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July 2, 2026

VIA eFILING

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Petition of FirstEnergy Pennsylvania Electric Company for Approval of Its Default Service Program for the Period from June 1, 2027, to May 31, 2031
Docket No. P-2026-3060298

Dear Secretary Homsher:

Enclosed for filing in the above-captioned proceeding is the **Joint Petition for Non-Unanimous Settlement ("Joint Petition").**

The Joint Petition will be served on the presiding Administrative Law Judges ("ALJs") and all parties of record as indicated on the Certificate of Service.

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

Very truly yours,

Kenneth M. Kulak

Kenneth M. Kulak

Per Certificate of Service (w/encls.)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY FOR APPROVAL OF ITS DEFAULT SERVICE PROGRAM FOR THE PERIOD FROM JUNE 1, 2027 TO MAY 31, 2031	**: : : : : :**	**DOCKET NO. P-2026-3060298**

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have on this day served copies of the **Joint Petition for Non-Unanimous Settlement** on the persons listed below, in the manner specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC MAIL

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Dated: July 2, 2026

Counsel for FirstEnergy Pennsylvania Electric Company

***=Executed Protective Order acknowledgement**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY FOR APPROVAL OF ITS DEFAULT SERVICE PROGRAM FOR THE PERIOD FROM JUNE 1, 2027 THROUGH MAY 31, 2031	: : : : : :	**DOCKET NO. P-2026-3060298**

JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

July 2, 2026

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Statement B	Statement in Support of Joint Petition for Non-Unanimous Settlement of the Office of Consumer Advocate
Statement C	Statement in Support of Joint Petition for Non-Unanimous Settlement of the Office of Small Business Advocate
Statement D	Statement in Support of Joint Petition for Non-Unanimous Settlement of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania
Statement E	Statement in Support of Joint Petition for Non-Unanimous Settlement of Walmart, Inc.
Statement F	Statement in Support of Joint Petition for Non-Unanimous Settlement of Duquesne Light Company

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY FOR APPROVAL OF ITS DEFAULT SERVICE PROGRAM FOR THE PERIOD FROM JUNE 1, 2027 THROUGH MAY 31, 2031 : **DOCKET NO. P-2026-3060298**

JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

TO THE HONORABLE MARK A. HOYER, DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE AND ERIN L. GANNON, ADMINISTRATIVE LAW JUDGE:

FirstEnergy Pennsylvania Electric Company ("FE PA" or 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"); Walmart, Inc. ("Walmart"); and Duquesne Light Company ("DLC") (collectively, the "Joint Petitioners"), by their respective counsel, submit this Joint Petition For Non-Unanimous Settlement ("Joint Petition" or "Settlement") and request that the Administrative Law Judges approve the Settlement without modification.[1] In support of this Settlement, the Joint Petitioners state as follows:

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[1] The Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, and West Penn Power Industrial Intervenors (collectively, the "Industrial Customer Groups"), and The Pennsylvania State University ("PSU"), which are parties to this proceeding, have authorized the Joint Petitioners to represent that they do not oppose the Settlement. DLC supports the provisions in Section II.I. (Supplier Coordination Tariff and Retail Shopping Changes) of the Joint Petition but takes no position on the other provisions of the Settlement. The following parties did not join this Joint Petition and indicated that they oppose the Settlement: Constellation Energy Generation, LLC and Constellation NewEnergy, Inc. ("Constellation"), the Customer-Generator

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF FIRSTENERGY	**:**	
PENNSYLVANIA ELECTRIC	**:**	
COMPANY FOR APPROVAL OF ITS	**:**	**DOCKET NO. P-2026-3060298**
DEFAULT SERVICE PROGRAM FOR	**:**	
THE PERIOD FROM JUNE 1, 2027	**:**	
THROUGH MAY 31, 2031	**:**	

JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

TO THE HONORABLE MARK A. HOYER, DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE AND ERIN L. GANNON, ADMINISTRATIVE LAW JUDGE:

FirstEnergy Pennsylvania Electric Company ("FE PA" or 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"); Walmart, Inc. ("Walmart"); and Duquesne Light Company ("DLC") (collectively, the "Joint Petitioners"), by their respective counsel, submit this Joint Petition For Non-Unanimous Settlement ("Joint Petition" or "Settlement") and request that the Administrative Law Judges approve the Settlement without modification.[1] In support of this Settlement, the Joint Petitioners state as follows:

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I. BACKGROUND

1. FE PA was formed through the combination of several predecessor Pennsylvania electric utilities after approval by the Pennsylvania Public Utility Commission ("Commission"). On January 1, 2024, Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, the "Predecessor Companies"), which were all affiliates and subsidiaries of FirstEnergy Corp., merged into FE PA. Consistent with the approvals received from the Commission, FE PA was certificated as a public utility and authorized to provide public utility service in the territories of the Predecessor Companies (now, "Rate Districts").[2]

Coalition ("CGC"), Dimension PA 1, LLC ("Dimension"), Penn Renewables LLC ("Penn Renewables"), the Retail Energy Supply Association ("RESA"), Shipley Choice, LLC d/b/a Shipley Energy and Interstate Gas Supply, LLC d/b/a IGS Energy (collectively, the "EGS Parties"), the Solar Energy Industries Association and the Coalition for Community Solar Access (collectively, the "Joint Solar Advocates" or "JSA"), Town Square Energy East, LLC ("Town Square"), and WGL Energy Services, Inc. ("WGL").

[2] *Joint Application of Metro. Edison Co., Pa. Elec. Company, Pa. Power Co., West Penn Power Co., Keystone Appalachian Transmission Co., Mid-Atlantic Interstate Transmission LLC, and FirstEnergy Pa. Electric Co. for All of the Necessary Authority, Approvals, and Certificates of Pub. Convenience for (1) the Agreements and Plans of Merger; (2) the Establishment of FirstEnergy Pa. Holding Co. LLC as an Intermediate Holding Co. in the Chain of Ownership of FirstEnergy Pa. Elec. Co.; (3) the Merger of Metro. Edison Co., Pa. Elec. Co., Pa. Power Co., and West Penn Power Co. with and into FirstEnergy Pa. Elec. Co.; (4) the Initiation by FirstEnergy Pa. Elec. Co. of Elec. Serv. in All Territories in this Commonwealth where Metro. Edison Co., Pa. Elec. Co., Pa. Power Company, and West Penn Power Co. Do or May Provide Elec. Service; (5) the Abandonment by Metro. Edison Co., Pa. Elec. Co., Pa. Power Co., and West Penn Power Co. of All Elec. Service in this Commonwealth; (6) the Adoption by FirstEnergy*

2. On February 3, 2026, the Company filed the above-captioned Joint Petition (the "DSP VII Petition") requesting that the Commission approve its seventh default service programs (the "Program" or "DSP VII") for the period June 1, 2027 through May 31, 2031 in accordance with the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. § 2801 et seq. (the "Competition Act").

3. The Program set forth in the DSP VII Petition was designed to satisfy FE PA's obligations to furnish adequate and reliable service to default service customers at the least cost over time by procuring a prudent mix of long-term, short-term and spot market generation supplies. As explained in the DSP VII Petition, the Company proposed to continue most of the existing design and procedures of the Predecessor Companies' sixth default service programs ("DSP VI") as approved by the Commission.[3]

Pa. Elec. Co. of Metro. Edison Co., Pa. Elec. Co., Pa. Power Co., and West Penn Power Co.'s Existing Tariffs and their Application within New Service and Rate Districts of FirstEnergy Pa. Elec. Co. Corresponding to their Existing Service Territories as the Met-Ed Rate District, Penelec Rate District, Penn Power Rate District, West Penn Rate District, and The Pennsylvania State University Rate District, Respectively; (7) the Sale of Class B Membership Interests in Mid-Atlantic Interstate Transmission, LLC held by Met-Ed and Penelec to FirstEnergy Corp.; (8) the Contribution of West Penn Power Co.'s Transmission Assets to Keystone Appalachian Transmission Co.; (9) a Certificate of Pub. Convenience Conferring Upon Keystone Appalachian Transmission Co. the Status of a Pa. Pub. Util.; (10) Where Necessary, Associated Affiliated Interest Agreements; and (11) Any Other Approvals Necessary to Complete the Contemplated Transaction, Docket Nos. A-2023-3038771, et al. (Order entered Dec. 7, 2023).

[3] *See Joint Petition of Metro. Edison Co., Pa. Elec. Co., Pa. Power Co., and West Penn Power Co. for Approval of their Default Serv. Programs for the Period Beginning June 1, 2023 through May 31, 2027*, Docket No. P-2021-3030012 (Recommended Decision dated June 29, 2022 ("DSP VI RD"). The DSP VI RD was adopted without modification by the Commission in its Order entered August 4, 2022) ("August 2022 Order").

4. Accompanying its DSP VII Petition, FE PA filed the supporting data required by 52 Pa. Code § 53.52, as well as the prepared direct testimony and accompanying exhibits of: David M. Young (FE PA Statement No. 1); Ryan J. Rose (FE PA Statement No. 2); Nicholas E. Powers, Ph.D. (FE PA Statement No. 3); Carlixta De La Rosa (FE PA Statement No. 4); and Margarita Patria (FE PA Statement No. 5).

5. FE PA notified its customers of the DSP VII Petition filing through a press release and published notices in major newspapers in its electric service area. The notices referred interested persons to the Company's website, where a copy of the entire filing was available for review. In addition, FE PA served the DSP VII Petition on the Commission's Bureau of Investigation and Enforcement, the OCA, the OSBA, PJM Interconnection, LLC ("PJM"), all electric generation suppliers ("EGSs") registered to provide service in the Rate Districts, and intervenors in the Predecessor Companies' last default service proceedings.

6. On February 21, 2026, the *Pennsylvania Bulletin* published the Commission's Notice setting a deadline for filing protests, complaints or petitions to intervene by March 17, 2026.

7. On February 19, 2026, Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Erin L. Gannon (the "ALJs") issued a Prehearing Conference Order scheduling a telephonic Prehearing Conference for March 19, 2026. Petitions to Intervene were filed by CAUSE-PA, Constellation, the CGC,[4] Dimension, DLC, the EGS Parties, the Industrial Customer Groups, the Joint Solar Advocates, Penn Renewables, PSU, RESA, Town Square, Walmart and WGL. The OCA filed an Answer, Notice of Appearance, Notice of Intervention and Public Statement and Answer. The OSBA filed a Notice of Appearance and Notice of Intervention.

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[4] The CGC consists of Sunrise Airport Road LLC, Sunrise Forrester Road LLC, Sunrise Franklin Road LLC, Sunrise Harlansburg Road LLC, Sunrise Hendersonville Road LLC, Sunrise McCurdy Road LLC, Sunrise Perry Highway LLC, Sunrise Sandy Lake Greenville Road LLC, Sunrise Sandy Lake Polk Road LLC, and Sunrise Springfield Church Road LLC.

