88, 89. Each EDC was directed to develop a plan that was designed to achieve at least 15% of the target amount in each program year. *Id.* at 48.

In the *Phase V Implementation Order*, we also expressed concern that the carryover of all excess savings from phase to phase of the EE&C Program would lead to a scenario in which EDCs meet most, if not all, of their reduction targets by simply applying carryover savings. As a result, the Commission concluded that in Phase V, EDCs are allowed to carry over only excess savings obtained in Phase IV for application toward Phase V targets. In addition, we imposed a limiting mechanism on carryover savings in response to concerns expressed by Act 129 stakeholders regarding excessive carryover. More specifically, we directed that for Phase V, EDC carryover of Phase IV MWh will be capped at a maximum of 20% of their respective portfolio and low-income consumption reduction targets. We found that such a limit was reasonable, as it is approximately equivalent to one-fifth of the five-year phase targets. We further found that this approach will encourage EDCs to continue the full implementation of programs even after they achieve their consumption reduction targets, as long as the funds are still available. *Phase V Implementation Order* at 80-81, 84, 241.

Additionally, the Commission proposed basing any carryover savings for FirstEnergy on the net sum of carryover from Phase IV for the four formerly independent Predecessor Companies: Met-Ed, Penelec, Penn Power and West Penn. *Phase V Implementation Order* at 81.

b. Disposition

In its Plan, FirstEnergy proposes total energy savings of 1,116,455 MWh by the end of Program Year 22 (May 31, 2031).¹³ FirstEnergy Plan at 25, Appendix B, Table 2. This exceeds the overall consumption reduction target of 1,097,605 MWh in Phase V of the EE&C Program, as prescribed for FirstEnergy in our *Phase V Implementation Order*. Further, FirstEnergy provides a breakdown of total energy savings for Phase V, by rate district, based on its most recent sales forecast dated June 2025, as follows: 312,739 MWh for Met-Ed; 278,671 MWh for Penelec; 423,393 MWh for West Penn; and 101,652 for Penn Power. [312,739 + 278,671 + 423,393 + 101,652 = 1,116,455]. FirstEnergy Plan at Appendix B, Table 2a.

Additionally, Table 1, below, outlines the yearly consumption reduction targets that FirstEnergy proposes to obtain in each of the program years of Phase V, on a total-Company basis.

¹³ FirstEnergy explains that while Appendix B, Table 2 of its Plan includes information on estimated carryover savings from Phase IV, as required by the *Phase V Implementation Order*, the Phase V Plan is designed to meet the Company's Phase V energy consumption reduction target without the use of any carryover savings. FirstEnergy Plan at 25.

Table 1: FirstEnergy’s Proposed Consumption Reduction Target Amounts to be met in each Program Year¹⁴

	Program Year 18	Program Year 19	Program Year 20	Program Year 21	Program Year 22	Phase V Total
MWh	220,513	233,771	225,305	222,144	214,723	1,116,455
%	20%	21%	21%	20%	20%	102%
Phase V Prescribed MWh Savings 1,097,605						

FirstEnergy Plan at Appendix B, Table 2.¹⁵

Upon our review of FirstEnergy’s EE&C Plan, we find that the Company projects total energy savings that will meet or exceed the prescribed Phase V energy consumption reduction targets set forth in our *Phase V Implementation Order*. Additionally, we find that the Plan complies with our directive that any carryover savings be limited only to savings actually obtained in Phase IV.¹⁶ Moreover, we find that the Plan satisfies our directive in that it is designed to achieve at least 15% of the total energy savings amount in each Phase V program year.

¹⁴ The dates for the Program Years set forth in Table 1 are, as follows: Program Year 18 (June 1, 2026 through May 31, 2027), Program Year 19 (June 1, 2027 through May 31, 2028), Program Year 20 (June 1, 2028 through May 31, 2029), Program Year 21 (June 1, 2029 through May 31, 2030), and Program Year 22 (June 1, 2030 through May 31, 2031).

¹⁵ We note that the percentages shown in Table 1 are expressed as a percentage of the total prescribed consumption reduction target amount for FirstEnergy for Phase V of the EE&C Program, as set forth in our *Phase V Implementation Order*, rounded to the nearest percentage. We also note that due to rounding, certain numbers may not sum exactly.

¹⁶ As noted above, FirstEnergy has designed its Plan such that it will meet its Phase V consumption reduction target without the use of any carryover savings. FirstEnergy Plan at 25, Appendix B, Table 2.

2. Overall Demand Reduction Requirements

a. Requirements

Act 129 required the Commission, by November 30, 2013, to compare the total costs of the EDCs' EE&C plans to the total savings in energy and capacity costs to retail customers, or other costs as determined by the Commission. If the Commission determined that the benefits of the plans exceeded the costs, the Act required the Commission to set additional incremental requirements for reduction in peak demand for the 100 hours of greatest demand, or an alternative reduction approach approved by the Commission. Any such reductions in peak demand must be measured from the EDC's peak demand for the period from June 1, 2011 through May 31, 2012. *See* 66 Pa.C.S. § 2806.1(d)(2); *Phase V Implementation Order* at 89.

Phase I of the EE&C Program included demand reduction requirements. *See* 66 Pa.C.S. § 2806.1(d). The Commission did not believe that it had the information necessary at the time to definitively determine whether a demand reduction program would be cost-effective as part of Phase II of the EE&C Program. Consequently, in Phase II, the Commission did not include any demand reduction requirements. *Phase II Implementation Order* at 32-33. For Phase III, the Commission concluded that it had sufficient information to determine that demand reduction requirements would be cost-effective in the service territories of six of the then-seven EDCs (all EDCs except Penelec) that were required to file a Phase III EE&C plan. *Phase III Implementation Order* at 34-35. The prescribed Phase III PDR targets were designed around DDR programs. However, for Phase IV, the Commission concluded that PDRs could only be met with coincident reductions in peak demand from EE programs. *Phase IV Implementation Order* at 59, 61-62, 85. The Commission noted that in Phase IV, coincident peak demand reductions from EE measures could be recognized in PJM Interconnection LLC (PJM's) Forward Capacity Market (FCM). The Commission

stated that proceeds from bidding these demand resources could reduce the EE&C plan funding that must be collected via riders. *Id.* at 62.

For Phase V, the Commission proposed that either coincident PDRs from energy efficient programs or verified demand reductions from DLS demand reduction programs may be used to satisfy PDR targets. We reasoned that in doing so, we sought to establish targets and policies that provide the EDCs with flexibility in addition to achieving the desired technical and economic outcomes. The Commission also proposed to utilize the average load for the 100 hours of highest load for the period of June 1, 2007, through May 31, 2008, as the reference peak load values against which to express PDRs for each EDC and for the EE&C Program as a whole. *Phase V Implementation Order* at 126, 133-34.

We further proposed assessing compliance with the PDR targets using an average of the EDC's gross verified summer peak demand reduction and winter peak demand reduction.¹⁷ We reasoned that this would allow an EDC to offset underperformance in one season by overperforming in another season. Thus, we noted that establishing a PDR target that includes both summer and winter performance inherently indicates that both seasons are important. To ensure some balance across seasons, the Commission directed that each EDC's Phase V EE&C plan include a mix of measures and programs projected to acquire at least 75% of the proposed target in each season. For example, an EDC with a Phase V PDR target of 120 MW would need to file

¹⁷ The summer peak demand period for Act 129 programs is non-holiday weekdays from June through August, from 2:00 pm to 6:00 pm Eastern Prevailing Time. The winter peak demand period is non-holiday weekdays from January through February, from 7:00 am to 9:00 am and 6:00 pm to 8:00 pm Eastern Prevailing Time. *Phase V Implementation Order* at 149. However, we also stated that the EDCs may propose an alternative performance window in their Phase V EE&C plans. We further specified that the EE&C plan should provide a rationale for the alternative window. *Id.* at 154.

an EE&C plan projecting no less than 90 MW of summer or winter PDR. [90 ÷ 120 = 75%]. *Phase V Implementation Order* at 126, 133-34, 136, 143.

Moreover, we directed that: (1) EDCs be permitted to carryover 50% of the excess peak demand savings acquired in Phase IV and apply them towards Phase V PDR targets; (2) EDCs design their EE&C plans to achieve at least 15% of PDR target in each program year; and (3) PDRs from energy efficiency measures be measured using the savings approach described, *supra*. *Phase V Implementation Order* at 144, 145-47, 149. Further, we specified that EDCs that include time of use (TOU) rates in their proposed Phase V EE&C plans should clearly describe how Act 129 support will lead to improved outcomes over simply offering the rates in tariffs.

At the same time, we declined to direct the inclusion of a specific low-income PDR target. We noted, *inter alia*, that each additional target the Commission establishes exposes the EDCs to additional compliance risk, given the associated statutory penalties set forth in the Act. Further, we reasoned that establishing a specific low-income peak demand carve-out could divert focus from comprehensive EE programs that more directly reduce household energy bills. *Phase V Implementation Order* at 141-42.

Our *Phase V Implementation Order* established a Phase V PDR target for FirstEnergy of 191.0 MW. This represents 2.01% of FirstEnergy's 2007-08 baseline. *Phase V Implementation Order* at 143.

b. Disposition

In its EE&C Plan, FirstEnergy projects a total Phase V PDR of 191.2 MW. FirstEnergy Plan at 25; Appendix B, Table 3. This slightly exceeds the overall PDR target of 191.0 in Phase V of the EE&C Program, as prescribed for FirstEnergy in our

Phase V Implementation Order. Additionally, as shown in Table 2, below, the Company has designed its plan such that it will satisfy our directive that it achieve at least 15% of the total targeted PDR amount in each program year.

Table 2: FirstEnergy’s Proposed Percentage of PDR Target Amounts to be met each Program Year¹⁸

	Program Year 18	Program Year 19	Program Year 20	Program Year 21	Program Year 22	Phase V Total
MW	37.1	39.8	36.8	41.1	36.4	191.2
%	19%	21%	21%	20%	19%	100%
Phase V Prescribed Peak Demand Reduction Target (MW)						191.0

*See Id.*¹⁹ In addition, Table 3, below, provides a summary of the Company’s projected seasonal demand savings, identifying PDRs by winter and summer contributions from the residential and non-residential sectors. Table 3 shows the coincident peak demand reductions from the Company’s EE and DLS program components separately. As shown in Table 3, FirstEnergy’s Phase V Plan is designed to achieve a minimum of 75% of the total PDR target of 191.0 MW in each of the summer peak demand reduction period and the winter peak demand reduction period, as we required in the *Phase V Implementation Order*. Namely, the Company’s total projected summer and winter demand reductions are projected to be 221.4 MW, or 116% of the total PDR target, and 161.1 MW, or 84% of the total PDR target, respectively, with an average total Phase V PDR of 191.2 MW.

¹⁸ We note that the percentages shown in Table 2 are expressed as a percentage of the total prescribed PDR target amount for FirstEnergy for Phase V of the EE&C Program, as set forth in our *Phase V Implementation Order*, rounded to the nearest percentage.

¹⁹ FirstEnergy has designed its Plan to meet the Phase V PDR target specified in our *Phase V Implementation Order* without the use of any carryover excess peak demand savings acquired in Phase IV. FirstEnergy Plan at 25; Appendix B, Table 3.

Table 3: FirstEnergy’s Projected Seasonal Demand Savings²⁰

Component MW Savings (System-Level)	Program Year 18		Program Year 19		Program Year 20		Program Year 21		Program Year 22		Total	
	Summer MW	Winter MW	Summer MW	Winter MW								
Coincident Reduction from EE - Residential	15.7	11.0	17.7	13.1	16.9	12.2	15.8	10.5	13.8	8.5	79.9	55.4
Coincident Reduction from EE - Non-Residential	24.9	16.6	24.9	16.6	24.9	16.6	24.9	16.6	24.9	16.6	124.6	82.8
Daily Load Shifting - Residential	9.3	12.3	11.7	16.7	13.3	20.1	13.9	21.2	14.5	22.2	12.6	18.5
Daily Load Shifting - Non-Residential	4.0	4.1	4.2	4.3	4.3	4.4	4.3	4.5	4.4	4.5	4.2	4.4
Total											221.4	161.1
Phase V Peak Demand Reduction Target											191.0	
Percentage of Goal In Season											116%	84%
Total Phase V Peak Demand Reduction Achieved in FirstEnergy's EE&C Plan											191.2	

FirstEnergy Plan at 25; Appendix B, Table 4.²¹

FirstEnergy also explains that the Company has included Behavioral program components in its Residential Energy Solutions Program to target achieving behavioral energy efficiency and coincident peak demand reductions. The Company plans to provide ongoing communication and education on TOU rates and the customer’s energy usage through the Behavioral program components. According to FirstEnergy, these communications will promote, educate, and coach customers on their participation in TOU rates to help customers save money and drive persistent PDRs.

Additionally, as set forth in the Joint Settlement, FirstEnergy has agreed to revise its DLS and PDR program component projections for smart thermostats to 6 MW to reflect a ramp up in participation and savings that also allows sufficient time for a CSP to be onboarded. The Company will also revise its eligibility criteria for the DLS and PDR program components to exclude diesel and other fossil fuel backup generators, as long as such exclusion does not impede the Company’s ability to meet its DLS and PDR targets. The Company will ensure that customers who receive incentives from the Company’s DLS and PDR program components will comply with local air quality

²⁰ We note that any differences in Table 3 are likely due to rounding. Additionally, the DLS savings shown in Table 3 average across Phase V, while the EE savings shown in Table 3 sum across Phase V. See FirstEnergy Plan at Appendix B, Table 4, n.3.