8. A telephonic Prehearing Conference was held on March 19, 2026, at which a schedule was established for the submission of testimony and the conduct of hearings. Specifically, and consistent with Commission practice, a schedule was adopted whereby all case-in-chief, rebuttal and surrebuttal testimony would be submitted in writing in advance of hearings. Evidentiary hearings were scheduled for June 15-16, 2026, at which all testimony and exhibits would be placed in the record and all witnesses presented for cross-examination, if any, thereon. The ALJs thereafter issued a Prehearing Order on March 23, 2026 establishing this schedule.

9. On April 29, 2026, CAUSE-PA, the CGC, JSA, the OCA, the OSBA, RESA, Town Square, and Walmart submitted a total of nine written statements and accompanying exhibits. On May 28, 2026, FE PA, CAUSE-PA, the CGC, JSA, the OCA and RESA submitted 12 statements constituting their rebuttal testimony in this case. On June 11, 2026, seven surrebuttal statements were submitted by FE PA, CAUSE-PA, the CGC, JSA, the OCA, and RESA. On June 15, 2026, the Company submitted three written statements of rejoinder testimony.

10. After the submission of written testimony, the parties engaged in discussions to try to achieve a settlement of some or all of the issues in this case. As a result of those negotiations, the Joint Petitioners were able to reach the Settlement set forth herein and agree to a revised default service program consistent with FE PA's DSP VII Petition, as modified herein ("Revised DSP VII"). Counsel for FE PA provided notification of the non-unanimous settlement to the ALJs and all parties to these proceedings by e-mail on June 12, 2026.

11. An evidentiary hearing was held on June 15, 2026. At the hearing, Company witnesses David M. Young and Gregory F. Hussing, OCA witness Serhan Ogur, and CGC witness James A. Heidell were cross-examined. In addition, the written testimony and exhibits of all parties were admitted into evidence.[5]

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[5] The ALJs canceled the hearing scheduled for June 16, 2026.

12. The Joint Petitioners will address the issues contested by the non-settling parties in Initial Briefs and Reply Briefs due on July 10, 2026 and July 22, 2026, respectively, after the filing of this Joint Petition.

II. TERMS AND CONDITIONS OF SETTLEMENT

13. The Settlement consists of the following terms and conditions:

A. Procurement and Implementation Plans

(1) Term

14. FE PA's Revised DSP VII shall have a term of four years, beginning June 1, 2027 and ending May 31, 2031 ("DSP VII Term").

(2) Procurement Groups

15. FE PA's default service customers shall be divided into three classes for purposes of default service procurement: the residential class, the commercial class, and the industrial class.

16. FE PA will maintain the same residential, commercial, and industrial class definitions that were approved by the Commission in the DSP VI proceeding, with one change. As discussed in Paragraph 36 below, the Company will classify default service customers with a peak demand or a maximum registered peak load ("MRPL") of 100 kilowatt ("kW") or above as industrial customers subject to the Company's Hourly Pricing Default Service ("HP") Rider.

(3) Residential and Commercial Class Procurement

17. FE PA will procure 100% of the supply required to serve residential and commercial default service customers during the DSP VII Term through a descending clock auction ("DCA") for full requirements service. Winning suppliers will bid on "tranches" corresponding to a percentage of the actual residential and commercial default service customer load and be responsible for fulfilling all the associated requirements of a load serving entity ("LSE") under their agreements with PJM, including energy, capacity, transmission,[6] ancillary services, PJM administrative expenses, as well as providing all

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[6] These transmission requirements exclude Regional Transmission Expansion Plan ("RTEP") charges, Expansion Cost Recovery Charges; Reliability Must

necessary alternative energy credits described in Paragraph 30 below for Alternative Energy Portfolio Standards Act ("AEPS") compliance.

18. The Joint Petitioners agree to the rules for the DCA set forth in FE PA Exhibit MP-3.

19. Each residential tranche is a fixed-price full requirements, load-following product. The fixed price will be established through FE PA's DCAs.

20. During the DSP VII Term, contracts for approximately 10% of the residential class load will have terms of 60 months, contracts for approximately 45% of the residential class load will have terms of 12 months, and contracts for the remaining approximately 45% will have terms of 24 months.

21. FE PA's independent evaluator shall administer the DCA process for the 60-month product consistent with the DCA process for the Company's default service procurements. As part of that process, the independent evaluator shall include consideration of the 60-month product in any pre or post auction reports that it prepares during the normal course of administering auctions. Following the auction, the Company

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Run/generation deactivation charges associated with generating plans for which specific RMR charges begin after July 24, 2014; historical out-of-market tie line, generation, and retail customer meter adjustments; unaccounted for energy; or any Federal Energy Regulatory Commission ("FERC") approved reallocation of PJM RTEP charges related to Docket No. EL05-121-009 (collectively, referred to as "non-market based charges" or "NMB charges"). FE PA will continue to assume these NMB charges for both default service suppliers and EGSs that serve load in the Company's service area, and the associated costs will be recovered from customers in a competitively neutral manner through FE PA's non-bypassable Default Service Support ("DSS") Rider. In addition, as discussed in Paragraph 29 below, beginning June 1, 2027, default service suppliers will not be responsible for Network Integration Transmission Service ("NITS") or PJM charges associated with United States Department of Energy ("DOE") emergency orders pursuant to Section 202(c) of the Federal Power Act.

shall cause an independent market consultant to prepare a post-auction report assessing the reasonableness of the auction results for any 60-month product relative to contemporaneous market conditions, cost-to-serve estimates, supplier risk premiums, and prevailing market data available at the time of auction. The independent market consultant's report shall be submitted to the Commission in connection with the Commission's review of the auction results.

22. The full requirements contracts for the commercial class will include a fixed price for 100% of the supply and will be procured through DCAs in the same manner and at the same time as the residential class.

23. During the DSP VII Term, the commercial class full requirements product mix will be comprised of 12-month contracts (60%) and 24-month contracts (40%).

24. Each of the residential and commercial full requirements products will be procured through semi-annual auctions in February and September each year, with the exception that for the first auction year of the term, FE PA will hold auctions in January 2027, April 2027, and October 2027.

25. The procurement schedule for the residential and commercial class contracts are set forth in Exhibit A. Exhibit A is a revised version of FE PA Exhibit RJR-1.

(4) Industrial Class Procurement

26. The product for the industrial class, including customer-generators with an MRPL of 100 kW or above after June 1, 2029, is an hourly-priced service product based upon PJM real-time zonal hourly market prices. Suppliers will bid for the right to serve a portion of the hourly-priced service load for twelve-month terms. Winning suppliers will be paid the winning price bid in the hourly-priced auction and the hourly PJM real time zonal locational marginal price ("LMP").

27. FE PA will procure default service supply for the industrial class load annually as shown on Exhibit A.

B. Supplier Master Agreement

28. The Joint Petitioners agree to the form of the Supplier Master Agreement ("SMA") that FE PA will execute with wholesale suppliers that are successful bidders in the Company's default service supply auctions set forth in FE PA Exhibit RJR-2.

29. The Joint Petitioners agree to the following changes to the Predecessor Companies' current Commission-approved SMAs as shown in FE PA Exhibit RJR-2: (1) modifications to reflect the changes in default service supplier responsibility for AEPS compliance discussed in Paragraph 30 below; (2) removal of PJM charges for NITS from the pricing under the SMA; (3) changes to add new PJM billing line items associated with emergency orders issued by DOE; and (4) revisions to clarify the true-up methodology for the capacity proxy price ("CPP") used in FE PA's auctions in the event PJM does not conduct a base residual auction ("BRA") as discussed in Paragraph 34 below.

C. Alternative Energy Portfolio Standards Act Compliance

30. For DSP VII, FE PA will satisfy all of its AEPS Act requirements as part of the solicitation of default service supply. Under the SMA, winning suppliers of full-requirements default service products in the Company's service area will be responsible for meeting all Tier I and Tier II requirements, including solar photovoltaic requirements.

D. Contingency Plans

31. The Joint Petitioners agree that FE PA will continue utilizing the contingency plans approved in the DSP VI proceeding to address the following possible scenarios: (i) an individual solicitation is not fully subscribed or the Commission rejects the bid results from a solicitation; (ii) a winning supplier defaults prior to the start of the delivery period or at any time during the delivery period; and (iii) PJM does not conduct its BRA in time for default service suppliers to incorporate capacity prices into their bids. Specifically, if a scheduled solicitation is not fully subscribed following the initial proposed procurement or if the Commission rejects the bid results from a solicitation, FE PA will rebid the unfilled tranches in the next scheduled procurement for which there is sufficient calendar time to include the tranches. For any unfilled tranches remaining, FE PA will purchase the necessary physical supply for the remaining tranches for that class through PJM-administered markets. FE PA will not enter into hedging transactions to attempt to mitigate the associated price or volume risks to serve such unfilled tranches. FE PA will secure any AEPS Act compliance requirements for unfilled tranches at market prices.

32. If the Company is unable to procure Commission-approved 60-month fixed-price full-requirements ("FPFR") contracts through the solicitation process, the Company

shall promptly conduct a subsequent solicitation for 24-month FPFR contracts. To the extent the precise portfolio allocation among remaining contract terms differs from the residential supply mix described in Paragraph 20 above, the Company shall maintain a share of load served under 24-month FPFR contracts that is similar to the share of load served under 12-month FPFR contracts, unless otherwise authorized by the Commission. Any additional failures of auction success would default to FE PA's contingency plan as originally proposed and described in Paragraph 31.

33. The Joint Petitioners agree that, in the event a winning bidder defaults prior to the start of or during the delivery period, FE PA will offer the unfilled tranches to the other qualified bidders who participated in the most recent solicitation of full-requirements, load-following products. FE PA may enter into an agreement with the qualified bidder(s) offering the best terms for the unfilled tranches resulting from the default, provided the prices offered by such bidder(s) are consistent with the original prices at which the unfilled tranches were procured giving due consideration to changes in market conditions from the time when the original tranches were procured. If FE PA is not able to enter into such an agreement and at least 30 calendar days remain prior to the start of the delivery period, the Company will seek to bid the defaulted tranches in a separate supplemental competitive solicitation. If insufficient time exists to conduct an additional competitive solicitation, or if the supplemental solicitation is unsuccessful, FE PA will supply the tranches using PJM-administered markets in the same manner described in the preceding paragraph.

34. The Joint Petitioners agree that if PJM does not conduct the BRA in time for default service suppliers to incorporate the auction results in their bids, the CPP will be equal to the clearing price in the most recent BRA conducted by PJM. During the delivery year for which the BRA results are not known, winning suppliers will be debited or credited (as applicable) any differences between the CPP and the actual capacity price utilizing their daily unforced capacity obligation by class and tranches served by class.

E. Independent Evaluator

35. The Joint Petitioners agree to the appointment of CRA International, Inc. d/b/a/ Charles River Associates ("CRA") as the independent third-party evaluator for FE PA's default service procurements.

F. Classification of Non-Residential Default Service Customers

36. The Joint Petitioners agree to the Company's original proposal to introduce the MRPL into FE PA's determination of eligibility for participation in the PTC Rider and HP Rider as set forth in the DSP VII Petition.

37. Customer-generators online prior to June 1, 2027 will be exempt from the MRPL proposal until June 1, 2029 as originally proposed in the DSP VII Petition.

38. For purposes of determining compensation for net excess generation for customer-generators taking service under the HP Rider, such compensation shall include capacity and line loss portions of the HP Rider until May 31, 2041, absent a material change in the capacity markets operated by PJM. In the event of such an occurrence, FE PA will notify and meet with parties to this Settlement, including Walmart, to discuss the proposed changes and their impact on customer-generator compensation at least 30 days in advance of any Commission filing.

G. Rate Design and Cost Recovery

(1) Price To Compare Default Service Rate Rider

39. FE PA will continue to recover the cost of default service for the residential and commercial classes through its Price to Compare Default Service Rate Rider ("PTC Rider") separately for each Rate District consistent with the PTC Rider approved by the Commission in the DSP VI proceeding. Default service rates established pursuant to the PTC Rider will consist of a single per-kilowatt hour energy charge, which will change semi-annually. These rates will continue to recover: (1) generation costs, transmission costs (excluding NMB charges described in footnote 6 above), and ancillary service costs; (2) supply management and administrative costs, as provided in 52 Pa. Code § 69.1808; and (3) applicable taxes. In addition, the default service rates will include a reconciliation component, or "E-Factor," to recoup or refund, as applicable, under or over-collections from prior periods. The Joint Petitioners agree that over/undercollections of default service costs for the residential class will be reconciled every 12 months and default service costs for the commercial class will continue to be reconciled on a semi-annual basis.

40. Beginning June 1, 2027, the Company will amortize the cumulative reconciliation balance for the residential PTC Rider identified at the conclusion of each 12-

month reconciliation period over the subsequent 12-month period through the E-Factor mechanism.

41. The Joint Petitioners agree that FE PA shall be permitted to file the PTC Rider set forth in Exhibit B attached to the Joint Petition to become effective as of June 1, 2027. Exhibit B is a revised version of FE PA Exhibit CDL-1 and incorporates the tariff change described in Paragraph 40 above.

(2) Hourly Pricing Default Service Rider

42. FE PA will continue to use its HP Rider approved by the Commission in the DSP VI proceeding to recover the cost of default service for industrial class customers, including customer-generators with an MRPL of 100 kW or above after June 1, 2027, subject to the exemption described in Paragraph 37 above. Default service rates established pursuant to the HP Rider will continue to be based upon the PJM hourly LMP for each Rate District's respective PJM-designated transmission zone plus associated costs, such as capacity, ancillary services, PJM administrative expenses and costs to comply with AEPS requirements that are incurred to provide hourly pricing default service. The Joint Petitioners agree that the default service rates also will include an E-Factor to continue reconciling costs and revenues on a semi-annual basis.

43. The Joint Petitioners agree that the Company shall be permitted to file the HP Rider set forth in FE PA Exhibit CDL-2 to become effective as of June 1, 2027, subject to the Company's commitment regarding HP Rider calculations for purposes of excess generation compensation described in Paragraph 38 above.

(3) Default Service Support Rider

44. The Company's tariff will include a Default Service Support ("DSS") Rider that imposes non-bypassable charges to recover the same categories of costs approved by the Commission in the DSP VI proceeding, with consolidation of the Consumer Education Charge component across Rate Districts and elimination of the Midcontinent Independent System and Transmission Expansion Plan cost components, which are zero for all Rate Districts.

45. FE PA's DSS Rider will continue to recover four categories of costs: (1) the uncollectible accounts expense incurred through the provision of default service and on

behalf of EGSs through the purchase of receivables ("POR") program for residential and small commercial customers; (2) retail enhancement costs; (3) customer education costs; and (4) NMB charges.

46. The Joint Petitioners agree that FE PA shall be permitted to file the Default Service Support Rider set forth in FE PA Exhibit CDL-3 to become effective as of June 1, 2027.

(4) Solar Photovoltaic Requirements Charge Rider

47. The Joint Petitioners agree that FE PA shall be permitted to eliminate its non-bypassable Solar Photovoltaic Requirements Charge Rider that applies to all distribution customers in the Met-Ed, Penelec, and Penn Power Rate Districts as originally proposed in the DSP VII Petition.

(5) Time-of-Use Rates

48. During DSP VII, the FE PA will continue to offer time-of use ("TOU") default service rate options for eligible residential and commercial customers under its Commission-approved TOU Default Service Rider ("TOU Rider") to comply with the Company's obligations under Act 129 of 2008 ("Act 129") to offer TOU and real-time rates to all default service customers with smart meters.[7]

49. The Joint Petitioners agree to the Company's originally proposed TOU rate structure outlined in Paragraphs 53 to 57 below.

50. After 12 months following implementation of the TOU program under DSP VII, the Company shall conduct an evaluation of customer participation and enrollment in the TOU program. The evaluation shall identify and analyze factors that may be affecting customer enrollment, participation, retention, awareness, understanding of TOU rates, and any barriers to participation reasonably identified by customers or stakeholders. In addition, the evaluation will include comparisons between participating TOU customers and a group of non-participating customers with similar load profiles for peak load reduction, bill amounts, and a valuation of the peak load reduction to benefits

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[7] 66 Pa.C.S. §§ 2807(f)(5). The hourly-priced default service rate for the industrial class already meets Act 129 requirements.

for distribution and default service if implemented on a larger scale. As part of this evaluation, the Company shall reasonably consult available customer data, enrollment trends, customer feedback, outreach results, and any other relevant information available to the Company concerning customer interest in and adoption of the TOU program.

51. Within six months following completion of the first year of the TOU program under DSP VII, the Company shall convene at least one stakeholder meeting open to all interested parties to present and discuss the evaluation findings, customer participation trends, identified barriers to enrollment, and potential modifications or enhancements to improve customer awareness and participation in the TOU program. The Company shall provide the parties to this Settlement with reasonable advance notice of the stakeholder meeting and shall make available, in advance of the meeting, a summary of the evaluation findings and supporting information, subject to appropriate confidentiality protections.

52. If, following the first year of TOU program implementation under DSP VII, the Company's evaluation, stakeholder discussions, and program data demonstrate that the TOU program alone is not producing meaningful or sustained demand reduction, peak load reduction, or customer load-shifting outcomes, the Company shall collaborate with interested stakeholders to develop and evaluate potential alternative or supplemental demand response program options. Any such proposed demand response measures shall be designed, to the extent practicable, to complement and support — and not duplicate, conflict with, or undermine — existing and future programs, objectives, and compliance obligations established pursuant to Act 129. FE PA shall present the results of such evaluation and any resulting proposals in a future filing or stakeholder process, as appropriate. Any associated filings will be at the Company's sole discretion with consideration of input from stakeholders.

(i) TOU Product Structure and Rate Design

53. FE PA's TOU Rider will differentiate prices across three usage periods that are constant throughout the year as shown in Table 1 below.

Table 1

TOU Pricing Period	Year-Round Days/Hours Included
On-Peak	3 p.m. – 7 p.m. Monday through Friday
Super Off-Peak	11 p.m. – 6 a.m. Every day
Off-Peak	All other hours

These TOU pricing periods will be identical for the residential and commercial classes.

54. The Joint Petitioners agree that FE PA will use a single weighted-average class TOU rate multiplier for all Rate Districts during DSP VII. This multiplier will reflect the ratios calculated from average PJM spot market prices as well as allocation of the cost of capacity to on-peak hours only.

55. FE PA agrees to continue reviewing its TOU rate multipliers every two years and to update the TOU multiplier if the calculation results in a 15% or larger change in any direction.

56. FE PA will continue to source both the standard and TOU default service for residential and commercial customers from the same supply portfolio for each procurement class. FE PA will use the standard default service price as calculated in the PTC Rider as the reference price by class for its TOU rate calculations.

57. TOU rates will continue to be adjusted on a semi-annual basis, synchronized with the PTC Rider adjustment periods for the residential and commercial classes, using FE PA's proposed pricing multipliers. Any mismatches between revenues from TOU rates and supply costs paid to default service suppliers will be recovered or refunded within the existing TOU Rider customer class reconciliation.

(ii) Customer Eligibility

58. FE PA's TOU Rider will be available to residential and commercial default service customers with smart meters. Customers enrolled in the Company's Customer Assistance Program ("PCAP") will not be eligible for the TOU Rider during the DSP VII Term.

59. Participating customers will remain on the TOU Rider until they affirmatively elect to return to FE PA's standard default service rate or switch to an EGS.

60. Customers who select the TOU Rider may leave at any time without incurring related penalties or fees. However, if those customers subsequently leave the TOU Rider for any reason, they may not re-enroll for twelve months.

(iii) Tariff Changes

61. Effective June 1, 2027, the Company shall be permitted to implement the TOU Rider set forth in FE PA Exhibit DMY-6.

(6) Additional Retail Tariff Changes

62. The Joint Petitioners agree that effective June 1, 2027, FE PA shall be permitted to implement the changes to the Company's retail electric service tariff set forth in Exhibit B to this Joint Petition, FE PA Exhibit DMY-6, FE PA Exhibit CDL-2, and FE PA Exhibit CDL-3, including changes to tariff definitions to accommodate the procurement plan set forth in the Settlement and implement the Company's MRPL proposal.

H. Customer Referral Program

63. Under the Commission-approved settlement of the DSP VI proceeding ("DSP VI Settlement"), the Customer Referral Program ("CRP") administered by FE PA in each of the Rate Districts will terminate on May 31, 2027.

64. The Joint Petitioners agree that FE PA will not implement a successor CRP for DSP VII based on data reviewed during the collaborative held in accordance with the DSP VI Settlement.

I. Supplier Coordination Tariff and Retail Shopping Changes

65. The Joint Petitioners agree to FE PA's originally proposed modifications to its supplier coordination tariff set forth in FE PA Exhibit CDL-4 in two areas: (1) protocols for EGS arrangements with customers and (2) purchase of EGS receivables.

66. As shown in FE PA Exhibit CDL-4, EGSs entering into new contracts with residential customers after June 1, 2027, must return those residential customers to default service at the conclusion of the fixed duration contract term absent an affirmative choice to remain with the EGS in response to the notices required by the Commission's regulations at 52 Pa. Code § 54.10. In addition, commencing June 1, 2027, EGSs will be required to provide an attestation of affirmative customer consent on a quarterly basis for all residential customers on variable-priced month-to-month products.

67. The Joint Petitioners agree that for all contracts entered into after June 1, 2027, EGSs on utility consolidated billing must use "rate-ready" billing and charge a rate that is at or below the PTC at the time of the customer's enrollment transaction or rate change transaction to be eligible for purchase of receivables ("POR") for that customer account. The Company will phase out its existing clawback mechanism over the first year of the DSP VII term if its proposed POR program changes are approved by the Commission.

68. The Joint Petitioners agree that effective June 1, 2027, FE PA shall be permitted to implement the changes to the Company's supplier coordination tariff set forth in FE PA Exhibit CDL-4, including additions to Appendix A to include new PJM billing line items 1935 and 2935 related to DOE emergency orders.