²¹ The Company notes that it is not proposing alternative performance windows for compliance with the prescribed demand reduction targets. *Id.* at 28.

standards. The Company will also annually report the number of participating customers in the DLS and PDR program components (if any) that used diesel and other fossil fuel backup generators. The Company will further clarify the incentive structure for the DLS and PDR program components by technology, and that the incentive structure will be based on industry experience. Moreover, the Company will utilize an EM&V CSP, implementation CSP, and the Phase V SWE to develop interim measure protocols for DLS and PDR and to conduct seasonal reviews of relevant data in the Company's tracking system (e.g., participation, opt-out rates, summer and winter PDRs). Lastly, the Company will review the performance of its DLS and PDR program performance in stakeholder meetings. FirstEnergy Statement in Support at 9; Joint Settlement at ¶¶ 31-33.

Based on the foregoing, we find that FirstEnergy's Plan is designed to adequately achieve compliance with the overall coincidental PDR requirements and the seasonal requirements prescribed for FirstEnergy in our *Phase V Implementation Order*. We also find that with respect to TOU rates, FirstEnergy has sufficiently complied with our directive above. Further, we find that the additional provisions agreed to by FirstEnergy, as set forth in the Joint Settlement, regarding the Company's DLS and PDR program are reasonable and in the public interest.

3. Requirements for a Variety of Programs Equitably Distributed

a. Requirements

In the *Phase V Implementation Order*, we did not require a proportionate distribution of measures among customer classes. However, we did require that each customer class be offered at least one program. *Phase V Implementation Order* at 199-200. In addition, the Commission required that all Phase V EE&C plans include

at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers. *Id.* at 52.

b. Disposition

In its Plan, FirstEnergy offers a variety of program components and measures to each customer class, including at least one comprehensive program for each of the residential and non-residential customer classes. The Company explains that it considers measures and/or combination of measures or projects, including whole home or building measures or projects, and structured approaches to reducing energy consumption and enhancing energy efficiency that provide long-lasting, usage reductions, including as but not limited to weatherization, HVAC, custom retrofit projects and energy management initiatives to be comprehensive. The Company asserts that its Residential, Low-Income and Commercial and Industrial Energy Solutions programs are comprehensive programs that target long-lasting energy savings through comprehensive and whole home/whole building solutions. FirstEnergy Plan at 36, 153.

More specifically, FirstEnergy's Plan contains 4 different programs for the Company, distributed across all customer classes. In this regard, FirstEnergy proposes: (1) 2 programs and 138 measures for residential and low-income customers; (2) 1 program and 108 measures for small C&I customers; and (3) 1 program and 87 measures for large C&I customers. FirstEnergy Plan at Appendix B, Table 8. FirstEnergy notes that its programs and measures for small and large C&I customers will also serve the Government, Non-Profit, and Institutional (GNI) sector. *Id.* at 74, 97.

FirstEnergy represents that the program measures in its Plan will target all customer sectors to engage customers, provide energy efficiency education, and provide information regarding program services and opportunities upon which they can act. Additionally, the Company explains that its Plan incorporates a variety of measures that

offer a broad range of measures and services and incorporates both near-term and longer-term energy saving opportunities for customers, including single and prescriptive measures, multiple prescriptive and custom measures, direct install, and comprehensive whole building and energy management solutions. The residential, low-income, and C&I programs are also designed to serve multifamily buildings. As a result, the Company designed its Plan to provide opportunities for all customer classes to participate in EE and PDR programs. FirstEnergy adds that its Plan relies on experienced outsourced CSPs and leverages prior experiences and a variety of delivery channels that will support customer participation across all classes of customers. Collectively, the proposed programs across all sectors cover all the major energy-consuming devices in the home, building, or business, thus increasing the opportunity for more customers to participate and benefit from one or more programs. Furthermore, the proposed programs promote and support comprehensive whole home/whole building/comprehensive solutions for both the residential and non-residential customer classes. FirstEnergy Plan at 153.

FirstEnergy proposes to spend 30% of its total Plan budget on residential (exclusive of low-income) programs, 14% on residential low-income programs, 31% on small C&I programs, and 25% on large C&I programs. In total, FirstEnergy will spend 44% of its total plan budget on residential programs and 56% on non-residential programs. FirstEnergy Plan at Appendix B, Table 7.

Based on the above, we conclude that FirstEnergy's EE&C Plan meets the requirement set forth in our *Phase V Implementation Order* that each customer class be offered at least one program. We further conclude that the Plan satisfies the requirement that at least one comprehensive program be offered to residential customers and at least one comprehensive program be offered to non-residential customers. The record indicates that the Company's Plan contains 4 different programs distributed across all customer classes. The Plan further specifies that FirstEnergy will offer both residential and non-residential customers comprehensive programs and measures.

Additionally, certain of the Joint Petitioners expressed concern that in its Initial Plan, FirstEnergy, *inter alia*: (1) did not provide sufficient information to demonstrate whether the Company intended to provide its low-income customers with “deep-saving efficiency measures;” and (2) did not sufficiently demonstrate the Company’s ability to attain projected savings from the small C&I sector prior to the start of Phase V. *See* FirstEnergy Statement in Support at 3, 6. Therefore, the Joint Settlement provides for additional focus on comprehensive measures. In this regard, the Company has agreed to reduce projected MWh savings from its Low-Income Behavioral program and the LED Linear, Smart Strip Plug Outlets, and Air Purifier/Cleaner measures in its Low-Income Products program component by 2,500 MWh in the aggregate and to target an equivalent 2,500 MWh increase in savings through deep savings measures including heat pumps, heat pump water heaters, and building insulation and air sealing measures. The Settlement also provides that the Company will shift 650 MWh of projected savings from the Residential Behavioral program component into the Residential Comprehensive Audits and Residential Multifamily program components. Moreover, in the non-residential sector, the Company has agreed to decrease MWh savings from interior and exterior small C&I lighting by 10% and to commensurately increase MWh savings from other small C&I measures, including custom building improvements, air sealing, insulation offerings and/or HVAC/heat pump offerings. Joint Petition at ¶¶ 23-29. *See also* CAUSE-PA Statement in Support at 4-5.

Therefore, we find FirstEnergy’s EE&C Plan to be in compliance with the provisions of 66 Pa.C.S. § 2806.1(a)(5) and the *Phase V Implementation Order*, which require that EE&C plans include a variety of EE&C measures, and that these measures be provided equitably to all classes of customers. Furthermore, we find that the Settlement bolsters the comprehensive program and measure offerings set forth in the Company’s Plan.

4. Government/Educational/Non-Profit Requirement

a. Requirements

Act 129 required, in its initial phase of implementation, that EE&C plans obtain a minimum of 10% of all consumption and peak demand reduction requirements from units of the federal, state, and local governments, including municipalities, nonprofit entities, school districts, and institutions of higher education (GNI carve-out). 66 Pa.C.S. § 2806.1(b)(1)(i)(B). No such stipulation was required for subsequent phases of implementation. For Phase II, the Commission prescribed a similar requirement for the EE&C Program. In Phase III, the Commission required that each EDC must obtain at least 3.5% of all consumption reduction requirements from GNI entities. For Phase IV, the Commission did not require a specific carve-out for the GNI sector, finding that the results of the energy efficiency and peak demand reduction (EEPDR) Potential Study performed by the Phase III SWE indicated that the GNI sector was expected to produce a significant share in Phase IV consumption reductions at a comparable acquisition cost to the broader small and large C&I customer classes without a specific compliance target. Namely, the Commission found that in contrast to the low-income sector, which would likely be underserved without a carve-out, the GNI sector could be adequately served by measures offered to other non-residential customers. However, the Commission proposed that the EDCs report savings achieved for the GNI sector in Phase IV and that the EDCs' Phase IV EE&C plans highlight how the GNI sector will be served. *Phase IV Implementation Order* at 37-39, 43.

In our *Phase V Implementation Order*, we did not specifically set forth any requirements as to the GNI sector. However, in its Plan, FirstEnergy explains, as follows:

The Phase V Plan also continues to target and provide program services for governmental, non-profit and institutional (“GNI”) customers through the Energy Solutions programs. The Energy Solutions, Small and Large programs include components and measures aimed at serving GNI customers, including direct install, single and multiple prescriptive measures, custom projects, and Energy Management services. As in Phase IV, special efforts will be made to target the GNI customers for participation in these programs in recognition of their unique decision making and financing processes for making capital improvements to facilities. Marketing and outreach will specifically target GNI entities within the Company’s service territory depending upon the program offering. These efforts will include the leveraging of existing Company relationships and employing experienced vendors who have expertise in working with GNI accounts.

FirstEnergy EE&C Plan at 119.

5. Constraints on EE&C Plan Offerings

a. Requirements

(1) Non-Residential Midstream Lighting

The Commission noted that in Phase IV of the EE&C Program, non-residential LED lighting measures have delivered more savings than all other measure categories combined. The three primary measure vintages for non-residential lighting and most other EE&C measures are Early Replacement, New Construction, and Replace on Burnout (ROB). We explained that ROB lighting is generally delivered via

midstream channels at the point of sale through participating distributors. We cautioned that as LED lighting becomes the industry standard technology for virtually all lighting applications, this creates serious concern about the use of limited program funds to incent LED equipment at the point of purchase. The Commission expressed concern that many of these sales in Phase V would replace first-generation LED systems and that nearly all of these sales would be LEDs even without program support. Thus, we posited that implementation of large midstream/ROB lighting programs in Phase V could result in a situation in which the EDCs claim more gross lighting savings than the total contribution of non-residential lighting energy to their current retail sales. *Phase V Implementation Order* at 74-75.

However, in light of the volume of EDC comments in this proceeding lamenting the blended acquisition costs used to establish Phase V targets, we concluded that it is inappropriate to limit EDC flexibility to offer program designs with low administrative costs per kWh saved. Therefore, for Phase V, we concluded that the EDCs do not need to minimize the contribution of midstream delivery of non-residential lighting measures in their Phase V EE&C plans, provided that participating distributors can document each transaction that the replaced lighting equipment is not LED. *Phase V Implementation Order* at 76-77.

(2) FTM Measures

In our *Phase V Implementation Order*, we noted that there are potential EE&C measures that affect the EDC distribution equipment that transports electricity to homes and businesses. We stated that while FTM measures would lower customer energy consumption, and therefore bills, they generally do not involve ratepayer participation or even awareness. Previous phases of Act 129 have allowed FTM measures, such as conservation voltage reduction, to contribute to EDC compliance goals. *Phase V Implementation Order* at 77. In our *Phase V Tentative Implementation*

Order, we proposed limiting Phase V EE&C plans to customer-sited measures that the home or business would have knowledge of, reasoning that FTM measures are part of operating the distribution system, rather than an EE&C Plan component. *Id.*; *Phase V Tentative Implementation Order* at 30.

However, based upon comments we received in response to our *Phase V Tentative Implementation Order*, we found that FTM measures such as conservation voltage reduction can be low-cost, high-yield EE&C plan components and can help combat growing resource adequacy concerns in the Commonwealth. Accordingly, we determined that for Phase V, the EDCs do not need to limit their proposed Phase V EE&C plans to customer-sited measures.²² Notwithstanding the above, we directed that the projected contribution of FTM measures be limited to no more than 10% of the total Phase V EE&C Plan MWh and MW savings. *Phase V Implementation Order* at 79.²³

²² Typically, such customer-sited measures involve the customer, or a contractor on their behalf, installing a piece of electric equipment or implementing behavior or technical controls to alter the way existing equipment operates. Often the participant pays the majority of the cost of efficient equipment. *Phase V Tentative Implementation Order* at 30; *Phase V Implementation Order* at 77.

²³ In addition to the constraints regarding non-residential midstream lighting and FTM measures, we also considered the proposal of the OCA that eligibility for solar photovoltaic (PV) incentives should be limited to participants who also receive incentives for other energy efficiency measures offered through Act 129. However, we declined to require the pairing of solar PV with other energy efficiency measures, noting that we instead favor program designs that allow participants to select the measure(s) that make sense for them based on their technical and economic circumstances. *See Phase V Implementation Order* at 79-80.

b. Disposition

(1) Non-Residential Midstream Lighting

In its Plan, FirstEnergy represents that the Company will work with participating distributors to incorporate into the application process documentation that the customer equipment being replaced is not LED. FirstEnergy Plan at 158. Therefore, we find FirstEnergy's EE&C Plan to be in compliance with the directive set forth in our *Phase V Implementation Order* regarding non-residential LED lighting. Additionally, as set forth in the Settlement, the Company has agreed to remove participation and incentives for tariff streetlighting measures from its Plan and to reallocate the associated incentive budgets to target equivalent increases in MWh and MW savings from the Company's Custom and/or Energy Management program components in the aggregate, over the proposed Plan targets, based on available program funds. The Company will maintain a one-year reconciliation rate for Phase IV costs for the streetlighting class. After that, any remaining balance will be transferred to the Commercial class. Joint Settlement at ¶ 30; *See also*, FirstEnergy Statement in Support at 7-8. We find these provisions of the Settlement to be in the public interest.

(2) FTM Measures

FirstEnergy represents that FTM measures are included in the programs in its Plan for the residential, small C&I, and large C&I sectors. FirstEnergy states that the primary objective of the FTM components is to promote and achieve energy savings and peak load reductions through FTM EE&C measures, which enhance the efficiency of the energy delivery system, reduce demand during peak hours, and help mitigate growing resource adequacy concerns in the Commonwealth. While the Phase V Plan was designed to achieve the Company's goals with no energy savings or demand reductions from FTM measures, the Company intends to identify and promote energy efficiency and

demand reductions through Company and other project developer initiatives implemented during the course of Phase V and to support achieving energy savings and system load relief, including, but not limited to, the Company's Long Term Infrastructure Improvement Plan(s) (LTIIP), its Operation and Maintenance (O&M) plans, and other Company or other project developer initiatives. FirstEnergy Plan at 35.