J. Customer Assistance Program Maximum Bill Credits

69. The Company will increase its PCAP subsidy credit limit to the amounts in Table 2 below as of January 1, 2027.

Table 2	**Maximum PCAP Subsidy Credit Limits for All Rate Districts**	
Federal Poverty Income Guidelines Level	**Electric Non-Heating**	**Electric Heating**
0%-50%	$2,345	$5,251
51%-100%	$1,719	$3,918
101%-150%	$1,355	$2,834

70. At its quarterly universal service advisory committee meetings, FE PA will report on the number of customers exceeding their maximum PCAP credit limit.

K. Additional Settlement Terms

71. As a condition of the Settlement, FE PA will include on its website a reference and link to the OSBA's website as a resource for customers.

L. Request for Waivers

72. The Commission's regulations (52 Pa. Code § 54.187) and Policy Statement (52 Pa. Code § 69.1805) provide that default service providers should design procurement classes based upon peak loads of 0-25 kW, 25-500 kW, and 500 kW and greater, but default service providers may propose to depart from these specific ranges, including to "preserve existing customer classes." To the extent necessary, the Joint Petitioners respectfully request that the Commission grant a waiver of (1) 52 Pa. Code § 54.187(h) – (j) in order to continue to use the residential, commercial, and industrial customer class definitions, which the Commission has previously approved, and to use MRPL to classify net metering customer generators; (2) 52 Pa. Code § 54.187(i) – (j) to continue semi-annual rate adjustments and reconciliation for commercial customers under the PTC Rider and semi-annual reconciliation of HP Rider over-and-under collections for the industrial class; and (3) the Commission's requirements at 52 Pa. Code §§ 54.182 and 54.187 with regard to including certain transmission-related costs in the PTC so that the Company may recover the NMB charges through the non-bypassable DSS Rider rather than the PTC Rider.

73. Under the Commission’s regulations at 52 Pa Code § 54.10(3), a customer served by an EGS that does not respond to the required notices regarding expiration of a fixed duration contract automatically renews with the customer’s current EGS on a month-to-month contract or another fixed duration contract, without cancellation fees. If necessary, the Joint Petitioners respectfully request that the Commission grant a waiver of its regulations at 52 Pa Code. § 54.10(3) to implement FE PA’s changes residential customer arrangements with EGSs described in Section II.I above.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

74. FE PA, the OCA, the OSBA, CAUSE-PA, Walmart, and DLC have prepared, and attached to this Joint Petition, Statements in Support identified as Statements A through F, respectively, setting forth the bases on which they believe the Settlement is in the public interest.

75. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

- ***Substantial Litigation And Associated Costs Will Be Avoided***. The Settlement amicably and expeditiously resolves a number of important and contentious issues. The administrative burden and costs to litigate these matters to conclusion would be substantial.
- ***The Settlement Is Consistent With Commission Policies Promoting Negotiated Settlements***. The Joint Petitioners arrived at the Settlement terms after conducting extensive discovery and engaging in in-depth discussions over several weeks. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission’s rules and practices encouraging negotiated settlements (*see* 52 Pa. Code §§ 5.231, 69.391 and 69.401), and is supported by a substantial record.

IV. ADDITIONAL TERMS AND CONDITIONS

76. The Joint Petitioners agree that this Settlement represents the default service procurement plan for all FE PA customer classes for the Revised DSP VII Term. The Company shall be entitled to recover all costs reasonably incurred by the Company under its procurement plan as set forth in this Settlement, and the Joint Petitioners agree that they shall neither challenge nor seek disallowance of such costs (including pursuant to 66 Pa.C.S. §§ 2807(e)(3.8) and (3.9)), provided that FE PA's procurements are made in accordance with the approved plan and there has been no fraud, collusion, or market manipulation with regard to the contracts entered into under the plan.

77. This Settlement is proposed by the Joint Petitioners to settle the instant case and is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation of this case or any other case. It is understood, however, that the preceding paragraph shall be binding upon the Joint Petitioners should the Settlement be approved.

78. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or the Company or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including but not limited to presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

79. If the Administrative Law Judges, in their Recommended Decision, recommend that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the filing of Exceptions. However, the Joint Petitioners do not waive their rights to file Exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters

proposed by the Administrative Law Judges in their Recommended Decision. The Joint Petitioners also reserve the right to file Replies to any Exceptions that may be filed.

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that Deputy Chief Administrative Law Judge Hoyer and Administrative Law Judge Gannon enter a Recommended Decision and the Commission enter an Order:

1. Approving the Settlement and FE PA's Revised DSP VII as set forth herein, including all terms and conditions thereof;

2. Finding that FE PA's Revised DSP VII includes prudent steps necessary to negotiate favorable generation supply contracts;

3. Finding that FE PA's Revised DSP VII includes prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis;

4. Finding that FE PA's Revised DSP VII includes prudent steps necessary to negotiate favorable generation supply contracts and to obtain least cost generation supply contracts on a long-term, short-term and spot market basis;

5. Finding that neither FE PA nor its affiliates have withheld from the market any generation supply in a manner that violates federal law;

6. Finding that FE PA's TOU rate options agreed to under this Settlement satisfy the Company's obligations under 66 Pa.C.S. § 2807(f)(5);

7. Approving the selection of CRA to continue as the independent third-party evaluator and auction manager for all DCAs;

8. Granting a waiver of the rate design provisions of 52 Pa. Code § 54.187, to the extent necessary, to permit the Company to continue to procure generation for three procurement classes, as well as to continue semi-annual rate adjustments and reconciliation for commercial customers under the PTC Rider and semi-annual reconciliation of HP Rider over-and-under collections for the industrial class as set forth in FE PA's Revised DSP VII;

9. Granting a waiver of the Commission's requirements at 52 Pa. Code §§ 54.182 and 54.187 with regard to including certain transmission-related costs in the PTC to permit the Company to continue to recover the NMB charges through the non-bypassable DSS Rider rather than the PTC Rider as set forth in FE PA's Revised DSP VII.

10. Granting a waiver of the Commission's regulations at 52 Pa Code. § 54.10(3) to implement FE PA's changes to residential customer arrangements with EGSs set forth in the Company's Revised DSP VII.

11. Authorizing the retail electric service tariff pages attached to the Joint Petition as Exhibit C and set forth in FE PA Exhibits DMY-6, CDL-2 and CDL-3 to become effective as of June 1, 2027.

12. Authorizing the supplier coordination tariff pages set forth in FE PA Exhibit CDL-4 to become effective as of June 1, 2027.

13. Terminating the proceeding at Docket No. P-2026-3060298 following a Commission decision on the issues raised by the non-settling parties.

Respectfully submitted,

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EXHIBIT A

Revised Procurement Schedule

Auction Schedule for FirstEnergy's Pennsylvania Default Service Program DSP-VII

Auction Date	FP or HP Auction	Customer Class	# Mos to Delivery	Delivery Duration	Rate District	# Tranches	% of DS Load	2026 9 2 2 12	2027 1 2 3 4 5 6 7 8 9 10 11 12	2028 1 2 3 4 5 6 7 8 9 10 11 12	2029 1 2 3 4 5 6 7 8 9 10 11 12	2030 1 2 3 4 5 6 7 8 9 10 11 12	2031 1 2 3 4 5 6 7 8 9 10 11 12	2032 1 2 3 4 5
January 2027	FP Auction TT = 51 LC = 25	Residential	5	12 Mos	**Met-Ed**	7	23.33%		JAN Jun 2027 - May 2028					
					Penelec	4	20.00%		Jun 2027 - May 2028					
					Penn Power	1	11.11%		Jun 2027 - May 2028					
					West Penn Power	8	21.62%		Jun 2027 - May 2028					
			5	24 Mos	**Met-Ed**	3	10.00%		Jun 2027 - May 2029					
					Penelec	2	10.00%		Jun 2027 - May 2029					
					Penn Power	1	11.11%		Jun 2027 - May 2029					
					West Penn Power	4	10.81%		Jun 2027 - May 2029					
			5	60 Mos	**Met-Ed**	3	10.00%		June 2027 - May 2032					
					Penelec	2	10.00%		June 2027 - May 2032					
					Penn Power	1	11.11%		June 2027 - May 2032					
					West Penn Power	4	10.81%		June 2027 - May 2032					
		Commercial	5	12 Mos	**Met-Ed**	2	22.22%		JAN Jun 2027 - May 2028					
					Penelec	3	33.33%		Jun 2027 - May 2028					
					Penn Power	1	25.00%		Jun 2027 - May 2028					
					West Penn Power	4	36.36%		Jun 2027 - May 2028					
			5	24 Mos	**Met-Ed**	1	11.11%		Jun 2027 - May 2029					
					Penelec	0	0.00%		Jun 2027 - May 2029					
					Penn Power	0	0.00%		Jun 2027 - May 2029					
					West Penn Power	0	0.00%		Jun 2027 - May 2029					
April 2027	FP Auction TT = 45 LC = 22	Residential	2	12 Mos	**Met-Ed**	7	23.33%		APR Jun 2027 - May 2028					
					Penelec	5	25.00%		Jun 2027 - May 2028					
					Penn Power	3	33.33%		Jun 2027 - May 2028					
					West Penn Power	8	21.62%		Jun 2027 - May 2028					
			2	24 Mos	**Met-Ed**	3	10.00%		Jun 2027 - May 2029					
					Penelec	1	5.00%		Jun 2027 - May 2029					
					Penn Power	1	11.11%		Jun 2027 - May 2029					
					West Penn Power	4	10.81%		Jun 2027 - May 2029					
		Commercial	2	12 Mos	**Met-Ed**	3	33.33%		APR Jun 2027 - May 2028					
					Penelec	2	22.22%		Jun 2027 - May 2028					
					Penn Power	1	25.00%		Jun 2027 - May 2028					
					West Penn Power	3	27.27%		Jun 2027 - May 2028					
			2	24 Mos	**Met-Ed**	1	11.11%		Jun 2027 - May 2029					
					Penelec	1	11.11%		Jun 2027 - May 2029					
					Penn Power	1	25.00%		Jun 2027 - May 2029					
					West Penn Power	1	9.09%		Jun 2027 - May 2029					
	HP Auction TT = 32 LC = 24	Industrial	2	12 Mos	**Met-Ed**	9	100.00%		APR Jun 2027 - May 2028					
					Penelec	9	100.00%		Jun 2027 - May 2028					
					Penn Power	2	100.00%		Jun 2027 - May 2028					
					West Penn Power	12	100.00%		Jun 2027 - May 2028					
October 2027	FP Auction TT = 48 LC = 24	Residential	8	12 Mos	**Met-Ed**	7	23.33%		OCT	Jun 2028 - May 2029				
					Penelec	5	25.00%			Jun 2028 - May 2029				
					Penn Power	2	22.22%			Jun 2028 - May 2029				
					West Penn Power	9	24.32%			Jun 2028 - May 2029				
			8	24 Mos	**Met-Ed**	4	13.33%			Jun 2028 - May 2030				
					Penelec	3	15.00%			Jun 2028 - May 2030				
					Penn Power	1	11.11%			Jun 2028 - May 2030				
					West Penn Power	4	10.81%			Jun 2028 - May 2030				
		Commercial	8	12 Mos	**Met-Ed**	2	22.22%		OCT	Jun 2028 - May 2029				
					Penelec	3	33.33%			Jun 2028 - May 2029				
					Penn Power	1	25.00%			Jun 2028 - May 2029				
					West Penn Power	4	36.36%			Jun 2028 - May 2029				
			8	24 Mos	**Met-Ed**	1	11.11%			Jun 2028 - May 2030				
					Penelec	1	11.11%			Jun 2028 - May 2030				
					Penn Power	0	0.00%			Jun 2028 - May 2030				
					West Penn Power	1	9.09%			Jun 2028 - May 2030				

Auction Schedule for FirstEnergy's Pennsylvania Default Service Program DSP-VII

Auction Date	FP or HP Auction	Customer Class	# Mos to Delivery	Delivery Duration	Rate District	# Tranches	% of DS Load		
February 2028	FP Auction TT = 47 LC = 23	Residential	4	12 Mos	Met-Ed	6	20.00%	FEB	Jun 2028 - May 2029
					Penelec	4	20.00%		Jun 2028 - May 2029
					Penn Power	2	22.22%		Jun 2028 - May 2029
					West Penn Power	8	21.62%		Jun 2028 - May 2029
			4	24 Mos	Met-Ed	4	13.33%		Jun 2028 - May 2030
					Penelec	3	15.00%		Jun 2028 - May 2030
					Penn Power	1	11.11%		Jun 2028 - May 2030
					West Penn Power	4	10.81%		Jun 2028 - May 2030
		Commercial	4	12 Mos	Met-Ed	3	33.33%	FEB	Jun 2028 - May 2029
					Penelec	3	33.33%		Jun 2028 - May 2029
					Penn Power	2	50.00%		Jun 2028 - May 2029
					West Penn Power	3	27.27%		Jun 2028 - May 2029
			4	24 Mos	Met-Ed	1	11.11%		Jun 2028 - May 2030
					Penelec	1	11.11%		Jun 2028 - May 2030
					Penn Power	0	0.00%		Jun 2028 - May 2030
					West Penn Power	2	18.18%		Jun 2028 - May 2030
	HP Auction TT = 32 LC = 24	Industrial	4	12 Mos	Met-Ed	9	100.00%	FEB	Jun 2024 - May 2025
					Penelec	9	100.00%		Jun 2024 - May 2025
					Penn Power	2	100.00%		Jun 2024 - May 2025
					West Penn Power	12	100.00%		Jun 2024 - May 2025
September 2028	FP Auction TT = 44 LC = 22	Residential	9	12 Mos	Met-Ed	7	23.33%	SEP	Jun 2029 - May 2030
					Penelec	5	25.00%		Jun 2029 - May 2030
					Penn Power	2	22.22%		Jun 2029 - May 2030
					West Penn Power	8	21.62%		Jun 2029 - May 2030
			9	24 Mos	Met-Ed	2	6.67%		Jun 2029 - May 2031
					Penelec	1	5.00%		Jun 2029 - May 2031
					Penn Power	1	11.11%		Jun 2029 - May 2031
					West Penn Power	4	10.81%		Jun 2029 - May 2031
		Commercial	9	12 Mos	Met-Ed	3	33.33%	SEP	Jun 2029 - May 2030
					Penelec	3	33.33%		Jun 2029 - May 2030
					Penn Power	2	50.00%		Jun 2029 - May 2030
					West Penn Power	3	27.27%		Jun 2029 - May 2030
			9	24 Mos	Met-Ed	1	11.11%		Jun 2029 - May 2031
					Penelec	1	11.11%		Jun 2029 - May 2031
					Penn Power	0	0.00%		Jun 2029 - May 2031
					West Penn Power	1	9.09%		Jun 2029 - May 2031
February 2029	FP Auction TT = 44 LC = 22	Residential	4	12 Mos	Met-Ed	7	23.33%	FEB	Jun 2029 - May 2030
					Penelec	4	20.00%		Jun 2029 - May 2030
					Penn Power	2	22.22%		Jun 2029 - May 2030
					West Penn Power	8	21.62%		Jun 2029 - May 2030
			4	24 Mos	Met-Ed	3	10.00%		Jun 2029 - May 2031
					Penelec	2	10.00%		Jun 2029 - May 2031
					Penn Power	1	11.11%		Jun 2029 - May 2031
					West Penn Power	5	13.51%		Jun 2029 - May 2031
		Commercial	4	12 Mos	Met-Ed	3	33.33%	FEB	Jun 2029 - May 2030
					Penelec	3	33.33%		Jun 2029 - May 2030
					Penn Power	1	25.00%		Jun 2029 - May 2030
					West Penn Power	3	27.27%		Jun 2029 - May 2030
			4	24 Mos	Met-Ed	0	0.00%		Jun 2029 - May 2031
					Penelec	0	0.00%		Jun 2029 - May 2031
					Penn Power	1	25.00%		Jun 2029 - May 2031
					West Penn Power	1	9.09%		Jun 2029 - May 2031
	HP Auction TT = 32 LC = 24	Industrial	4	12 Mos	Met-Ed	9	100.00%	FEB	Jun 2029 - May 2030
					Penelec	9	100.00%		Jun 2029 - May 2030
					Penn Power	2	100.00%		Jun 2029 - May 2030
					West Penn Power	12	100.00%		Jun 2029 - May 2030

Exhibit A
Page 3 of 3

Auction Schedule for FirstEnergy's Pennsylvania Default Service Program DSP-VII

Auction Date	FP or HP Auction	Customer Class	# Mos to Delivery	Delivery Duration	Rate District	# Tranches	% of DS Load	2026	2027	2028	2029	2030	2031	2032
								9 2 2 12	1 2 3 4 5 6 7 8 9 10 11 12	1 2 3 4 5 6 7 8 9 10 11 12	1 2 3 4 5 6 7 8 9 10 11 12	1 2 3 4 5 6 7 8 9 10 11 12	1 2 3 4 5 6 7 8 9 10 11 12	1 2 3 4 5
September 2029	FP Auction TT = 49 LC = 24	Residential	9	12 Mos	Met-Ed	7	23.33%				SEP	Jun 2030 - May 2031		
					Penelec	5	25.00%					Jun 2030 - May 2031		
					Penn Power	2	22.22%					Jun 2030 - May 2031		
					West Penn Power	9	24.32%					Jun 2030 - May 2031		
			9	24 Mos	Met-Ed	5	16.67%						Jun 2030 - May 2032	
					Penelec	3	15.00%						Jun 2030 - May 2032	
					Penn Power	1	11.11%						Jun 2030 - May 2032	
					West Penn Power	3	8.11%						Jun 2030 - May 2032	
		Commercial	9	12 Mos	Met-Ed	3	33.33%				SEP	Jun 2030 - May 2031		
					Penelec	3	33.33%					Jun 2030 - May 2031		
					Penn Power	1	25.00%					Jun 2030 - May 2031		
					West Penn Power	3	27.27%					Jun 2030 - May 2031		
			9	24 Mos	Met-Ed	1	11.11%						Jun 2030 - May 2032	
					Penelec	1	11.11%						Jun 2030 - May 2032	
					Penn Power	0	0.00%						Jun 2030 - May 2032	
					West Penn Power	2	18.18%						Jun 2030 - May 2032	
February 2030	FP Auction TT = 46 LC = 23	Residential	4	12 Mos	Met-Ed	6	20.00%					FEB Jun 2030 - May 2031		
					Penelec	4	20.00%					Jun 2030 - May 2031		
					Penn Power	2	22.22%					Jun 2030 - May 2031		
					West Penn Power	8	21.62%					Jun 2030 - May 2031		
			4	24 Mos	Met-Ed	4	13.33%						Jun 2030 - May 2032	
					Penelec	3	15.00%						Jun 2030 - May 2032	
					Penn Power	1	11.11%						Jun 2030 - May 2032	
					West Penn Power	4	10.81%						Jun 2030 - May 2032	
		Commercial	4	12 Mos	Met-Ed	3	33.33%					FEB Jun 2030 - May 2031		
					Penelec	2	22.22%					Jun 2030 - May 2031		
					Penn Power	1	25.00%					Jun 2030 - May 2031		
					West Penn Power	3	27.27%					Jun 2030 - May 2031		
			4	24 Mos	Met-Ed	1	11.11%						Jun 2030 - May 2032	
					Penelec	2	22.22%						Jun 2030 - May 2032	
					Penn Power	1	25.00%						Jun 2030 - May 2032	
					West Penn Power	1	9.09%						Jun 2030 - May 2032	
	HP Auction TT = 20 LC = 15	Industrial	4	12 Mos	Met-Ed	9	100.00%					FEB Jun 2030 - May 2031		
					Penelec	9	100.00%					Jun 2030 - May 2031		
					Penn Power	2	100.00%					Jun 2030 - May 2031		
					West Penn Power	0	0.00%					Jun 2030 - May 2031		

TT = total number of tranches intended to be procured in the auction

LC = load cap, which is 75% of TT (rounded down to the nearest integer if necessary) for the HP Products and 50% of the FP Products

Tranches are based on historical load data, and assumed tranche sizes of approximately 50 MW/tranche for Residential and Commercial products, and 100 MW/tranche for Industrial products

% of DS Load is # Tranches divided by the total number of tranches to be procured across auctions for the given company, customer class, and delivery period

EXHIBIT B

Revised Price to Compare Default Service Rate Rider

PRICE TO COMPARE DEFAULT SERVICE RATE RIDER

A Price to Compare Default Service Rate (“$PTC_{Default}$”) shall be applied to each kWh of Default Service that the Company delivers to Customers under this rider as determined to the nearest one-thousandth of a cent per kWh. The $PTC_{Default}$ rate shall be billed to Customers receiving Default Service from the Company under this rider. The rates shall be calculated according to the provisions of this rider.