The Company also states that it will review, and include in its Plan, FTM measures that it identifies, including costs, projected energy and demand savings by sector, and EM&V protocols with interested parties ninety (90) days prior to their implementation during Phase V, and will consider and respond to any comments provided by interested parties. FirstEnergy adds that it will engage in and coordinate with these FTM initiatives to target energy savings and peak load reductions from the corresponding improvements. According to FirstEnergy, its Plan budget includes the costs associated with the Company's EE&C department identifying, promoting, and coordinating with the implementation of applicable Company and other project developer initiatives. The Company states that it will assign FTM savings and costs to the appropriate customer classes based on energy savings, except that no FTM savings will be assigned or allocated to the low-income savings carve-out requirement, and no costs will be assigned to the low-income programs. FirstEnergy insists that the Company will limit the contribution of FTM measures to no more than 10% of the total Plan savings. FirstEnergy Plan at 35-36.

Additionally, the Settlement memorializes that the Company's assertion, *supra*, that it will assign FTM savings and costs to the appropriate customer classes based on energy savings, but that no FTM savings will be assigned or allocated to the low-income customer savings carve-out requirement, and no costs will be assigned to the low-income customer programs. The Settlement also memorializes that the Company will review FTM measures that it identifies to include in its Phase V Plan, including costs, projected energy and demand savings by sector, and EM&V protocols with

interested parties ninety (90) days prior to their implementation during Phase V, and will consider and respond to any comments provided by the parties. Settlement at ¶¶ 40-41.

On review, we find that FirstEnergy's Plan satisfies the directive in our *Phase V Implementation Order* that the projected contribution of FTM measures be limited to no more than 10% of the Company's total Phase V EE&C Plan MWh and MW savings. Additionally, we find the provisions of the Settlement related to FTM measures to be in the public interest.

However, as noted above, FirstEnergy represents that it has designed its Phase V Plan to achieve the Company's consumption and peak demand reduction goals, with no energy savings or demand reductions from FTM measures. The Company also notes its intention to review FTM measures, that it identifies to include in its Plan, with interested parties ninety (90) days prior to their implementation during Phase V, and to consider and respond to any comments provided by the parties. FirstEnergy Plan at 35. In accordance with Commission Policy, when an EDC intends to add or move funding within its EE&C plan to another program, project, or measure within the plan, that EDC must file a Petition for Approval of a Minor Change to its EE&C plan, consistent with the Commission's expedited review process set forth in the Commission's Order in *Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887 (Final Order entered June 10, 2011) (*Minor Plan Change Order*). Therefore, we shall modify the Plan by requiring the Company to revise Section 3.1.6 of its EE&C Plan to state that, upon identification of any FTM measures to include in its Phase V Plan, it will submit such proposed changes to the Commission as a Petition for Approval of a Minor Change, consistent with the Commission's *Minor Plan Change Order*. FirstEnergy is directed to file this revision to its Phase V EE&C Plan within sixty (60) days of the entry date of this Opinion and Order. See 66 Pa.C.S. § 2806.1(e)(2)(i)-(ii).

6. Low Income Program Requirements

a. Requirements

For Phase V, as in all prior phases of Act 129, the Commission proposed that each EDC's EE&C plan include specific energy efficiency measures for households at or below 150% of the Federal Poverty Income Guidelines (FPIG), in proportion to that sector's share of the total energy usage in the EDC's service territory. *Phase V Implementation Order* at 54; *see also* 66 Pa.C.S. § 2806.1(b)(1)(i)(G).²⁴ The Commission derived the low-income savings targets by allocating 13% of each EDC's Act 129 budget to programs solely directed at low-income customers or low-income-verified participants in multifamily housing programs. The low-income targets represent 7.5% of the statewide MWh target, which is higher than the 5.8% of Phase IV savings that come from low-income households.²⁵ By EDC, the Phase V low-income targets range from 6.7% to 7.9%, including 7.9% for FirstEnergy. *Phase V*

²⁴ *See Report of the Act 129 Low-Income Working Group* at Docket No. M-2009-2146801, Table 1 at page 6, that was adopted by the Commission in an April 27, 2010 Secretarial Letter at the same Docket.

²⁵ In Phase III, the Commission required that each EDC obtain a minimum of 5.5% of its total consumption target from the low-income sector. *Phase III Implementation Order* at 62-63 and 69. In the *Phase IV Implementation Order*, the Commission noted that while the Phase IV target was slightly higher in terms of percentage, the Phase IV target is lower for all EDCs in terms of MWh due to the higher portfolio-level acquisition costs used to set the Phase IV targets. *Phase IV Implementation Order* at 36.

Implementation Order at 55, 68-69, and 12, Table 2.²⁶ Savings counted toward this target can only come from specific programs solely directed at low-income customers or low-income-verified participants in multifamily housing programs. Savings from non-low-income programs, such as general residential programs, cannot be counted toward these targets.²⁷ *Id.* at 55.

²⁶ We note that there is a slight discrepancy between the statewide and individual EDC low-income target percentages stated on page 55 of our *Phase V Implementation Order*, and those stated on page 69. On review, Table 12 on page 55 of our *Phase V Implementation Order* includes the total Phase V consumption reduction targets for each EDC that we initially contemplated in our *Phase V Tentative Implementation Order*, as opposed to the final total Phase V consumption reduction targets set forth in Table 2 on page 12 of our *Phase V Implementation Order*. On pages 68 and 69 of our *Phase V Implementation Order*, we also stated that the low-income energy savings targets presented in our *Phase V Tentative Implementation Order* were reasonable and achievable. While our prescribed low-income targets in our *Phase V Implementation Order* did not change from those contemplated in our *Phase V Tentative Implementation Order*, we did update the total overall Phase V consumption reduction Targets. Therefore, as shown in Table 4 below, the low-income target percentages in this Opinion and Order are consistent with those stated on page 69 of our *Phase V Implementation Order*.

Table 4 Percentage of Overall Consumption Reduction Targets attributable to Low-Income

	Total Consumption Reduction Targets (MWh)	Low-Income Consumption Reduction Targets (MWh)	Percentage of Overall Consumption Reduction Targets Attributable to Low-Income
Duquesne Light	261,583	18,933	7.2%
PECO	1,111,685	74,456	6.7%
PPL	828,231	65,678	7.9%
First Energy	1,097,605	86,913	7.9%
Total	3,299,104	245,980	7.5%

See *Phase V Implementation Order* at 69; 12, Table 2.

²⁷ As previously discussed, we are not proposing a low-income carve-out for the peak demand reduction requirements. See also *Phase V Implementation Order* at 55, n.48.

Table 5 summarizes the Phase V proportionate number of measures and the low-income savings targets prescribed for FirstEnergy in our *Phase V Implementation Order*, which the Company must meet by May 31, 2031.

Table 5: FirstEnergy Phase V Low-Income Savings Targets

	Proportionate Number of Measures (%)	Low-Income Consumption Reduction Target (MWh)
FirstEnergy	9.33	86,913

Phase V Implementation Order at 55.

b. Disposition

In Section 9.1.3 of its Plan, FirstEnergy identifies 48 of 183 measures (representing approximately 26% of its total Plan measures) that specifically target low-income customers.²⁸ FirstEnergy Plan at 155. Notably, this percentage is greater than the targeted proportionate number of measures of 9.33% that was prescribed in our *Phase V Implementation Order* and is shown in Table 5, *supra*. See also *Id.* at 154, Table 8. Accordingly, we find the Company’s Plan to be in compliance with the requirement that an EE&C plan include a number of low-income measures in proportion to the low-income households’ usage of total energy usage in the Company’s service territory.

²⁸ Of these 183 measures, the 135 non-low-income measures do not double count measures offered in multiple sectors, multiple tiers, or demand response measures. FirstEnergy Plan at 155. The total number of measures specific to each customer class is discussed in Section V.A.3, *supra*.

Additionally, FirstEnergy proposes total energy savings from low-income customers of 88,020 MWh, by the end of Program Year 22 (May 31, 2031).²⁹ FirstEnergy Plan at Appendix B, Table 2. Therefore, we find that the Company's Plan exceeds the prescribed targeted low-income savings target of 86,913 MWh that was set forth for the Company in our *Phase V Implementation Order*, and as restated in Tables 4 and 5, *supra*.³⁰

Further, under the Joint Settlement reached in this proceeding, the Company has agreed to target a savings increase equal to 650 MWh from the Residential

²⁹ The Company's proposed total energy savings from the low-income sector includes projected participation of low-income households living in multifamily housing. In this regard, Appendix B, Table 2 of its Plan reflects that FirstEnergy projects 70,420 MWh in energy savings from its Residential Low-Income Sub-Sector. Additionally, FirstEnergy explains that consistent with the provisions of the *Phase V Implementation Order*, the Company's low-income savings target includes savings from programs solely directed at low-income customers or low-income-verified participants in multifamily housing programs. More specifically, the Company states that this includes FirstEnergy's Low-Income Energy Efficiency Program, as well as the multifamily component of the small C&I and large C&I Energy Solutions Programs, under which the Company projects additional savings of approximately 17,600 MWh from low-income customer participation in these programs. Combined, this results in total Phase V energy savings from the Company's low-income sector of 88,020 MWh. [70,420 + 17,600 = 88,020]. FirstEnergy Plan at Appendix B, Table 2, n.2.

³⁰ As discussed in Section V.A.1 of this Opinion and Order, the Company projects total overall energy savings from all sectors of 1,116,455 MWh in its plan. Thus, the Company's consumption reduction attributable to the low-income sector is approximately 7.88%. [88,020 ÷ 1,116,455 = 7.88%]. Although FirstEnergy's effective percentage of overall savings attributable to the low-income sector, as set forth in its Plan, is slightly lower than that prescribed in our *Phase V Implementation Order*, the Company's projected energy savings from the low-income sector represents approximately 8.02% of the overall Phase V consumption reduction target of 1,097,605 MWh (*i.e.*, total overall energy savings) we prescribed for the Company in our *Phase V Implementation Order*. Therefore, the Company's projected energy savings attributable to the low-income sector exceed the prescribed target of 7.90% of the Company's overall consumption reduction target prescribed in the *Phase V Implementation Order* and restated in Table 4, *supra*. [88,020 ÷ 1,116,455 = 8.02%].

Comprehensive Audits and the Residential Multifamily program components, in the aggregate, over the proposed Plan targets, and to target an equivalent decrease in the MWh savings from its Residential Behavioral program component. The Company also commits to tracking and reporting customer participation in the Company's proposed Residential Comprehensive Audits and Residential Multifamily program components. In addition, the Company will target decreases from its Low-Income Behavioral program component and its Low-Income Products program component, specifically its LED Linear, Smart Strip Plug Outlets and Air Purifier/Cleaner measures, by 2,500 MWh in the aggregate over the proposed Plan targets. In addition, the Company will target an equivalent savings increase of 2,500 MWh from heat pumps, heat pump water heaters, and building insulation and air sealing measures provided through the Low-Income Weatherization component and/or Low-Income Multifamily program components of its Plan, in the aggregate. FirstEnergy further commits to tracking and reporting customer participation in the Company's proposed Low-Income Weatherization and Low-Income Multifamily program components. Joint Settlement at 4-5, ¶¶ 23-24.

Moreover, the Company has agreed to pursue Health and Safety remediation with other available programs and, if other programs are not timely available or applicable, will provide a portion of its Low-Income Weatherization program component budget for Health and Safety remediation, up to 50% of the total weatherization measure cost, when the cost and energy savings attributable to the remediation meets program component acquisition costs based on available program funds. The Company will also develop a description of protocols and processes for addressing health and safety issues, including clear criteria for making referrals to LIURP or outside agencies, versus addressing the Health and Safety issues within the Act 129 programs. Additionally, the Company has committed to, *inter alia*, targeting annual spending of at least \$600,000 of its Act 129 Low-Income Energy Efficiency Program budget on Health and Safety remediation to remove impediments for the installation of air sealing, insulation, and heat pumps for low-income households, subject to available

program funding. Under the Settlement, the Company has also committed to continue implementing and operating its low-income programs throughout the full duration of Phase V, even if it meets its low-income carve-out before the end of the phase. Joint Settlement at 5-6, ¶¶ 25-27.

Furthermore, within 150 days of receiving Commission approval of its Phase V EE&C Plan, the Company has agreed to develop and disseminate clear information and program marketing materials to multifamily property managers regarding the measures, incentives, and cost sharing requirements that will be available to them to improve the energy efficiency of their properties. The Company has also agreed to review its landlord consent protocols with its Phase V implementation CSP and convene a meeting with interested parties and stakeholders to discuss additional measures or mechanisms that would allow tenants to benefit from Act 129 where landlord approval is not required. Additionally, under the Settlement, the Company has agreed to clarify the incentive structure for the multifamily program components by measure type in Appendix B, Table 8 of its Plan. Specifically, for master metered and individually metered multifamily buildings, the Company has committed to provide an enhanced incentive of up to 80% in common areas and 100% in low-income tenant spaces. Under the Settlement, individually metered tenant units in multifamily buildings will be eligible for the same incentives available through the residential or low-income programs, depending on whether the building meets the low-income occupant threshold. Joint Settlement at 8, ¶¶ 34, 36; *see also* FirstEnergy Statement in Support at 11.

On review, we find that these provisions of the Settlement related to the low-income programs in the Company's Plan are in the public interest and that the EE&C Plan, as modified by the Settlement, complies with the low-income program requirements set forth in our *Phase V Implementation Order*. Further, we find that the Plan establishes a clear process for the Company to satisfy the low-income program requirements, including increased savings targets, enhanced multifamily property

offerings, expanded tracking and reporting commitments, health and safety remediation and referral protocols, and improved coordination and outreach initiatives. Therefore, we find this portion of FirstEnergy’s Plan, as modified by the Settlement, should be adopted.