For service rendered June 1, XXXX~~2025~~ through November 30, XXXX~~2025~~ the $PTC_{Default}$ rates billed by Customer Class are as follows: (C)

Met-Ed		
Customer Class	Residential	Commercial
Rate Schedule	RS, GS-V	GS-S, GS-M (PTC), MS, Borderline Service, Street Lighting Service, LED Street Lighting Service, and Outdoor Lighting Service
Charge	$0.XXXXX~~11903 (I)~~ per kWh	$0.XXXXX~~11574 (I)~~ per kWh

Penelec		
Customer Class	Residential	Commercial
Rate Schedule	RS, GS-V	GS-S, GS-M (PTC), H, Borderline Service, Street Lighting Service, LED Street Lighting Service and Outdoor Lighting Service
Charge	$0.XXXXX~~11003 (I)~~ per kWh	$0.XXXXX~~11405 (I)~~ per kWh

Penn Power		
Customer Class	Residential	Commercial
Rate Schedule	RS, GS-V	GS-S, GS-M (PTC), PNP, PLS, SV, Outdoor Lighting Service and LED
Charge	$0.XXXXX~~11857 (I)~~ per kWh	$0.XXXXX~~12726 (I)~~ per kWh

West Penn		
Customer Class	Residential	Commercial
Rate Schedule	RS, GS-V	GS-S, GS-M (PTC), 51-58, 71, Outdoor Lighting Service and LED
Charge	$0.XXXXX~~10317 (I)~~ per kWh	$0.XXXXX~~10536 (I)~~ per kWh

(C) Change
(I) Increase

PRICE TO COMPARE DEFAULT SERVICE RATE RIDER (continued)

The $PTC_{Default}$ rates by Residential or Commercial Customer Class will be calculated semi-annually for the six-month period ending March 31st to be effective for the six-month period beginning June 1st and for the six-month period ending September 30th to be effective for the six-month period beginning December 1st. The $PTC_{Default}$ rate shall be calculated by Customer Class in accordance with the formula set forth below:

$$PTC_{Default} = (PTC_{Current} + E) \times [1 / (1 - T)]$$

$$PTC_{Current} = (PTC_{Current\ Cost\ Component} \times PTC\ Loss_{Current}) + PTC_{Adm} + PTC_{NITS}$$

$$E = \{[(DS_{Exp1} + DS_{Exp2}) - PTC_{Rev} + DS_{Int}] / DS_{Sales}\}$$

Where:

$PTC_{Current}$ = The current cost component of the $PTC_{Default}$ rate grossed up for line losses calculated by Residential or Commercial Customer Class determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Retail Customers under this rider.

The computation of the $PTC_{Current}$ component of the $PTC_{Default}$ rate by Residential or Commercial Customer Class will use the following procedures:

$PTC_{Current\ Cost\ Component}$ = The current cost component of the $PTC_{Default}$ rate calculated by Customer Class determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Retail Customers under this rider. This rate will be determined by Customer Class using the projected weighted cost of Default Service supply acquired by the Company to serve Default Service load and any PJM charges related to the provision of Default Service.

$PTC\ Loss_{Current}$ = Distribution line losses for energy that are determined by the applicable Loss Factors specified below:

Rate District	Met-Ed		Penelec		Penn Power		West Penn	
Customer Class	Res	Com	Res	Com	Res	Com	Res	Com
Loss Factor	1.0515	1.0515	1.0573	1.0573	1.0661	1.0661	1.0910	1.0899

PTC_{Adm} = An administrative fee for applicable administration costs by Customer Class determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Retail Customers under this rider.

Exhibit B
Page 3 of 6

PRICE TO COMPARE DEFAULT SERVICE RATE RIDER (continued)

PTC_{NITS} = When the Company purchases Network Integration Transmission Service from PJM on behalf of customers, a Network Integration Transmission Service Charge for Default Service, is determined to the nearest one-thousandth of a cent per kWh to be applied to each kWh of Default Service delivered to Retail Customers under this rider.

E = The Price to Compare Default Service Reconciliation Rate component ~~by~~ for the Residential Customer Class will be reconciled every twelve months, using the cumulative over/under collection balance for the twelve-month period ending on March 31 of each year. The Price to Compare Default Service Reconciliation Rate component for the Commercial Customer Class will be reconciled every six-month period ending on March 31 of each year. The rate determined to the nearest one-thousandth of a cent per kWh by Customer Class shall be applied to each kWh of Default Service delivered to retail Customers by Customer Class under this rider.

DS_{Exp1} = An allocated portion of the incremental start-up costs incurred by the Company through May 31, 202~~3~~7 in connection with the Company's Default Service Supply Plan to provide Default Service amortized over the forty-eight (48) month period ending May 31, 2031~~27~~, including but not limited to:

- Incremental start-up administrative costs including metering and billing costs incurred and other costs as necessary to provide service to Default Service Customers.
- Other start-up costs incurred to develop and implement the competitive bid process for the Default Service Supply Plan for Default Service including legal, customer notice, and consultant fees.
- The incremental administrative start-up costs incurred to implement the Time-of-Use Rider.

Interest shall be computed monthly for the over or under collection at the prime rate of interest for commercial banking, not to exceed the legal rate of interest, in effect on the last day of the month that the over and under collection occurs, as reported in the Wall Street Journal, to the effective month that the over collection is refunded or the under collection is collected and included in the determination of the monthly amortized amount.

PRICE TO COMPARE DEFAULT SERVICE RATE RIDER (continued)

DS_{Exp2} = The cumulative costs to provide Default Service incurred by the Company for the respective Customer Class for the six-month period ending two months prior to the effective date, including but not limited to the following:

- Payments made to winning bidders.
- Any PJM related charges including capacity, operating reserve, transmission-related costs other than Non-Market Based Services Transmission Charges identified in the Default Service Support Rider, and ancillary services associated with the acquisition of default service supply.
- All contingency plan implementation costs incurred during the supply period, including any PJM charges to implement the Company's contingency plans.
- An allocated portion of other costs incurred to develop and implement the competitive bid process for Default Service including legal, customer notice, and consultant fees.
- The net AEPS expenses incurred by the Company. ~~associated with the portfolio procurements of the supply needed from block and spot purchases. These net AEPS expenses will reflect the net proceeds of sales of AEPS credits purchased that exceed the AEPS credits needed to meet AEPS requirements.~~
- The cost of credit when the Company is considered by PJM to be the load serving entity.
- ~~Any cost incurred by the Company associated with any Commission-approved solar power purchase agreements and the administration of the Company's long-term solar procurement, including the costs associated with spot purchases to satisfy a fixed quantity of default service load. These costs will be recovered from the customers in the applicable procurement classes receiving an allocation of the solar energy and/or the SPAECs procured.~~

PTC_{Rev} = The cumulative revenues billed to Retail Customers by Customer Class for Default Service under the Default Service Supply Plan, excluding applicable Pennsylvania gross receipts tax, for the six-month period ending two months prior to the effective date billed under the respective Customer Class $PTC_{Default}$ rates.

DS_{Int} = The cumulative amount of carrying charges for the Residential Customer Classes shall be calculated on a monthly basis for the twelve~~six~~- month~~-~~period ending two months prior to the effective date.~~ by Customer Class.~~ The cumulative amount of carrying charges for the Commercial Customer Class shall be calculated on a monthly basis for the six-month period ending two months prior to the effective date.
Interest shall be computed monthly for the over or under collection at the prime rate of interest for commercial banking, not to exceed the legal rate of interest, in effect on the last day of the month that the over and under collection occurs, as reported in the Wall Street Journal, to the effective month that the over collection is refunded or the under collection is collected.

DS_{Sales} = The Company's projected Default Service kWh sales to Retail Customers by Customer Class for the six-month billing period that the E rate component of the $PTC_{Default}$ rate will be in effect.

PRICE TO COMPARE DEFAULT SERVICE RATE RIDER (continued)

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.

Each change in the $PTC_{Default}$ rates will be filed with the Commission by the later of: (a) forty-five (45) days prior to the effective date of the rate changes or (b) seven (7) days after the last supply auction; or (c) seven (7) days after PJM publishes NITS rates applicable to load serving entities in the Rate Districts. The Company shall file details in support of the revised $PTC_{Default}$ rates.

At the conclusion of the duration of this reconciliation rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the $PTC_{Default}$ rates shall be subject to annual review and audit by the Commission.

STATEMENT A

Statement in Support of Joint Petition for Non-Unanimous Settlement of FirstEnergy Pennsylvania Electric Company

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY FOR APPROVAL OF ITS DEFAULT SERVICE PROGRAM FOR THE PERIOD FROM JUNE 1, 2027 THROUGH MAY 31, 2031	:	**DOCKET NO. P-2026-3060298**

STATEMENT OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY IN SUPPORT OF THE JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

July 2, 2026

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY FOR APPROVAL OF ITS DEFAULT SERVICE PROGRAM FOR THE PERIOD FROM JUNE 1, 2027 THROUGH MAY 31, 2031	: : : : : :	**DOCKET NO. P-2026-3060298**

STATEMENT OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY IN SUPPORT OF THE JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

I. INTRODUCTION

On July 2, 2026, Pennsylvania Electric Company ("FE PA" or the "Company");[1] 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"); Duquesne Light Company ("DLC");[2] and Walmart, Inc.

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[1] FE PA was formed through the combination of several predecessor Pennsylvania electric utilities after approval by the Pennsylvania Public Utility Commission ("Commission"). On January 1, 2024, Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, the "Predecessor Companies"), which were all affiliates and subsidiaries of FirstEnergy Corp., merged into FE PA. Consistent with the approvals received from the Commission, FE PA was certificated as a public utility and authorized to provide public utility service in the territories of the Predecessor Companies (now, "Rate Districts").

[2] DLC supports the provisions in Section II.I (Supplier Coordination Tariff and Retail Shopping Changes) of the settlement embodied in the Joint Petition ("Settlement") but takes no position on the other provisions of the Settlement. *See* Duquesne Light

("Walmart") (collectively, the "Joint Petitioners") filed with the Commission a Joint Petition For Non-Unanimous Settlement ("Joint Petition") of all issues in the above-captioned proceeding.[3] This Statement in Support (the "Statement") is filed pursuant to Paragraph 74 of the Joint Petition.

A. Procedural History

FE PA incorporates by reference the background and procedural history of this case set forth in the Joint Petition.

B. Non-Unanimous Settlement

The Settlement was achieved only after an extensive investigation by the parties of FE PA's proposed seventh default service programs ("DSP VII") for the period from June 1, 2027 to May 31, 2031 ("Original Proposal"), which included substantial discovery, the submission of written direct, rebuttal, surrebuttal testimony, rejoinder testimony, and an

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Company Statement in Support of Settlement, Docket No. P-2026-3060298 (filed July 2, 2026).

[3] The Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, and West Penn Power Industrial Intervenors (collectively, the "Industrial Customer Groups"), and The Pennsylvania State University ("PSU"), which are parties to this proceeding, have authorized the Joint Petitioners to represent that they do not oppose the Settlement. The following parties did not join the Joint Petition and indicated that they oppose the Settlement: Constellation Energy Generation, LLC and Constellation NewEnergy, Inc. ("Constellation"), the Customer-Generator Coalition ("CGC"), Dimension PA 1, LLC ("Dimension"), Penn Renewables LLC ("Penn Renewables"), the Retail Energy Supply Association ("RESA"), Shipley Choice, LLC d/b/a Shipley Energy and Interstate Gas Supply, LLC d/b/a IGS Energy (collectively, the "EGS Parties"), the Solar Energy Industries Association and the Coalition for Community Solar Access (collectively, the "Joint Solar Advocates" or "JSA"), Town Square Energy East, LLC ("Town Square"), and WGL Energy Services, Inc. ("WGL"). FE PA will address any issues that may be raised by those parties in opposition to the Settlement in briefing.

evidentiary hearing. In addition, over a period of several weeks, the parties engaged in discussions and negotiations about the terms of the Settlement.