7. Proposals for Improvement of Plan

a. Requirements

The Commission’s EE&C Program must include “procedures to make recommendations as to additional measures that will enable an electric distribution company to improve its plan and exceed the required reductions in consumption.” 66 Pa.C.S. § 2806.1(a)(6). Furthermore, Act 129 permits the Commission to direct an EDC to modify or terminate any part of an approved plan if, after an adequate period for implementation, the Commission determines that a measure included in the plan will not achieve the required consumption reductions in a cost-effective manner. 66 Pa.C.S. § 2806.1(b)(2); *see also Phase V Implementation Order* at 201.

b. Disposition

The Commenting Parties each filed Comments to the Company’s Plan on January 16 and 18, 2026. In their Comments, the Commenting Parties make recommendations regarding: (1) adjusting and clarifying proposed low-income measures to prioritize whole home measures that will provide deeper, longer-term savings; (2) ensuring that favorable cost sharing and no cost measures are available to both individually metered and master metered affordable housing buildings; (3) modifying the Plan to make it easier for multifamily affordable housing to qualify as “Low-Income” or “Resource Constrained;” (4) offering and funding a higher proportion of thorough physical inspections and residential energy audits at ASHRAE Level 2; (5) creating marketing plans with clear, specific criteria and application rules that are sent directly to

multifamily affordable residences; (6) the delivery of comprehensive energy efficiency programming; (7) providing tangible examples of how the Company intends to coordinate the service delivery of its Plan programs; (8) establishing clear customer pathways for electric resistance (ER) customers within residential programs; (9) establishing dedicated budgets, targets, and reporting metrics for electric space and water heating upgrades; (10) deploying market-readiness initiatives; (11) adopting the definition of measures qualifying for comprehensive programs, per Commission guidance; (12) improving program information and marketing; (13) the enhanced coordination of EE&C Plan program offerings with other conservation and health and safety programs; (14) better coordination of LIURP for eligible customers; (15) improving heat pump education and access; (16) prioritizing measures that offer deep energy savings; and (17) enhancing the Company's proposed DLS and PDR Product within the Residential Energy Solutions Program. *See* CEEH-PA Comments at 4-6, 7, 9-11, 11-12, 13-16, 18, 19-21, 21-22, 22-24; Energy Advocates Comments at 2-7; RMI Comments at 3-6; Clean Air Council Comments at 3-8; and Uplight Comments at 4-8.

As previously discussed, through the Joint Settlement, FirstEnergy agrees to adopt or investigate and study several improvements proposed by the Parties to the Settlement. All Parties to this proceeding either agreed to the Settlement or did not oppose the Settlement. Many of the proposed improvements set forth in the Comments have been addressed either in the Company's Plan, as revised by the Settlement, or in the *Phase V Implementation Order* and associated proceedings.³¹ In addition, there are no remaining contested issues related to these proposed improvements. Therefore, as noted above, in this Opinion and Order we will not address the Comments that were filed to FirstEnergy's Phase V EE&C Plan. As stated previously, while none of the Commenting Parties were Parties to the Settlement, they also did not oppose the Settlement.

³¹ *See also 2026 TRC Test Order.*

B. Cost Issues

In the *Phase V Implementation Order*, we stated as follows:

Act 129 directs the Commission to establish a cost recovery mechanism that ensures that the approved measures are financed by the customer class that receives the direct energy and conservation benefit of the measure. 66 Pa. C.S. § 2806.1(a)(11). All EDC plans must include cost estimates for implementation of all measures. 66 Pa. C.S. § 2806.1(b)(1)(i)(F). Each plan must also include a proposed cost recovery tariff mechanism, in accordance with Section 1307 (relating to sliding scale of rates; adjustments), to fund all measures and to ensure full and current recovery of prudent and reasonable costs, including administrative costs, as approved by the Commission. 66 Pa. C.S. § 2806.1(b)(1)(i)(H).

In addition, each plan must include an analysis of administrative costs. 66 Pa. C.S. § 2806.1(b)(1)(i)(K). Act 129 dictates that the total cost of any plan must not exceed two percent of the EDC's total annual revenue as of December 31, 2006, excluding Low-Income Usage Reduction Programs established under 52 Pa. Code § 58 (relating to residential Low-Income Usage Reduction Programs, 66 Pa. C.S. § 2806.1(g)).

Lastly, all EDCs, including those subject to generation or other rate caps, must recover, on a full and current basis from customers, through a reconcilable adjustment clause under Section 1307, all reasonable and prudent costs incurred in the provision or management of their plans. 66 Pa. C.S. § 2806.1(k).

Phase V Implementation Order at 231.

1. Plan Cost Issues

a. Determination of Allowable Costs

(1) Phase V Allowable Costs

(a) Requirements

The Act allows an EDC to recover all prudent and reasonable costs relating to the provision or management of its EE&C Plan, but limits such costs to an amount not to exceed 2% of the EDC's total annual revenue as of December 31, 2006, excluding LIURP programs established under 52 Pa. Code §§ 58.1-58.18. 66 Pa.C.S. § 2806.1(g). The level of costs that an EDC will be permitted to recover in implementing its EE&C programs was established in the Phase I EE&C proceedings. The Commission interprets the 2% limitation provision of Act 129 to be an annual amount applicable for the period of the EE&C plan, rather than an amount for the full proposed five-year period of Phase V. In the *Phase V Implementation Order*, we established an annual spending cap of \$78,064,027 for FirstEnergy, which results in a total Phase V budget limit of \$390,320,135. [$\$78,064,027 \times 5 = \$390,320,135$]. *Phase V Implementation Order* at 34, 232, 234-35.

Further, we stated that for Phase V, each EDC was required to submit an EE&C plan demonstrating that at least 50% of its total Phase V budget is allocated to incentives, and that less than 50% of this budget is allocated to non-incentive cost categories. However, we clarified that this directive only applies to the EDC's overall Phase V EE&C plan. Thus, we explained that an EDC may still include any program that does not individually meet the spending split criteria, provided that the overall plan complies with our directive above. *Phase V Implementation Order* at 233, 237.

(b) Disposition

FirstEnergy's total projected costs, as set forth in its Phase V EE&C Plan, are \$390,319,972. FirstEnergy states that it will recover these costs through the Company's Phase V EE&C-C Rider, discussed, in detail, *infra*. FirstEnergy Plan at 21; Appendix B, Table 13.

As the Company's total projected costs are less than its 2% cost cap, we find that these costs comply with the 2% cost cap requirement. Therefore, we find FirstEnergy's EE&C Plan to be consistent with the directives in our *Phase V Implementation Order*, with respect to the determination of allowable costs. Accordingly, we shall approve the Company's Phase V spending allowance.

In addition, Appendix B, Table 10 of the Company's Plan demonstrates that FirstEnergy will spend approximately \$207,755,000 of its total Phase V program budget, or approximately 53%, on incentives. [$\$207,755,000 \div \$390,319,972 = 53\%$]. The Company will also allocate approximately \$182,565,000 of its total Phase V program budget, or approximately 47%, to non-incentive cost categories. [$\$182,565,000 \div \$390,319,972 = 47\%$]. FirstEnergy Plan at Appendix B, Table 10 at 5. Therefore, we find that FirstEnergy's Phase V EE&C Plan, as a whole, satisfies our directive that at least 50% of its overall Phase V EE&C Plan budget be allocated to incentives, and that less than 50% be allocated to non-incentive cost categories.

(2) Application of Excess Phase IV Budget

(a) Requirements

EDCs cannot use excess Phase IV funds to implement Phase V programs. After June 1, 2026, the EDCs can only use Phase IV budgets to close out program

delivery, EM&V, and reporting obligations for measures installed and commercially operable on or before May 31, 2026. Similarly, EDCs may continue to spend their Phase IV budgets even if their consumption and/or peak demand reduction goals are met before the end of Phase IV. However, EDCs may spend their Phase IV budgets past May 31, 2026 only to account for those program measures installed and commercially operable on or before May 31, 2026, and to finalize the CSP and administrative fees related to Phase IV. The Commission's Bureau of Audits will subsequently reconcile Phase IV funds collected by the EDCs, compared to Phase IV expenditures, and direct the EDCs to refund any over-collections to the appropriate rate classes. *Phase V Implementation Order* at 239, 242.

Additionally, with respect to the caps on savings carryover percentages we clarified, as follows:

- Energy (MWh) is **capped**, meaning that no more than 20% of an EDC's Phase V consumption reduction targets can be achieved by carryover savings from Phase IV.
- Peak demand savings (MW) is **discounted** by a factor of 50%, meaning that EDCs can only carry over half of the peak demand savings they achieve in Phase IV in excess of their Phase IV target towards Phase V peak demand reduction targets.
- Energy carryover is *capped but not discounted*. Peak demand carryover is *uncapped, but discounted*.

Phase V Implementation Order at 241 (emphasis in original).

(b) Disposition

Our review of the record indicates that the Company is in compliance with the directive in our *Phase V Implementation Order* which prohibits the use of excess Phase IV funds to implement Phase V programs. FirstEnergy represents that the

Company will not begin implementation of the Phase V programs prior to Commission approval of the program and CSP contracts. Similarly, FirstEnergy stresses in its Plan that the Company will not begin offering incentives and rebates to customers until after Commission approval of the Phase V EE&C Plan and will initiate controls to ensure that the rebates apply only to those measures installed and commercially operable after May 31, 2026, and before June 1, 2031. According to the Company, applications completed and processed for program measures installed and commercially operable on or before May 31, 2026, as well as CSP or administrative fees related to Phase IV, will be considered Phase IV expenses and will be tracked and reported accordingly. Conversely, the Company asserts that applications completed and processed after May 31, 2026 for program measures installed and commercially operable on or before May 31, 2031, as well as CSP or administrative fees related to Phase V, will be considered Phase V expenses and will also be tracked and reported accordingly. FirstEnergy adds that Phase V costs will be accounted for separately from Phase IV costs. FirstEnergy Plan at 127-28. Further, as previously noted, the Company is not applying any carryover savings from Phase IV for application to either its consumption reduction requirements or its PDR requirements. *Id.* at 25.

(3) Rebate Application Deadlines

(a) Requirements

In our *Phase V Implementation Order*, we required EDCs to include rebate deadlines in their Phase V EE&C plans. Although we believe that EDCs and their stakeholders are in the best position to determine the appropriate deadlines, we suggested that 180 days be the maximum deadline. Thus, we proposed that, if an EDC includes a deadline for rebates longer than 180 days in their EE&C Plan, that the EDC has the burden to provide a clear and reasonable rationale for the longer timeframe. *Phase V Implementation Order* at 242-44.

(b) Disposition

The Company's Plan includes language specifying that, in general, the maximum deadline for rebates is 180 days after purchase. The Company also notes that it may allow an extended period for customers when the evaluation, reporting, and reconciliation timing of all project measures installed meets Phase V requirements to support customer participation (e.g., customer business processes, finalizing project applications, documentation, or other information). FirstEnergy Plan at 52, 68, 91-92, and 114. In view of the above, we find FirstEnergy's EE&C Plan to be consistent with the directives in our *Phase V Implementation Order* with respect to rebate application deadlines.

2. Cost Effectiveness/Cost-Benefit Issues

a. Requirements

The Act requires an EDC to demonstrate that its plan is cost-effective, using the TRC Test approved by the Commission. 66 Pa.C.S. § 2806.1(b)(1)(i)(I). The TRC Test to be used for evaluating Phase V EE&C plans was approved by the Commission in the *2026 TRC Test Order*.

In our *Phase V Implementation Order*, we maintained the practice used in each prior Act 129 Phase, where Net-to-Gross (NTG) ratio research results are used for modifications to existing programs, as well as for planning purposes for future phases. Furthermore, we proposed that compliance in Phase V be determined using gross verified savings. Additionally, we proposed that the EDCs include in their EE&C plans net TRC ratios, as well as gross TRC ratios, based on the best available estimates of NTG research for a given program type. We reserved the right to reject EE&C plans that rely heavily on measures with high expected rates of free ridership (*i.e.*, program savings attributable

to program participants who would have implemented a program measure or practice even in the absence of the program). We recognized that prospective NTG adjustments are less precise than retrospective adjustments, but stressed the importance of making adequate primary and secondary data available to the EDCs and their EM&V contractors to produce reasonable projections. We further stressed that the EDCs and their EM&V contractors should consider the vintage of NTG research when developing prospective NTG factors. We noted that as markets mature, the free ridership rate for a given technology will often increase. Moreover, we concluded that the inclusion of NTG-based TRC ratios would provide all stakeholders with additional information regarding the effectiveness of EE&C measures and programs. *Phase V Implementation Order* at 218-22.

b. Disposition

As shown in Table 6, below, FirstEnergy indicates a total portfolio cost-benefit ratio (*i.e.*, TRC ratio) of 1.10 in its Plan.

Table 6: Portfolio Summary of Lifetime Costs and Benefits of FirstEnergy’s Phase V EE&C Plan³²

Sector	Total Discounted Lifetime Costs (\$000)	Total Discounted Lifetime Benefits (\$000)	Present Value of Net Benefits (\$000)	Benefit-Cost Ratio (TRC Ratio)
Market Rate Residential (exclusive of Low-Income)	\$235,421	\$255,030	\$19,609	1.1
Residential Low-Income	\$71,425	\$82,629	\$11,205	1.2
Small Commercial & Industrial	\$355,119	\$424,435	\$69,315	1.2
Large Commercial & Industrial	\$380,883	\$401,116	\$20,233	1.1
Total Portfolio	\$1,042,849	\$1,163,211	\$120,362	1.1

FirstEnergy Plan at Appendix B, Table 1. As such, we find the Plan to be cost-effective from an energy efficiency standpoint.

The Plan also includes both a gross TRC ratio and a net TRC ratio for each program for the Company. FirstEnergy Plan at Appendix B, Table 14.³³ Additionally, the Company notes in its EE&C Plan that it included estimated NTG ratios based on previous program evaluations or other experience in planning and in performing cost-effectiveness calculations on a net basis, as prescribed in the *2026 TRC Test Order*. FirstEnergy asserts that such ratios depend on assumptions regarding the effects from free ridership, spillover, and rebound effects. The Company cautions that estimates for these factors are difficult to quantify, are subjective, and can change over time and that methods for measuring NTG ratios range from inexpensive surveys to more complex

³² Table 6 is a nearly direct reprint of Appendix B, Table 1 of the Company’s Plan. In this Table, FirstEnergy notes that: (1) “Net Benefits” refers to the arithmetic difference between the previous two columns and does not refer to net verified savings. Calculate Present Value of Net Benefits and TRC ratio per the *2026 TRC Test Order*; (2) With respect to the Market Rate Residential Sector, the Commission, in the *Phase V Implementation Order*, disallowed the inclusion of low-income participation in non-low-income programs in the calculation of savings towards the low-income carve-out; and (3) Total Discounted Lifetime Benefits include only savings from measures installed and operable between June 1, 2026, and May 31, 2031, and excludes carryover of Phase IV savings. FirstEnergy Plan at Appendix B, Table 1, nn.1-3.

³³ Appendix B, Table 14 of the Company’s Plan consists of two tables: Appendix B, Table 14: TRC Benefits Table (Gross) and Appendix B, Table 14: TRC Benefits Table (Net).

econometric modeling. As such, the Company points out that in evaluating any TRC results that incorporate NTG ratios, it is imperative that stakeholders recognize the speculative nature of such ratios. FirstEnergy Plan at 151-52.

On review of the record evidence, we find that FirstEnergy has satisfied the requirement outlined in our *Phase V Implementation Order*, wherein we instructed EDCs to include net TRC ratios and gross TRC ratios. On review of these ratios, as set forth in Appendix B, Table 14 of FirstEnergy's Plan, we find that the Company's Plan, as a whole, is cost-effective.

3. Cost Allocation Issues

a. Requirements

66 Pa.C.S. § 2806.1(a)(11) requires that EE&C measures be financed by the same customer class that receives the energy and conservation benefits of those measures. In the *Phase V Implementation Order*, we stated:

In order to ensure that all approved EE&C measures are financed by the customer classes that receive the benefit of such measures, it will be necessary to first assign the costs relating to each measure to those classes to whom it benefits. Therefore, once the EDC has developed an estimate of its total EE&C costs as directed above, we proposed that the EDC be required to allocate those costs to each of its customer classes that will benefit from the measures or programs to which the costs relate. Those costs that demonstrably and exclusively relate to measures or programs that have been dedicated to a specific customer class should be assigned solely to that class. Those costs that relate to measures or programs that are applicable to more than one class, or that can be shown to provide system-wide benefits, should be allocated using reasonable and generally acceptable cost of service principles as are commonly utilized in base

rate proceedings. Administrative costs should also be allocated using reasonable and generally acceptable cost-of-service principles.

Phase V Implementation Order at 244-46 (note omitted).

b. Disposition

Upon review of the Company's Plan and its Phase V EE&C-C Rider, we find that the Plan and Rider adequately address how FirstEnergy will allocate those costs that relate to measures that are applicable to more than one class, or that can be shown to provide system-wide benefits.

4. Cost Recovery Issues

a. Requirements

The Act allows an EDC to recover from customers, on a full and current basis, through a reconcilable adjustment clause under 66 Pa.C.S. § 1307, all reasonable and prudent costs incurred in the provision or management of its plan. 66 Pa.C.S. § 2806.1(k)(1). Each EDC's plan must include a proposed cost recovery tariff mechanism, in accordance with 66 Pa.C.S. § 1307 (relating to sliding scale of rates; adjustments), to fund all measures and to ensure a full and current recovery of prudent and reasonable costs, including administrative costs, as approved by the Commission. 66 Pa.C.S. § 2806.1(b)(1)(i)(H).

In the *Phase V Implementation Order*, the Commission adopted a standardized cost recovery and reconciliation process that will enable the EDCs and ratepayers to compare the cost recovery of program expenditures of all EDCs on an equal basis. We also concluded that it is beneficial to the EDCs and ratepayers that, with the

implementation of Phase V, the annual surcharge should be based on the projected program costs that the EDC anticipates will be incurred over the surcharge application year to attain the conservation targets. Additionally, we noted that a reconciliation methodology based upon actual expenditures is pursuant to Section 1307(e) of the Code, 66 Pa.C.S. § 1307(e), and allows for the provision of interest on over- or under-recoveries. Thus, we concluded that these measures would mitigate the over- or under-recovery of costs during the surcharge application period. As such, consistent with our determination in the *Phase III Implementation Order*³⁴ and *Phase IV Implementation Order*,³⁵ we did not require the provision of interest on over-or under-recoveries. *Phase V Implementation Order* at 247-48.

To further standardize the filing process, we directed that, beginning in 2026, the EDCs file the annual rate adjustments by May 1, to become effective June 1. Concurrent with the annual rate adjustment, the EDCs will submit, in a separate filing, the annual reconciliation statement thirty days following the end of the reconciliation period in accordance with Section 1307(e) of the Code, 66 Pa.C.S. § 1307(e). In order to transition from Phase IV, ending May 31, 2026, to Phase V, beginning on June 1, 2026, we proposed that each EDC reconcile its total actual recoverable EE&C Plan expenditures incurred through March 31, 2026, with its actual EE&C Plan revenues received through March 31, 2026.³⁶ In addition, we directed each EDC to include, as part of the calculation of the Phase V rates to become effective June 1, 2026, as clearly identified separate line items, projections of the expenses to finalize any measures installed and commercially operable on or before May 31, 2026; expenses to finalize any

³⁴ See *Phase III Implementation Order* at 49.

³⁵ See *Phase IV Implementation Order* at 141.

³⁶ Due to the timing of the filing, the reconciliation statement will contain 10 months of revenues and expenses. The remaining two months of Program Year 17 (*i.e.*, June 1, 2025 through May 31, 2026) will be reconciled with the Program Year 18 revenues and expenses. *Phase V Implementation Order* at 248, n.145.

contracts; and other Phase IV administrative obligations. The Phase IV rate that becomes effective June 1, 2025 will remain effective through May 31, 2026. We further directed each EDC to include, as clearly identified separate line items in the subsequent reconciliation period: (1) the revenues and expenses of the remaining two months of Phase IV (*i.e.*, April 2026 and May 2026) (2) expenses to finalize any measures installed and commercially operable on or before May 31, 2026; (3) expenses to finalize any contracts; and, (4) other Phase IV administrative obligations. *Phase V Implementation Order* at 248-49.

Each EDC was directed to set forth the standardized reconciliation process and the calculation of the annual surcharge in a supplement or supplements to the EDC's tariff to become effective June 1, 2026, and to be accompanied by a full and clear explanation as to their operation and applicability to each customer class. The EE&C rates are subject to continuous Commission review and audit as well as reconciliation reports in accordance with Section 1307(e) of the Code, 66 Pa.C.S. § 1307(e). *Phase V Implementation Order* at 249.

Finally, we directed FirstEnergy to propose a cost recovery tariff mechanism that considers the eventual consolidation of its four rate districts. *Phase V Implementation Order* at 247.

b. Disposition

FirstEnergy proposes a Phase V EE&C-C Rider to recover its costs related to its Phase V EE&C Plan. The Company sets forth its proposed Phase V EE&C-C Rider in FirstEnergy Exhibits SRZ-1 and SRZ-2. According to FirstEnergy, its Phase V EE&C-C Rider is almost identical to the Phase IV EE&C-C Rider that is currently in effect to recover costs incurred under the Predecessor Companies' Phase IV Plans. However, FirstEnergy explains that its Phase V EE&C-C Rider contains two changes,

when compared to its Phase IV EE&C-C Rider. First, the Company notes that its proposed Phase V Plan consists of one consolidated plan for the Company, which will be comprised of one rate per customer class that is uniform across its four Predecessor Companies' rate districts. FirstEnergy adds that, for Phase IV, each rate district had a unique Phase IV Plan, and as a result, the EE&C-C Rider rates were calculated separately for each customer class of each Predecessor Company's rate district. Second, FirstEnergy explains that PJM FCM revenues are no longer eligible to be included as a credit in the rate calculation. As such, the Company has removed these revenues and credits from the proposed tariff language in the Phase V EE&C-C Rider. FirstEnergy St. 2 at 4, 5; *see also* FirstEnergy Plan at 29.

Next, FirstEnergy explains that the Phase V EE&C-C Rider rates are expressed as a price per kWh for the residential, commercial, and street lighting customer classes. On the other hand, the Company notes that the industrial customer class will be billed based upon the individual customer's PLC kW. The Company represents that its Phase V EE&C-C rates will be calculated separately for the residential, commercial, street lighting, and industrial customer classes and will consist of three principle components: (1) the EE_{C_C} , or "current cost," component; (2) the reconciliation component, or "E" factor, for Phase V costs; and (3) a second "E" Factor (E^2) for collection of Phase IV related costs not collected through the Phase IV EE&C-C Rider. The Company proposes that the Phase V EE&C-C Rider become effective for service rendered on or after June 1, 2026, and continue through May 31, 2031. Additionally, as noted in Section III.A, *supra*, FirstEnergy states that customers taking service under the Met-Ed rate district's or Penelec rate district's Borderline Service rate schedule will not pay the Phase V EE&C-C Rider charge. The Company provides that these rate schedules are only available to public utility companies for resale in adjacent service territories under reciprocal agreements between the other public utilities and either Met-Ed or Penelec rate districts. As such, the Company continues, these public utilities are ineligible for any of the EE or PDR programs proposed in the Company's Phase V Plan.

Accordingly, no Phase V EE&C-C Rider charge will be applied to Borderline Service customers. However, FirstEnergy stresses that all other customers in its service territory will pay the EE&C-C rates applicable to their rate class. FirstEnergy St. 2 at 5-7, 8-9.

Additionally, FirstEnergy submits that on an annual basis, to be effective June 1 of each year starting June 1, 2026, the Company will file by May 1st of the same year the following information:

- A reconciliation between actual Phase V EE&C-C revenues and actual Phase V EE&C-C costs for the Phase V EE&C-C Reconciliation Period, as adjusted for removal of gross receipts tax. Because this is a new rider, this information is not being provided in support of the Phase V EE&C-C Rider rates for the period June 1, 2026 through May 31, 2027. Such reconciliations will be provided starting in Program Year 2 for rates to be effective June 1, 2027.
- Any adjustment to the forecasted Phase V EE&C-C revenues anticipated to be billed during April and May of the applicable program year, as adjusted for the removal of Gross Receipts Tax (GRT). FirstEnergy states that because this is a new rider, this information is not being provided in support of the Phase V EE&C-C Rider rates being proposed for the period June 1, 2026 through May 31, 2027. Rather, FirstEnergy explains that Such adjustments will be provided starting in Program Year 19 (i.e. Program Year 2 of Phase V).
- The Phase V EE&C budget estimate for the forthcoming Phase V EE&C-C Computational Period by rate class.
- A reconciliation adjustment for any remaining Phase IV EE&C costs that were not collected by the end of the Phase IV Period. The Company states that this adjustment will only be included in the initial EE&C-C rate that will become effective on June 1, 2026, and the subsequent

EE&C-C rate that will be in effect for the period
June 1, 2027 through May 31, 2028.

FirstEnergy Plan at 147.

FirstEnergy further explains that because the rider filings are generally filed with the Commission on May 1st of each year to be in effect on June 1st of that same year, Phase IV costs will be reconciled in two distinct steps. The first step will reconcile the total actual recoverable Phase IV Plan expenditures incurred through March 31, 2026, to the actual Phase IV Plan revenues collected through March 31, 2026. FirstEnergy adds that because the Phase IV Rider will end on May 31, 2026, the result of the Phase IV reconciliation through March 31, 2026, will appear as a separate line item in the Phase V EE&C-C Rider. The second step will account for all actual Phase IV revenues and expenses that are realized after April 1, 2026, in a final reconciliation. FirstEnergy asserts that the final over/under collection that results from this reconciliation will also be included as a separate line item in the Phase V EE&C-C rate calculation that will be effective on June 1, 2027. FirstEnergy Plan at 150.

Based on our review of the Company's cost recovery mechanism, as contained in its Plan and its Phase V EE&C-C Rider, we have concerns regarding the Company's proposed cost recovery tariff mechanism that considers the eventual consolidation of its four rate districts. First, the Phase V Plan and Phase V EE&C-C Rider are silent as to how the remaining E² balance as of May 31, 2028 will be resolved. The E² balance is recovered on a rate district basis. However, there is no proposal to add the remaining E² balance to the Phase V E balance, which is recovered on a customer class basis, or to continue the E² recovery mechanism past May 31, 2028. This needs to be addressed by the Company.

Our second concern is with respect to the following rate calculation formula in the Phase V EE&C-C Rider:

$$EE\&C-C = \{[EEC_c - E - E^2] / S\} \times [1 / (1 - T)]$$

Where:

- EE&C-C = The charge in cents or dollar per Billing Unit by Customer Class as defined by this rider applied to each Billing Unit for the Rate Schedules identified in this rider.
- E = The cumulative over or under-collection of Phase V EE&C costs by Customer Class that result from the billing of the Phase V EE&C-C rates (an over- collection is denoted by a positive E and an under-collection by a negative E).
- E² = Phase IV EE&C final reconciliation over or under-collection of EEC costs for each Rate District, by Customer Class, that results from the billing of the Phase IV EE&C-C rates through March 31, 2026 (an over- collection is denoted by a positive E and an under- collection by a negative E), and any expenses to finalize any measures installed and commercially operable on or before May 31, 2026; expenses to finalize any contracts; other Phase IV administrative obligations; and any remaining Phase IV EE&C revenues after March 31, 2026.
- S = The Company's projected Billing Units (kWh sales delivered to all Customers in the specific customer class or kW PLC demand for the Industrial Customer Class).
- T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in

decimal form as reflected in the Company's base rates.