The Original Proposal contained limited changes to the existing design and procedures of the Predecessor Companies' sixth default service programs ("DSP VI") as approved by the Commission.[4] Under the Settlement, FE PA's default service program ("Revised DSP VII") is generally consistent with the Original Proposal. As originally proposed, Revised DSP VII will have a four-year term beginning June 1, 2027 and ending May 31, 2031. FE PA's default service customers will remain divided into three procurement classes: a residential class, a commercial class and an industrial class. FE PA will maintain the same procurement class definitions that were approved by the Commission in the August 2022 Order, with one change to the classification of non-residential default service customers between the commercial and industrial procurement groups served under the Price to Compare Default Service Rate Rider ("PTC Rider") and the Hourly Pricing Default Service Rider ("HP Rider"). As originally proposed, default service customers with a demand of 100 kilowatts ("kW") or above **or** a maximum registered peak load ("MRPL") of 100 kW or above will be served under the HP Rider. Default service customers with a demand below 100 kW **and** MRPL below 100 kW will be served under the PTC Rider. The change in the Company's default service classification will be effective June 1, 2027, for new and in development net-metering projects. However, existing net metering installations online as of the end of DSP VI on May 31, 2027, will be exempt from reclassification until June 1, 2029.

Consistent with DSP VI, FE PA will acquire load-following, full requirements default service supply for the residential and commercial classes procured through a

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[4] *See Joint Petition of Metro. Edison Co., Pa. Elec. Co., Pa. Power Co., and West Penn Power Co. for Approval of their Default Serv. Programs for the Period Beginning June 1, 2023 through May 31, 2027,* Docket No. P-2021-3030012 (Recommended Decision dated June 29, 2022 ("DSP VI RD"). The DSP VI RD was adopted without modification by the Commission in its Order entered August 4, 2022) ("August 2022 Order").

descending clock auction ("DCA"). The full requirements contracts for the residential class will include a fixed price established through the applicable DCA. Under the Settlement, during the DSP VII term, contracts for approximately 10% of the residential class load will have terms of 60 months, contracts for approximately 45% of the residential class load will have terms of 12 months, and contracts for the remaining approximately 45% will have terms of 24 months.

The Joint Petitioners also resolved issues related to the procurement of the 60-month fixed-price full-requirements ("FPFR") product for the residential class. Under the Settlement, as part of the DCA process, FE PA's independent evaluator shall include consideration of the 60-month product in any pre- or post-auction reports that the evaluator prepares during the normal course of administering auctions, including the reasonableness of any post-auction results for any 60-month product. The Joint Petitioners further agreed that if FE PA is unable to procure Commission-approved 60-month FPFR contracts through the solicitation process, the Company will conduct a subsequent solicitation for 24-month FPFR contracts instead of 12-month contracts as originally proposed.

The commercial class products are 100% full requirements contracts with a fixed price established through FE PA's DCA process. As originally proposed, during the DSP VII term, the commercial class full requirements product mix will be comprised of 12-month contracts (60%) and 24-month contracts (40%).

For the industrial class, the load will be served through 12-month full requirements contracts for hourly-priced service procured annually. Winning suppliers will be paid the winning price bid in the hourly-priced auction and the hourly PJM Interconnection, LLC ("PJM") real time zonal locational marginal price ("LMP").

Under the Settlement, FE PA will satisfy its obligations under the Alternative Energy Portfolio Standard ("AEPS") Act, 73 P.S. § 1648.1 et seq., with respect to sales to default service customers by requiring each full requirements default service supplier to transfer Tier I and Tier II alternative energy credits ("AECs") to FE PA corresponding to the Company's AEPS obligations associated with the amount of default service load served by that supplier. The Joint Petitioners have also agreed on a form supplier master agreement ("SMA") and related documents to implement Revised DSP VII, as well as contingency plans in the event of failure to fully subscribe the default service load for any class, Commission rejection of the bid results for any procurement, supplier default, or the failure of PJM to conduct its base residual auction ("BRA") in time for default service suppliers to incorporate the auction results in their bids. The Joint Petitioners further resolved other procurement-related issues, including the appointment of CRA International, Inc. d/b/a/ Charles River Associates ("CRA") as the independent third-party evaluator of FE PA's DCAs.

In addition, the Joint Petitioners have agreed upon tariff and rate design changes to implement Revised DSP VII. As originally proposed, FE PA will continue to adjust default service rates for the residential and commercial classes on a semi-annual basis and will continue to reconcile costs and revenues on a semi-annual basis for the commercial and industrial classes. Under the Settlement, the Company will amortize the cumulative reconciliation balance for the residential PTC Rider identified at the conclusion of each 12-month reconciliation period over the subsequent 12-month period. Finally, the Joint Petitioners agreed to the Company's originally proposed time-of-use ("TOU") rate options for the residential and commercial classes with additional commitments by FE PA related to evaluation of customer participation and enrollment in its TOU rates and potential alternative or supplemental demand response program options.

Under the Commission-approved settlement of the DSP VI proceeding ("DSP VI Settlement"), the Customer Referral Program ("CRP") administered by FE PA in each of the Rate Districts will terminate on May 31, 2027. The Joint Petitioners agreed that FE PA will not implement a successor CRP for DSP VII based on data reviewed during the collaborative held in accordance with the DSP VI Settlement.

The Joint Petitioners further agreed to FE PA's originally proposed modifications to its Electric Generation Supplier Coordination Tariff ("Supplier Tariff") in two areas: (1) protocols for EGS arrangements with customers and (2) purchase of EGS receivables. First, EGSs entering into new contracts with residential customers after June 1, 2027, must return those residential customers to default service at the conclusion of the fixed duration contract term absent an affirmative choice to remain with the EGS in response to the notices required by the Commission's regulations at 52 Pa. Code § 54.10. Commencing June 1, 2027, EGSs will also be required to provide an attestation of affirmative customer consent on a quarterly basis for all residential customers on variable-priced month-to-month products. Second, for all contracts entered into after June 1, 2027, EGSs on utility consolidated billing must use "rate-ready" billing and charge a rate that is at or below the Price to Compare ("PTC") at the time of the customer's enrollment transaction or rate change transaction to be eligible for purchase of receivables ("POR") for that customer account.

Finally, the Joint Petitioners resolved issues related to the bill credit limits for FE PA's Customer Assistance Program ("PCAP") and customer resources on the Company's website. Under the Settlement, FE PA will increase its PCAP subsidy credit limits and provide quarterly reporting on the number of customers exceeding their maximum PCAP credit limit. In addition, FE PA will include on its website a reference and link to the OSBA's website as a resource for customers.

C. Legal Standards

Under the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §§ 2801 et seq. (the "Competition Act"), FE PA, as an electric distribution company ("EDC") and default service supplier, is required to procure electric generation service for customers who contract for electric energy that is not supplied or who do not choose an EGS. Under Sections 2807(e)(3.1), (3.2) and (3.4) of the Competition Act, as amended by Act 129 of 2008 ("Act 129"), FE PA is required to obtain, through competitive procurement processes, a "prudent mix" of default service supply contracts designed to ensure "adequate and reliable service" at the "least cost to customers over time."[5]

Under the Commission's default service regulations, a default service program must include, among other things: (1) a default service procurement plan that sets forth FE PA's strategy for procuring generation supply and complying with AEPS requirements; (2) an implementation plan identifying the schedule and other details of FE PA's proposed competitive procurements for default supply, with forms of supplier documents and agreements and an associated contingency plan; and (3) a rate design plan to recover all

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[5] 66 Pa.C.S. § 2807(e)(3.7).

reasonable costs of default service, including rates, rules and conditions of service and revisions to its tariff.[6]

In considering and approving a default service provider's plan, the Commission is required to make specific findings that "the default service provider's plan includes prudent steps necessary to negotiate favorable generation supply contracts…[and] includes prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis."[7]

FE PA's Revised DSP VII contains all the elements required by the Commission's default service regulations (52 Pa. Code §§ 54.181 – 54.189) and its Policy Statement on Default Service (52 Pa. Code §§ 69.1801- 69.1817), including implementation plans, procurement plans, contingency plans, rate design, and associated tariff pages. As described in the Settlement and in this Statement, FE PA's Revised DSP VII fully satisfies each of the requirements of the Competition Act and the applicable Commission regulations on default service.

In order to approve a settlement, the Commission must determine that the proposed terms and conditions, viewed in the context of the settlement as a whole, are in the public interest.[8] The Commission's policy and precedent embodied in its regulation at 52 Pa. Code § 5.231 and its Policy Statement on Settlements at 52 Pa. Code § 69.401 encourage parties to resolve contested proceedings by settlement. In its Policy Statement, the Commission stated that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate *are often preferable to those achieved at the conclusion of a fully litigated proceeding*" (emphasis added).

FE PA is in full agreement with each of the reasons supporting the Settlement set forth in Paragraph 75 of the Joint Petition. In Sections II to VIII of this Statement, FE PA

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[6] 52 Pa. Code § 54.185(e).

[7] 66 Pa.C.S. § 2807(e)(3.7).

[8] *See Pa. P.U.C. v. CS Water & Sewer Ass'n*, 74 Pa. P.U.C. 767, 771 (1991); *Pa. P.U.C. v. Phila. Elec. Co.*, 60 Pa. P.U.C. 1, 22 (1985).

offers additional reasons why the Settlement is in the public interest and should be approved.

II. PROCUREMENT AND IMPLEMENTATION PLANS

A. Residential Class Default Service Products (Joint Petition, Paragraphs 17-21)

In the Original Proposal, the Company proposed a full requirements product for the residential class with each tranche consisting of a 100% fixed price, load-following full requirements portion with 12-month, 24-month, and 60-month contract terms.[9]

The OCA supported the Company's proposal to procure 12- and 24-month full requirements products for the residential class.[10] However, the OCA opposed the proposed 60-month fixed-price full requirements product for approximately 10 percent of the wholesale default service supply, asserting that the risk premiums may be high due to the long duration of risks assumed by the wholesale suppliers.[11] The OCA further recommended replacing the proposed 60-month contracts with 36-month contracts.[12]

Under the Settlement, the residential class procurement product is a 100% fixed price full requirements tranche with 12-month (45%), 24-month (45%), and 60-month (10%) delivery terms.[13] Winning suppliers will be responsible for fulfilling all the associated requirements of a load serving entity ("LSE") under their agreements with PJM, including energy, capacity, transmission, ancillary services, PJM administrative expenses, as well as providing all necessary alternative energy credits for AEPS compliance.

The Settlement resolves the parties' differences regarding the residential default service products, is consistent with the Competition Act's requirements and is in the public interest. The Joint Petitioners believe that the reliance on full requirements products protects the Company and its customers from price and volumetric risk. Additionally, the

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[9] FE PA St. 2, pp. 6-7.

[10] OCA St. 1, p. 13.

[11] *Id.*, pp. 15-20.