FirstEnergy Exh. SRZ-1 at 2-3.

As noted above, in the *pro forma* tariff, "S" is the Company's projected Billing Units (kWh sales delivered to all Customers in the specific customer class or kW PLC demand for the Industrial Customer Class). The E² is calculated on a rate district basis, but there is no "S" that represents billing units delivered to each rate district, by customer class. Thus, the Company's *pro forma* tariff needs revised to address these issues.

Based on our review of the Company's cost recovery mechanism as contained in its proposed Phase V EE&C-C Rider, we are concerned that this mechanism may not fully comply with our directives set forth in the *Phase V Implementation Order*. Therefore, we shall reject the Company's proposed *pro forma* tariff, as filed, and shall direct FirstEnergy to consult with the Commission's Bureau of Audits within thirty days of the entry of this Opinion and Order so that the Company may revise its *pro forma* tariff to address the issues outlined above. We will further direct that the Company file a tariff supplement within sixty (60) days of the entry of this Opinion and Order containing the revised cost recovery mechanism, based on its consultation with the Bureau of Audits.

C. Conservation Service Provider Issues

1. Requirements

In the *Phase V Implementation Order*, and as required by Act 129, the Commission directed that all Phase V CSP contracts be competitively bid.

See 66 Pa.C.S. § 2806.1(a)(7). As a result, the Commission required EDCs to file their Phase V request for proposal (RFP) procedures for Commission review and approval. EDCs were encouraged to file their proposed RFP process by August 30, 2025. If Commission staff did not comment on the proposed process within fifteen days of its filing, the EDC was permitted to use that process. We also clarified that we adopted the competitive bidding requirements, with the modification that EDC contracts pertaining to Act 129 activities, which do not cover implementation or EM&V, may forgo the competitive bidding process with individual vendors if the cumulative value of contracts for that vendor's work does not amount to more than 1% of the EDC's Phase V budget. *Phase V Implementation Order* at 224-27.

FirstEnergy filed its RFP process on August 25, 2025 and Commission staff approved this process by Secretarial Letter dated September 8, 2025, at Docket No. M-2025-3052826.

2. Disposition

In Section 4.3 of its Plan, FirstEnergy represents that it will perform the overall administration and oversight of its Plan and will contract with one or more experienced CSPs to implement the portfolio of programs in its EE&C Plan. The Company also plans for the CSP(s) for its Low-Income Energy Efficiency Program to contract with community-based organizations (CBOs) for the delivery of certain program components, including those coordinated with its LIURP program. FirstEnergy explains that the Low-Income Energy Efficiency Program coordinates with the LIURP program to have the CSPs leverage CBOs for delivery of certain program measures, in conjunction and coordination with the LIURP program delivery. FirstEnergy Plan at 133. FirstEnergy submits that when selecting the CSPs, the Company will adhere to the vendor selection and contracting requirements, as set forth in the *Phase V Implementation Order*, and will select through its Commission-approved competitive bidding process all

CSPs that provide consultation, design, administration, and management or advisory services to the Company. The Company represents that every CSP contract will be submitted to Commission staff for review and will be contingent upon Commission approval of both the contract and the applicable program(s) that is the subject of the contract. Petition at 15-16.

FirstEnergy adds that the Company's RFP for EM&V services for its EE&C Plan was issued on September 10, 2025. The Company states that a team within the Company's EE&C department evaluated the response and the selection was made based upon the firm possessing substantial qualifications in energy efficiency and demand response EM&V. According to FirstEnergy, the selected bidder, ADM Associates, Inc., has worked previously with the Company in Pennsylvania and with its affiliates in other jurisdictions, and has demonstrated its experience and expertise in its field, under Act 129 in Pennsylvania and in the industry. FirstEnergy continues that in accordance with the requirements set forth in the *Phase V Implementation Order* and in 66 Pa.C.S. § 2806.1(b)(1)(i)(E), the Company filed this CSP contract concurrently with its Plan on a "CONFIDENTIAL" basis, including the CSP's qualifications and basis for selection. FirstEnergy Plan at 133-34.

FirstEnergy also represents that the Company issued an RFP for program implementation CSP(s) for its programs for its residential and its C&I sectors on December 12, 2025 and October 24, 2025 respectively. The Company states that these RFPs include all program components, including EE&C, Behavioral, Multifamily, and Demand Response. FirstEnergy Plan at 134.

FirstEnergy further asserts that it will: (1) select other CSPs through the same approved RFP process, and (2) continue to adhere to the requirements as set forth in the *Phase V Implementation Order* and will select all CSPs that provide consultation, design, administration and management, or advisory services to the Company through a

competitive bidding process. FirstEnergy avers that the RFP(s) will be distributed to all qualified CSPs registered on the Commission's website, and the Company will strive to acquire bids from minority or other special category businesses, consistent with the Commission's Policy Statements at 52 Pa. Code §§ 69.804, 69.807 and 69.808. FirstEnergy Plan at 134.

Notwithstanding the above, FirstEnergy explains that it will forgo the competitive bidding process for its Tracking and Reporting (T&R) system vendor because the Company plans to leverage its existing system, which contains historic data and contains established processes, interfaces and reports, and would require significant efforts and costs to change vendors. FirstEnergy Plan at 134. FirstEnergy stresses that forgoing the competitive bidding process for its T&R system vendor is consistent with the provisions of our *Phase V Implementation Order* because the Phase V Plan budget for the T&R system vendor contract is less than 1% of the Company's Phase V EE&C Plan budget. *Id.* at 134, n.24.

On review of the record evidence, we find that the Company's Plan provisions set forth in Section 4.3 for the selection and the utilization of CSPs are consistent with the requirements set forth in Act 129 and in the *Phase V Implementation Order*.

D. Implementation and Evaluation Issues

1. Implementation Issues

a. Requirements

The Act requires the Commission to establish procedures to ensure compliance with the consumption and peak demand reduction requirements of the Act.

66 Pa.C.S. § 2806.1(a)(9). To facilitate compliance determination, each EDC subject to Act 129 must include, in its Program Year 22 Final Annual Report, information documenting their gross verified consumption and peak demand reductions acquired from June 1, 2026, through May 31, 2031. This filing must provide total portfolio savings as well as savings results for each category of interest called for in the EDC Annual Report Template prepared by the Phase V SWE. To comply with Act 129, an EDC must demonstrate that, during the period of Phase V (*i.e.*, from June 1, 2026, through May 31, 2031), its plan produced energy savings and PDRs equal to or greater than the targets established in the *Phase V Implementation Order*. Carryover of excess savings from Phase IV to Phase V shall also be considered in the determination of compliance with Phase V targets. *Phase V Implementation Order* at 214-15.

b. Disposition

The Company's Program Management and Implementation Strategies are contained in Section 4 of its Plan. This section states that generally, FirstEnergy will have overall administration and oversight of its Plan. Specific activities that the Company will oversee include Plan development, execution of marketing campaigns, quality assurance and quality control, and tracking and reporting activities. The Company will also utilize third party vendors, CSPs, consultants, program allies, and other entities engaged in energy efficiency to perform various program implementation and support duties. These duties include assistance with plan design and implementation, marketing, application and rebate processing, EM&V, and the installation of the tracking and reporting tool. FirstEnergy Plan at 119-20.

On the basis of our review of the Company's EE&C Plan, we shall approve the implementation and management strategies contained in Section 4 of the Plan, having found them to be reasonable and consistent with Act 129 and the *Phase V Implementation Order*.

2. Monitoring, Reporting and Evaluation Issues

a. Requirements

The Act requires the Commission to establish an evaluation process that monitors and verifies data collection, quality assurance, and the results of each EDC EE&C plan and the EE&C Program as a whole. *See* 66 Pa.C.S. § 2806.1(a)(2). While Section 2806.1(b)(1)(i)(C) of the Code, 66 Pa.C.S. § 2806.1(b)(1)(i)(C), requires each plan to explain how to measure, verify, and evaluate quality assurance and performance, it is apparent that Section 2806.1(a)(2) of the Code, 66 Pa.C.S. § 2806.1(a)(2), requires the Commission to monitor and verify this data. This evaluation process is to be conducted every year, as each EDC must submit an annual report documenting the effectiveness of its EE&C plan, energy savings measurement and verification, an evaluation of the cost-effectiveness of expenditures, and any other information the Commission requires. *See* 66 Pa.C.S. § 2806.1(i)(1); *Phase V Implementation Order* at 205-06.

For Phase V, the Commission directed EDCs to file semiannual reports on January 15 of each year, which are to provide information regarding the first 2 quarters of the program year. Additionally, EDCs are to submit a final annual report by September 30 of each year, or 122 days after the end of the program year, with reported savings for the program year, a cost-effectiveness evaluation (*i.e.*, the TRC Test), a process evaluation, as well as other items required by Act 129 and Commission Orders. In addition, the Commission recognized the range of stakeholders interested in the installation of comprehensive, longer-lived, deeper savings measures through EDC programs. Therefore, we directed the Commission's Bureau of Technical Utility Services (TUS) to work with the Phase V SWE to develop reporting requirements for comprehensive program offerings and whole home, comprehensive measures for the EDCs in Phase V. *Phase V Implementation Order* at 210-11, 213-14.

With respect to FirstEnergy, we further noted that Phase V will be the first phase for which the Company's four Predecessor Companies will implement programs as the consolidated FirstEnergy EDC. As such, we directed that FirstEnergy report, at a minimum, total savings and expenditures at the rate district level. We reasoned that this requirement will: (1) help to ensure that programs are effectively serving all four of the Company's rate districts, (2) allow for some comparability to prior phases of the EE&C Program, and (3) allow for greater transparency in terms of funding allocation. *Phase V Implementation Order* at 211, 213.

b. Disposition

FirstEnergy's monitoring and reporting strategies are described in Sections 5 and 6 of its Plan. FirstEnergy Plan at 139-46.

In Section 5 of its Plan, FirstEnergy represents that it will comply with the Commission's reporting requirements as prescribed in the *Phase V Implementation Order*, including the filing of both the semiannual and annual reports. FirstEnergy restates that the Company plans to continue using the T&R CSP and the current T&R system to provide the required reports, as prescribed. FirstEnergy explains that the T&R system provides the ability to monitor the progress of the various programs being offered, supporting the Company's oversight and administration of the programs, and to generate the reports as required by the Commission. FirstEnergy Plan at 139.

FirstEnergy adds that the T&R system has the ability to track a customer through program-specific statuses. According to the Company, the T&R system provides standard status reports, both for individual participants and at the program level. Additional enhancements will be made to the T&R system, as deemed necessary for Phase V and the additional *Phase V Implementation Order* requirements, including, but not limited to, additional reporting requirements for comprehensive program offerings,

summer and winter PDR reporting requirements, and as deemed necessary for any future requirements. Further, FirstEnergy explains that the Company will continue to utilize SAP³⁷ enterprise software for financial management and reporting of program costs, including administrative costs associated with braided funding. The Company states that the format and content will be consistent with that defined by the Commission and the Phase V SWE. FirstEnergy stresses that the T&R system is web based, thus requiring an internet connection for access. The Company adds that the T&R System is designed to allow for varying levels of security-controlled access, and that access for other parties, including the Commission staff and the Phase V SWE, will be provided as required. FirstEnergy Plan at 139-40, 141.

Additionally, as set forth in Section H of the Settlement, the Company agrees to do the following in its annual reports: (1) track and report unique customer participation in its small C&I and large C&I program components; (2) track and report customer participation in the Company's Plan; (3) track and report participation and expenditures for multi-family buildings and other businesses; (4) track and report customer participation and demand savings of its DLS and PDR program components; and (5) track and report Health and Safety remediation. Additionally, within 150-days of the approval of the Company's Phase V Plan, the Company commits to identify and describe participation pathways for industry-specific customer segments, including, at a minimum, agriculture and data center customers, where such pathways are cost-effective and consistent with Act 129 requirements and the Company's Plan. Joint Settlement at 10, ¶¶ 43-48; *see also* FirstEnergy Plan at 139. Moreover, as provided for in Section J of the Settlement, the Company has agreed to hold biannual stakeholder meetings for the duration of the Plan, with at least one stakeholder meeting held in person at a central location. Joint Settlement at 11, ¶¶ 50-51.

³⁷ SAP, which stands for System Applications and Products, is FirstEnergy's Enterprise Resource Planning (ERP) software. FirstEnergy Plan at 9, n.27.

In Section 6 of its Plan, the Company describes how quality assurance will be measured, verified, and evaluated. Additionally, the Company presents examples of specific steps it took toward quality assurance and quality control during the design phase of its EE&C Plan. These steps included:

- Using qualified and experienced personnel, including the Company's expert consultants, to assist with the design of EE&C programs
- Selecting EE&C measures that are compliant with the requirements of the Pennsylvania TRM or otherwise proven in the industry
- Using proven approaches that are designed to reach both the energy savings and demand reduction targets set for each Company
- Communicating with interested parties and other stakeholders on EE&C program design and objectives throughout the program development process
- Validating EE&C program assumptions with the Company's expert consultant and implementation team

FirstEnergy Plan at 142.

The Company also provides that, during the implementation phase of its Plan, it intends to contract with experienced implementation CSPs to present processes that accurately document and verify data used to support energy savings and peak load reductions. FirstEnergy explains that it also will perform, directly or through third party evaluators, its own quality assurance processes, including evaluation of CSP systems, to ensure the accuracy and reliability of the reported data and savings. FirstEnergy adds that EM&V efforts evolve over time and change as programs move from initial roll-out to full-scale implementation. Accordingly, the Company states that it will use an

experienced EM&V CSP to develop and implement EM&V processes and procedures. FirstEnergy Plan at 142-45.

Based upon our review of the Company's Plan, we shall approve the monitoring and reporting strategies contained in Sections 5 and 6 of the Plan, as modified by the Settlement, having found them to be reasonable and consistent with Act 129 and the *Phase V Implementation Order*. However, before concluding this section we note that in Appendix B, Table 2a of its Plan, FirstEnergy provides a breakdown of incremental annual savings and annual spending, by rate district, for each of its four Predecessor Companies. Additionally, as noted above, the Company represents that it will comply with the Commission's reporting requirements as prescribed in the *Phase V Implementation Order*, including the filing of both the semiannual and annual reports. Therefore, we reinforce our directive that in doing so, the Company must be sure to report, at a minimum, total savings and expenditures at the rate district level when it files its semiannual reports on January 15 of each year, and its final annual reports by September 30 of each year. As we stated in our *Phase V Implementation Order*, this will, *inter alia*, ensure that programs are effectively serving all four of the Company's rate districts. *See Phase V Implementation Order* at 211, 213.

E. Other Issues

1. Coordination with Other State Conservation Programs

In the *Phase V Implementation Order*, we noted that while conservation programs funded by the Federal Inflation Reduction Act of 2022 (IRA) and coordinated by DEP³⁸ are a relatively new and noteworthy addition to the Commonwealth's energy

³⁸ See <https://www.dep.pa.gov/Citizens/Energy/Pages/Inflation-Reduction-Act.aspx>.

conservation landscape, there are several other conservation programs with which Act 129 programs should coordinate. These include the following:

- Alternative Energy Portfolio Standards Act of 2004, 73 P.S. §§ 1648.1 – 1648.8 and 66 Pa.C.S. § 2814 (AEPS Act) credits administered by InClima with oversight by the Commission.
- LIURP and the Low Income Home Energy Assistance Program (LIHEAP).
- HER and Home Electrification and Appliances Rebate (HEAR) programs managed by the DEP Energy Programs Offices.
- DEP’s Agricultural Energy Efficiency Rebate Program.
- DEP’s Reducing Industrial Sector Emissions in Pennsylvania (RISE PA) Program.
- DEP’s Solar For All Program.

Phase V Implementation Order at 157-58.

a. Braided Funding

(1) Requirements

In the *Phase V Implementation Order*, we noted that the availability of increased funding from outside of Act 129 should help accelerate conservation programming in the Commonwealth. We stressed the importance of Pennsylvania EDCs collaborating, rather than competing, with other program administrators. We proposed that EDCs track and report all outside funding by source, as well as the leverage ratio for each of their EE&C programs and the portfolio as a whole, noting that EDCs should already track the external funding of the EE&C projects they incentivize, in order to

produce accurate TRC Test results. We also proposed defining the leverage ratio as the amount of known external funding for Phase V EE&C projects, relative to the Act 129 incentives issued for those same projects. Further, we directed the EDCs to track any administrative costs incurred to support the braiding of funds. *Phase V Implementation Order* at 158-59, 166-68.

(2) Disposition

In its Plan, FirstEnergy states that it recognizes that leveraging other conservation programs and the availability of outside funding may help to achieve its Act 129 objectives within budgetary limitations. In this regard, the Company states that outside funding combined with Act 129 opportunities will elevate general awareness, improve customers' benefit-to-cost ratios, minimize the upfront investment required by customers, encourage additional participation, and thus accelerate conservation programming in Pennsylvania. The Company states that it will seek to identify federal, state, and local funding opportunities (*i.e.*, braided funding). FirstEnergy represents that it will track and report participation and funding from other external conservation programs by source, as well as calculate the leverage ratio for each program and the administrative costs associated with the Company's incremental administrative efforts to support the coordination with these programs and the braiding of funds. FirstEnergy Plan at 134-35, 138.

On review, we find that FirstEnergy's Plan, as modified by the Settlement, satisfies our requirement, set forth in the *Phase V Implementation Order*, regarding the tracking and reporting of participation and funding from other external conservation programs, by source, and the associated leverage ratios.

b. Heat Pumps and other Fuel Switching

(1) Requirements

In the *Phase V Implementation Order*, although we recognized the greenhouse gas reduction potential of such initiatives, we also explained that beneficial electrification programming that encourages customers to replace fossil fuel equipment with electric equipment runs counter to the objectives of the Act and its clear focus on reductions in electricity consumption and peak demand, and thus should not be included in Phase V EE&C plans. Nonetheless, we acknowledged that the expected expansion of other state and federal conservation programs in the Commonwealth creates an opportunity for the EDCs to support this type of initiative without violating the intent of Act 129. Specifically, the Commission noted, if another state program incentivizes a fuel switching upgrade, the EDCs can and should incentivize the home or business to install a high-efficiency electric unit. Therefore, the Commission proposed that each EDC include in its EE&C plan high-efficiency heat pump and heat pump water heater measures available to HEAR and other non-Act 129 program participants, along with a description of how program delivery will target these bundled, or interwoven, funding opportunities. *Phase V Implementation Order* at 168-69, 174-75.

(2) Disposition

FirstEnergy explains that its Plan includes measures for energy efficient heat pump and heat pump water heaters across all customer sectors. The Company states that customers who implement these technologies under the HEAR program may qualify for the Company's program incentives, in the event that they meet the program and incentive eligibility requirements as defined by the Company's Plan and programs, and in accordance with the PA TRM. FirstEnergy adds that the Company's program implementation CSPs will provide program and customer education and marketing

materials to promote other conservation programs such as the HEAR program and the braided incentive opportunities for qualifying measures, in conjunction with its programs. FirstEnergy represents that such education and marketing materials will communicate the efficiency requirements, and the Company also anticipates providing aligned incentives or incentive tiers for applicable measures to align with applicable non-Act 129 program eligibility requirements to further support braided funding. FirstEnergy Plan at 35.

On review, we find that FirstEnergy has complied with our directive in our *Phase V Implementation Order* regarding the inclusion of heat pumps and heat pump water heater measures.

c. Data Sharing Between EDCs and State Agencies

In our *Phase V Implementation Order*, the Commission agreed that increased data sharing between EDCs and state agencies is important for Phase V of the EE&C Program, given the expected increase in external (to Act 129) funding sources. However, we stressed that the objective of our *Phase V Implementation Order* was to establish compliance targets for Phase V of the EE&C Program and to provide the EDCs with the necessary guidance to develop their Phase V EE&C plans. We further noted that, while relevant to Act 129, data sharing is a much broader topic, which is best addressed in a dedicated proceeding. Accordingly, we did not require the EDCs to include information regarding data sharing between EDCs and state agencies in their Phase V EE&C plans. Instead, we directed TUS, with the assistance of the Commission's Bureau of Consumer Services (BCS) and the Commission's Law Bureau, to convene a working group, within 45 days of the issuance of the *Phase V Implementation Order*, to work with stakeholders to explore certain topics regarding data sharing. We further directed the working group to provide recommendations to the Commission on potential solutions and next steps to foster secure data sharing between program administrators. *Phase V Implementation Order* at 175, 180-82.

d. Support with AEPS Act Registrations

(1) Requirements

In the *Phase V Implementation Order*, we noted that the AEPS Act promotes the development and use of alternative and renewable energy sources and seeks to reduce the Commonwealth's reliance on traditional fossil fuels. We stated that the AEPS Act requires EDCs to obtain a prescribed percentage of their retail electric sales from qualifying alternative energy resources. We also stated that Act 129 programs should contribute more Alternative Energy Credits (AEC) than current registration patterns indicate. We further noted that AEPS registration would provide an additional recurring revenue stream for program participants on top of the upfront EDC rebate, and that the additional supply of AECs could help drive down the cost of compliance for the EDCs. Therefore, we directed each EDC to include a process in its EE&C plan to help facilitate AEPS Act registration for C&I participants of Act 129 programs to register their EE projects and to take advantage of elevated AEC pricing. We posited that each EDC could design this support in a way that aligns with the needs of its customers and treat the cost of AEPS Act registration support as a recoverable administrative cost. *Phase V Implementation Order* at 182-83, 184.

(2) Disposition

In its Plan, FirstEnergy asserts that in accordance with the AEPS Act, for Tier II AECs and for solar PV project Tier I credits, the Company plans to promote the availability of, and support registrations for, C&I participants of its Act 129 programs with eligible EE projects. The Company further plans to collaborate and coordinate with DEP and its AEPS program administrator to establish the promotional, educational, and other information and support to be provided. This includes, but is not limited to,

obtaining customer authorization to share information to facilitate the registration of their eligible projects. FirstEnergy Plan at 85, 107-08, 137-38.

Based upon the above, we find that FirstEnergy's Plan meets the requirement set forth in our *Phase V Implementation Order* that it help facilitate AEPS Act registration for C&I participants of Act 129 programs to register their energy efficiency projects and take advantage of elevated AEC pricing.

e. IRA-Required Audits

(1) Requirements

In our *Phase V Implementation Order*, we explained that other conservation programs will invariably have different rules, eligibility criteria, and administration processes than Act 129 EE&C programs administered by the EDCs. We highlighted that one such example is the HER program requirement to complete ASHRAE Level 2 audits, which represent a significant upfront investment, but which may or may not result in the identification of savings opportunities. As such, we noted that there is no guarantee that a prospective program participant will move forward with some, or all, of the savings opportunities identified due to limited access to capital or other considerations. Nonetheless, we highlighted that the need for this type of technical assistance will likely grow as conservation programs look to move beyond lighting measures and achieve deeper savings in homes and businesses. *Phase V Implementation Order* at 184-85.

Based on the foregoing, we found it reasonable for the EDCs to co-fund ASHRAE Level 2 audits or other technical scoping studies for sites they believe are likely to provide a return on the upfront investment. We noted that in exchange for sharing the cost of the upfront audit, the EDCs should be entitled to provide rebates or direct installation for all eligible electric measures and claim the full associated savings

towards Phase V targets. Thus, we stated that EDCs shall have the flexibility to propose audit co-funding budgets and criteria in their Phase V EE&C plans. We further stated that co-funding an audit alone does not entitle an EDC to full electric savings. Instead, we explained, EDCs must also incentivize or directly install eligible electric measures to claim the full associated savings towards Phase V targets. Finally, we clarified that while EDCs shall be required to contribute financially to audit costs, they will not be required to secure the necessary personnel to perform the audits. Rather, we stated that IRA program administrators should secure the necessary vendors to complete the ASHRAE Level 2 audits. *Phase V Implementation Order* at 185, 187-88.

(2) Disposition

In its Plan, FirstEnergy explains that it has included measures to provide the opportunity to co-fund audits or technical studies, including ASHRAE Level 2 audits to support the IRA HER Program, as part of an incentive towards an overall project, in coordination with other state or federal conservation programs in which audit services are provided for participation. FirstEnergy adds that in conjunction with other Pennsylvania utilities and DEP, the Company plans to identify opportunities where federally funded initiatives through the IRA may complement Act 129 offerings. FirstEnergy explains that these programs focus on, but will not be limited to, low-income customers, and thus will reduce low-income participants' required investment (*i.e.*, incremental costs). FirstEnergy Plan at 58, 71, 135. Additionally, in the Settlement, FirstEnergy has agreed to cover up to 80% of the cost of an ASHRAE Level 2 Audit with DEP for multifamily buildings that participate in DEP's HER Program. Joint Settlement at 8, ¶ 37; *see also* KEEA Statement in Support at 2.

Accordingly, we find FirstEnergy's EE&C Plan, as modified by the Settlement, to be in compliance with our directive in our *Phase V Implementation Order* regarding IRA-required audits.

f. Coordinated Marketing Campaigns

(1) Requirements

In our *Phase V Implementation Order*, the Commission noted that because the Act 129 EE&C Program, and other conservation programs in the Commonwealth, are inherently focused on a common pool of electric account holders, EDCs, and other program administrators should consider joint marketing campaigns that highlight the availability of multiple funding sources. We stated that our intent was not to prescribe jointly developed communications, but to encourage the EDCs to highlight the availability of multiple funding sources and provide prospective Act 129 participants with information as to where they can learn more about external funding opportunities. Although we declined to establish a common statewide platform, we stressed our position that EDCs should explore coordinated marketing efforts where such activities are likely to improve the leverage ratio of Phase V EE&C plans. *Phase V Implementation Order* at 188, 190.

(2) Disposition

In its Plan, FirstEnergy represents that the Company will actively seek to identify other available conservation programs and braided funding sources external to its Act 129 offerings and other programs, as they are available and applicable, including programs of NGDCs and water utilities within the Company's service territory. FirstEnergy also states that it will pursue collaboration and coordination with these programs to provide educational and marketing campaigns to promote to customers and will leverage these programs and braided funding from multiple sources as they are available and applicable to the Phase V Plan offerings. FirstEnergy asserts that relevant external program opportunities and braided funding will be communicated through the Company CSPs, program websites, marketing materials, and program processes. The

Company continues that it also plans to educate the installation contractors and/or point-of-sale personnel regarding the various program opportunities and braided funding sources, given that the contractors and retail outlets are the ones in direct contact with customers. The Company avers that it will collaborate with the other program and braided funding administrators to promote and support participation amongst the mutually beneficial programs that align with the Company's Plan program offerings in an aligned and efficient manner. FirstEnergy Plan at 135, 136.

Additionally, as provided for in the Settlement, FirstEnergy has agreed to, on at least an annual basis through the duration of Phase V, convene program coordination meetings with other partners, including NGDCs with overlapping service territory, LIURP providers, Weatherization Assistance Program providers, home preservation program providers, DEP, and other stakeholders and interested parties, to identify steps to improve program coordination. At a minimum, the meetings will address implementation of recommendations from the Commission's data sharing work group, streamlined referral processes, and coordinated measure delivery. The Company will provide updates regarding its coordination with other conservation programs at the Company's Act 129 stakeholder meetings. Joint Settlement at 10-11, ¶ 49; *see also* FirstEnergy Plan at 10-11.

Therefore, we find that FirstEnergy's Plan, as modified by the Settlement, satisfies our directives in our *Phase V Implementation Order* regarding coordinated marketing campaigns that highlight the availability of multiple funding sources.

2. Working Groups and Enhanced Transparency for Stakeholders

In our *Phase V Implementation Order*, the Commission considered several stakeholder recommendations to facilitate enhanced stakeholder engagement and to establish a variety of working groups. However, we found that stakeholder meeting

mandates would add to the EDCs' administrative costs, without providing a clear benefit. Thus, we declined to establish additional working groups or stakeholder engagement mechanisms beyond the data sharing working group, as discussed above. The Commission opined that the EDCs and participating stakeholders have developed a well-functioning system of stakeholder engagement that allows for mutual feedback to aid in the implementation of successful EE&C programs. *Phase V Implementation Order* at 250-53. Through this Opinion and Order, we reinforce our belief that directing the establishment of additional working groups would not be a prudent investment of limited resources.

3. Statewide Contractor Training and Workforce Development Programs

In the *Phase V Implementation Order*, the Commission considered certain recommendations to adopt statewide contractor training and workforce development programs. However, we declined to adopt these recommendations, finding the creation of such training and development programs to be beyond the scope of our Phase V EE&C Program. *Phase V Implementation Order* at 253-54. We reinforce this finding in this Opinion and Order.

F. Overall Disposition of the Settlement

As noted in Section IV, *supra*, the Commission has articulated its general policy favoring settlements. *See* 52 Pa. Code § 5.231(a); *see also* 52 Pa. Code §§ 69.401, *et seq.* However, we must also determine whether the proposed terms and conditions, therein, are in the public interest. *See C.S. Water and Sewer, supra.*

Upon review of the Settlement, we find that FirstEnergy's EE&C Plan, as modified by the Settlement, is in the public interest because it includes and/or addresses all of the elements prescribed by Section 2806.1 of the Code, 66 Pa.C.S. § 2806.1, the

applicable Commission Regulations, and the Commission's policies articulated in its EE&C Program. The Settlement provides for certain modifications to FirstEnergy's Initial Plan and represents a compromise among the Joint Petitioners that resolves all of the issues that have been raised in this proceeding. Based on our review of the record, we conclude that the proposed Settlement is in the public interest and shall adopt the Settlement, as modified below.

We are in agreement with the Joint Petitioners that the proposed Settlement represents a reasonable compromise and resolution of the issues that the Joint Petitioners raised in this proceeding. In the instant proceeding, the Joint Petitioners unanimously assert that the proposed Settlement is in the best interests of FirstEnergy and its customers and reflects a carefully balanced compromise of the interests of all of the Joint Petitioners. Settlement at 4, ¶ 21. As FirstEnergy observes in its Statement in Support, the fact that the Joint Settlement is unopposed is, in and of itself, a strong indication that the Settlement is reasonable and in the public interest, particularly given the diverse interests of the Joint Petitioners and the active roles they have taken in this proceeding. We agree. See FirstEnergy Statement in Support at 2. We further agree with the Joint Petitioners' assertion that approval of the Settlement will avoid further administrative, and possible appellate, proceedings, thereby avoiding substantial costs to the Joint Petitioners and to FirstEnergy's customers by lending certainty to the outcome of this proceeding. *Id.* at 12, ¶ 54.

As discussed in Sections V.A-E, above, we also find that FirstEnergy's Plan, as modified by the Settlement, satisfies the vast majority of the directives set forth in our *Phase V Implementation Order*, and is therefore in the public interest. Moreover, in addition to the avoidance of litigation and associated costs, the beneficial aspects of the Settlement include: (1) the Company's agreed-upon modifications to its residential and residential low-income programs to provide more focus on comprehensive program measures; (2) the Company's agreement to pursue Health and Safety remediation with

other available programs and, if other programs are not timely available or applicable, to provide a portion of its Low-Income Weatherization program component budget for Health and Safety remediation, up to 50% of the total weatherization measure cost, when the cost and energy savings attributable to the remediation meet program component acquisition cost based on available program funds; (3) FirstEnergy's agreement to reduce small C&I lighting savings by 10% and to reallocate these resources to custom, building shell, air sealing, insulation, and HVAC/heat pump offerings; (4) the Company's agreement to exclude tariff streetlighting participation and incentives from the Plan, and to reallocate those budgets to the Custom and/or Energy Management program components; (5) FirstEnergy's agreement to revise its DLS and PDR program component projections for smart thermostats to 6 MW to reflect a ramp up in participation and savings that also allows sufficient time for a CSP to be onboarded; (6) the Company's agreement to revise its eligibility criteria for the DLS and PDR program components to exclude diesel and other fossil fuel backup generators, so long as such exclusion does not impede the Company's ability to meet its DLS and demand response targets; (7) FirstEnergy's agreement to revise the incentive structure for the DLS and PDR program components in Appendix B Table 8 of its Plan, by technology, and to base the incentive structure on industry experience; (8) the increased clarity regarding the Company's low-income multifamily offerings; (9) FirstEnergy's agreement to assign FTM savings and costs to the appropriate customer classes based on energy savings; and (10) the Company's agreement to certain tracking and reporting requirements and to hold various stakeholder meetings. Joint Settlement at 4-11.

For the reasons stated herein, and as specified in the Joint Petitioners' Statements in Support, we find that the terms and conditions of the Settlement are in the public interest and should be approved. In addition, we find the vast majority of FirstEnergy's EE&C Plan, as modified by the Settlement, to be consistent with Act 129 and the *Phase V Implementation Order*.

Nonetheless, as noted in Section III.B, *supra*, Appendix A of the Joint Settlement sets forth the Company's EE&C Plan, as revised by the Settlement. As discussed above, in Section V.A.5 of this Opinion and Order, we have modified the Plan by requiring the Company to revise Section 3.1.6 of its Phase V Plan to explicitly state that, upon identification of any FTM measures to include in its Phase V Plan, FirstEnergy will submit such proposed changes to the Commission as a Petition for Approval of a Minor Change, consistent with the Commission's *Minor Plan Change Order*. By extension, we shall modify the Settlement in this regard, given that: (1) the Settlement includes the Company's Plan, as revised by the Settlement; and (2) the Settlement memorializes certain provisions of the Company's Plan regarding FTM measures. *See* Settlement at ¶¶ 40-41.

Additionally, FirstEnergy's Plan, as revised by the Settlement, incorporates, by reference, the Company's proposed Phase V EE&C-C Rider. *See* FirstEnergy Plan at 147 (citing FirstEnergy Exhs. SRZ-1 and SRZ-2). As discussed in Section V.B above, we have directed FirstEnergy to revise the *pro forma* tariff pages describing its Phase V EE&C-C Rider. Therefore, to the extent that the Joint Settlement adopts the Company's proposed Phase V EE&C-C Rider, as currently set forth in FirstEnergy Exhibits SRZ-1 and SRZ-2, we shall reject that portion of the Joint Settlement. Instead, we shall direct the Company to file a revised Phase V EE&C-C Rider, consistent with our disposition in Section V.B.4, *supra*.

In light of our above modifications to the Joint Settlement, we note that should any of the Joint Petitioners wish to withdraw from the Settlement, that Party or Parties shall provide written notice to the Secretary of the Commission, and all active Parties to this proceeding, of its election to withdraw, within five (5) business days from the date that this Opinion and Order is entered. If such an election to withdraw is filed, the Settlement shall be disapproved, without further action by this Commission, and this matter shall be returned to the OALJ. *See* Joint Settlement at 12, ¶ 57. We further direct

that, in the event that one or more Parties elect to withdraw from the Settlement, then the Company shall file with this Commission, and serve on all parties of record in this proceeding, a revised Phase V EE&C Plan, consistent with the directives set forth in this Opinion and Order, along with a revised cost recovery mechanism and appropriate tariffs, within sixty (60) days of the entry of this Opinion and Order. Interested parties will then have ten (10) days to file comments on the revised Phase V EE&C Plan, with reply comments due ten (10) days thereafter. The revised record shall then be certified to the Commission by the OALJ and the Commission will approve or reject the revised Phase V EE&C Plan at a public meeting within sixty (60) days of the date of the filing of the revised plan. *See* 66 Pa.C.S. § 2806.1(e)(2)(i)-(ii).

On the other hand, if no Party exercises the right to withdraw from the Settlement, we shall adopt the Joint Settlement, as modified by this Opinion and Order, finding it to be in the public interest. Additionally, we shall grant FirstEnergy's Petition, in part, and approve the Plan, as modified by the Settlement, and as further modified by this Opinion and Order.

VI. Conclusion

For the reasons set forth, *supra*, and based on our review of the record and the applicable law, we find that the Joint Petition for Settlement is in the public interest, to the extent that it is consistent with Act 129 and in compliance with our *Phase V Implementation Order*, and related EE&C Program Phase V Orders. Consequently, we shall: (1) grant, in part, and deny, in part, the Petition of FirstEnergy Pennsylvania Electric Company for approval of its Act 129 Phase V Energy Efficiency and Conservation Plan; (2) adopt the Joint Petition for Complete Settlement, as modified by this Opinion and Order; (3) approve the Act 129 Phase V Energy Efficiency and Conservation Plan filed by FirstEnergy Pennsylvania Electric Company, as modified by the Joint Petition for Complete Settlement, and as further modified by this Opinion and

Order; and (4) deny the request of FirstEnergy Pennsylvania Electric Company to approve its proposed tariff revisions to implement a Section 1307 surcharge to recover Phase V Energy Efficiency and Conservation Plan costs; all subject to the condition that no Party to the Joint Petition for Complete Settlement exercises the right to withdraw therefrom, consistent with this Opinion and Order; **THEREFORE,**

IT IS ORDERED:

1. That the Petition of FirstEnergy Pennsylvania Electric Company for Approval of its revised Phase V Energy Efficiency and Conservation Plan, filed on February 19, 2026, is granted, in part, and denied, in part, consistent with this Opinion and Order.

2. That FirstEnergy Pennsylvania Electric Company is permitted to implement its revised Phase V Energy Efficiency and Conservation Plan, as filed on February 19, 2026, and as further modified by this Commission's directives set forth in Ordering Paragraph Nos. 4 and 5, below.

3. That the Joint Petition for Complete Settlement, filed by FirstEnergy Pennsylvania Electric Company, the Office of Consumer Advocate, the Office of Small Business Advocate, the Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, the West Penn Power Industrial Intervenors, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, and the Keystone Energy Efficiency Alliance, on February 19, 2026, is approved, as modified, as set forth by this Commission's directive in Ordering Paragraph Nos. 4 and 5, below.

4. That within sixty (60) days of the entry date of this Opinion and Order, FirstEnergy Pennsylvania Electric Company shall modify Section 3.1.6 of its revised Phase V Energy Efficiency and Conservation Plan, filed on February 19, 2026, to

clarify that upon the identification of any Front of the Meter measures to include in its Phase V Energy Efficiency and Conservation Plan, FirstEnergy Pennsylvania Electric Company will submit such proposed changes to the Commission as a Petition for Approval of a Minor Change, consistent with the Commission's expedited review process outlined in the Commission's Final Order entered June 10, 2011 at Docket No. M-2008-2069887.

5. That the proposed *pro forma* tariff pages and cost recovery mechanism set forth in the Phase V Energy Efficiency and Conservation Charge tariff rider, as contained in the FirstEnergy Pennsylvania Company's revised Phase V Energy Efficiency and Conservation Plan, filed on February 19, 2026, are hereby rejected, and that the FirstEnergy Pennsylvania Electric Company is directed to consult with the Commission's Bureau of Audits within thirty (30) days of the entry date of this Opinion and Order, in order to develop a revised cost recovery mechanism that complies with the provisions set forth in the Commission's *Phase V Implementation Order*. FirstEnergy Pennsylvania Company shall submit a tariff supplement containing the revised cost recovery mechanism within sixty (60) days of the entry date of this Opinion and Order.

6. That, if any of the Parties wish to withdraw from the Joint Petition for Complete Settlement based on the prescribed modifications set forth in Ordering Paragraph Nos. 4 and 5 above, that Party or Parties shall provide written notice to the Secretary of the Commission and all active Parties to this proceeding of its election to withdraw within five (5) business days from the date that this Opinion and Order is entered. If such an election to withdraw is filed, the Joint Petition for Unanimous Settlement shall be disapproved, without further action by this Commission, and this matter shall be returned to the Commission's Office of Administrative Law Judge for further action, as described in Ordering Paragraph No. 7, below.

7. That, in the event that one or more Parties elect to withdraw from the Joint Petition for Complete Settlement, as provided for in Ordering Paragraph No. 6, above, then FirstEnergy Pennsylvania Company shall file with this Commission, and serve on all Parties of record in this proceeding, a revised Phase V Energy Efficiency and Conservation Plan, along with a revised cost recovery mechanism and appropriate tariffs, consistent with this Opinion and Order, within sixty (60) days of the entry of this Opinion and Order. Interested parties will then have ten (10) days to file comments on the revised Phase V EE&C Plan, with reply comments due ten (10) days thereafter. The revised record shall then be certified to the Commission by the Office of Administrative Law Judge and the Commission will approve or reject the revised Phase V EE&C Plan at a public meeting within sixty (60) days of the date of the filing of the revised plan.

8. That FirstEnergy Pennsylvania Electric Company shall comply with all directives and conclusions contained in this Opinion and Order, including the terms and conditions of the Joint Petition for Complete Settlement filed in this proceeding, as modified by this Opinion and Order, that are not the subject of individual ordering paragraphs, as if they were the subject of an individual ordering paragraph.

9. That a copy of this Opinion and Order shall be served on the Commission's Bureau of Technical Utility Services-Policy and Planning Division, the Commission's Bureau of Audits, and on all parties of record in this proceeding.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "Matthew L. Homsher". The signature is written in a cursive style with a large initial "M".

Matthew L. Homsher
Secretary

(SEAL)

ORDER ADOPTED: March 12, 2026

ORDER ENTERED: March 12, 2026