[12] *Id.*

[13] Joint Petition, ¶ 20.

use of 12, 24, and 60-month full requirements purchases provides some measure of price stability, a concern that the Commission is required to consider under the Competition Act.[14]

B. Responsibility for PJM Charges (including NITS) Under the Supplier Master Agreement (Joint Petition, Paragraphs 28-29)

Under the Settlement, winning suppliers will serve "tranches" corresponding to a percentage of the actual residential and commercial default service customer load and be responsible for fulfilling all the associated requirements of a LSE under their agreements with PJM, including energy, capacity, transmission, ancillary services, PJM administrative expenses.[15] Transmission requirements under the Company's SMA exclude Regional Transmission Expansion Plan ("RTEP") charges, Expansion Cost Recovery Charges; Reliability Must Run/generation deactivation charges associated with generating plans for which specific "reliability must-run" ("RMR") charges begin after July 24, 2014; historical out-of-market tie line, generation, and retail customer meter adjustments; unaccounted for energy; or any Federal Energy Regulatory Commission-approved reallocation of PJM RTEP charges related to Docket No. EL05-121-009 (collectively, referred to as "NMB charges").[16] FE PA will continue to assume these NMB charges for both default service suppliers and EGSs that serve load in the Company's service area, and the associated costs will be recovered from customers in a competitively neutral manner through FE PA's non-bypassable Default Service Support ("DSS") Rider.[17]

Currently, default service suppliers are responsible for PJM charges for NITS and those costs are embedded in their prices for full requirements products, which FE PA recovers as part of the cost component its PTC and HP Riders.[18] As originally proposed,

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[14] *See* Final Order, *Implementation of Act 129 of October 15, 2008; Default Serv. and Retail Elec. Mkts.*, Docket No. L-2009-2095604 (Oct. 4, 2011), p. 40.

[15] Joint Petition, ¶ 17

[16] *See* Joint Petition, ¶ 28; FE PA St. 2, pp. 4-5; FE PA Ex. RJR-2.

[17] FE PA St. 2, p. 5; FE PA St. 4, p. 8.

[18] *See* FE PA St. 2, pp. 4-5, 11; FE PA St. 4, pp. 5-6.

commencing June 1, 2027, FE PA will acquire NITS for its default service load and recover associated PJM charges through the NITS component – instead of the cost component – of the PTC and HP Riders. Removal of NITS charges from the pricing under SMA as outlined in the Settlement is consistent with the treatment of these transmission-related costs by other EDCs.[19] This change in responsibility for NITS under the SMA also eliminates the need for default service suppliers to add premiums into their bids for uncertain NITS costs and may also lead to increased participation in FE PA's auctions to the benefit of default service customers.[20]

C. Capacity Proxy Price (Joint Petition, Paragraphs 29 and 34)

The Settlement adopts FE PA's original proposal to continue a capacity proxy price ("CPP") in the Company's auctions in the event PJM does not conduct a BRA in time for default service suppliers to incorporate the auction results in their bids. As originally proposed, the CPP will be equal to the clearing price in the most recent BRA conducted by PJM.[21] Notably, the Commission has previously approved the use of a CPP in default service procurements for FE PA[22] and DLC, finding that such approach would maintain diversity of supply products while also mitigating risk premiums.[23]

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[19] FE PA St. 2, p. 16; OCA St. 1-R, p. 6

[20] *See* FE PA St. 2-R, pp. 9-10; OCA St. 1-R, pp. 8-11; OCA St. 1-SR, pp. 18-20.

[21] *See* Joint Petition, ¶ 34; FE PA St. 2, pp. 20-21.

[22] *See* DSP VI RD, pp. 59-60.

[23] *See Petition of Duquesne Light Co. for Approval to Modify its Supplier Master Agreement*, Docket No. P-2020-3023149 (Order entered Jan. 14, 2021), p. 4.

D. Additional Default Service Program Requirements

1. Term of the Revised DSP VII (Joint Petition, Paragraph 14)

The Commission's regulations provide that the term of a default service program after the initial program will be determined by the Commission.[24] In the Settlement, the Joint Petitioners agreed to FE PA's original proposal for a four-year DSP VII term consistent with the four-year term approved by the Commission in its August 2022 Order.[25] The Revised DSP VII term is reasonable because, as the Commission has observed, a longer program would minimize future litigation expenses and reduce administrative costs.[26]

2. Competitive Procurement Processes (Joint Petition, Paragraphs 17-18)

The Competition Act requires EDCs to use competitive procurement processes to obtain default service supply.[27] In the Settlement, the Joint Petitioners agree to FE PA's original proposal to procure electric generation supply for the residential, commercial and industrial classes through the use of a DCA process.[28] The DCA rules that guide the bid solicitation processes are consistent with those that are used by FE PA in its current, Commission-approved DSP VI and that have yielded competitive outcomes.[29] The DCA rules are also designed so that the procurements follow the Commission's codes of conduct

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[24] *See* 52 Pa. Code § 54.182(d).

[25] *See* Joint Petition, ¶ 14; FE PA St. 1 (Corrected), p. 9.

[26] *See, e.g., Petition of Duquesne Light Co. for Approval of Its Default Serv. Plan for the Period from June 1, 2021 through May 31, 2025*, Docket No. P-2020-3019522 (Opinion and Order entered Jan. 14, 2021), p. 27; *Petition of PECO Energy Co. for Approval of Its Default Serv. Program for the Period from June 1, 2021 through May 31, 2025*, Docket No. P-2020-3019290 (Opinion and Order entered Dec. 3, 2020), pp. 20-31.

[27] 66 Pa.C.S. § 2807(e)(3.1).

[28] Joint Petition, ¶¶ 17-18; FE PA Ex. MP-3.

[29] FE PA St. 3, pp. 10-14; FE PA St. 5, pp. 3-5, 10-11.

and that bidder qualification requirements are fair and non-discriminatory consistent with the Commission's regulations at 52 Pa. Code §§ 54.186(b)(6)(ii) and 54.186(c)(2).[30] Accordingly, continuation of FE PA's existing DCA process as part of the implementation plan for Revised DSP VII satisfies the Competition Act's requirements regarding competitive procurement processes.

3. Procurement Plan for the Residential Class (Joint Petition, Paragraphs 24-25)

In the Original Proposal, the Company proposed to hold DCAs for the residential-class semi-annually in January and November, with an exception that in year one, three auctions would be held in January, April, and November.[31] The Company proposed that all required residential tranches will be secured over eight procurement dates.[32]

The OCA recommended shifting auction timing from January and November to February and September to space procurements more evenly and avoid concentrating two auctions in the same winter season risk profile.[33] The OCA further recommended additional laddering by procuring half of the 12-month and 24-month products with delivery starting in June and half starting in December.[34]

Under the Settlement, the residential full requirements products will be procured through semi-annual auctions in February and September each year, with the exception that for the first auction year of the term, FE PA will hold auctions in January 2027, April 2027, and October 2027.[35] The Settlement resolves the parties' differences regarding the residential procurement plan, and complies with the Competition Act's requirement. The residential procurement plan agreed to by the Joint Petitioners represents a balanced and practical approach that appropriately advances laddering, portfolio diversification, and rate

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[30] *See* FE PA St. 4, pp. 8-10; FE PA Exs. MP-1 and MP-2.

[31] FE PA St. 2, pp. 8-9.

[32] *Id.*, p. 6.

[33] OCA St. 1, pp. 18-19.

[34] *Id.*, pp. 19-20.

[35] Joint Petition, ¶¶ 24-25 & Ex. A.

stability objectives while maintaining a procurement framework that is straightforward, transparent, and consistent with established market practice.[36]

4. Procurement Plan for the Commercial Class (Joint Petition, Paragraphs 22-25)

The Settlement adopts FE PA's original proposal to procure the commercial-class tranche as a fixed-price, load-following, full requirements product, with either a 12- or 24-month term.[37] Under the Settlement, the contracts for the commercial class will be procured through DCAs in the same manner and at the same time as the residential class.[38] As described above, the Company will hold the semi-annual auctions in February and September each year, with the exception that for the first auction year of the term, FE PA will hold auctions in January 2027, April 2027, and October 2027.[39] Like the procurement plan for the residential class, the commercial class procurement plan complies with the Competition Act's requirements.

5. Procurement Plan for the Industrial Class (Joint Petition, Paragraphs 26-27)

The Settlement adopts FE PA's original proposal to continue to procure hourly-priced full requirements products annually for all default service supply for the industrial class, with one modification to the procurement schedule to conduct auctions in January 2027, February 2028, February 2029, and February 2030.[40] The industrial class procurement plan also complies with the Competition Act's requirements.

6. Additional Procurement Issues (Joint Petition, Paragraphs 28-35)

As set forth in the Settlement, the Joint Petitioners have also reached agreements on several issues that apply to multiple procurement classes.

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[36] *See* FE PA St. 2-R, pp. 6-7.

[37] Joint Petition, ¶¶ 23-24.

[38] *Id.*, ¶ 22.

[39] Joint Petition, ¶¶ 24-25 & Ex. A.

[40] Joint Petition, ¶¶ 26-27 & Ex. A.

AEPS Compliance. Both the Competition Act and the AEPS Act require default service providers, such as FE PA, to obtain a percentage of electricity sold to retail customers from alternative energy sources as measured by AECs.[41] The AEPS Act also includes a "set-aside" that requires some of those AECs to be derived from solar photovoltaic ("PV") facilities. Under the Competition Act and the Commission's AEPS regulations, EDCs, as well as EGSs, are required to use a competitive procurement process to obtain AECs.[42]

The Settlement adopts FE PA's proposal to meet its AEPS Act obligations through full requirements products. As originally proposed by the Company, each full requirements default service supplier will be required to transfer Tier I (including solar PV) and Tier II AECs to FE PA corresponding to the AEPS obligations associated with the amount of default service load served by that supplier.[43]

Contingency Plans. A default service program must include a contingency plan in the event of a supplier default.[44] The Settlement appropriately provides for continuation of the contingency plans for full requirements procurements approved by the Commission in the Predecessor Companies' DSP VI proceeding that address the following possible scenarios: (i) an individual solicitation is not fully subscribed or the Commission rejects the bid results from a solicitation; and (ii) a winning supplier defaults prior to the start of the delivery period or at any time during the delivery period. Those contingency plans are described in Paragraphs 31 and 33 and of the Joint Petition. In addition, under the Settlement, FE PA will procure unfulfilled tranches of the 60-month FPFR product as 24-month products in the remainder of the auctions as recommended by OCA witness Serhan

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[41] *See* 66 Pa.C.S. § 2807(e)(3.6); 73 P.S. § 1648.3.

[42] 66 Pa.C.S. § 2807(e)(3.5); *see also* 52 Pa. Code § 75.67(b) (requiring default service providers to demonstrate compliance with the Commission's AEPS regulations by identifying a competitive procurement process for acquiring AECs in default service plans).

[43] *See* Joint Petition, ¶ 30; FE PA St. 2, pp. 12-13.

[44] *See* 52 Pa. Code § 54.185(e)(5).

Ogur. This provision of the Settlement represents a compromise between the Company and the OCA on the contingency plan for the 60-month residential FPFR product.[45]

SMA. The form of SMA that suppliers will be required to execute is attached as FE PA Exhibit RJR-2 to FE PA Statement No. 2. The principal differences between the originally proposed SMA and FE PA's current Commission-approved SMA are: (1) modifications to reflect the changes in default service supplier responsibility for AEPS compliance discussed in Paragraph 30 of the Joint Petition; (2) the change in responsibility for NITS costs under the SMA described in Section II.B above; (3) changes to add new PJM billing line items associated with emergency orders issued by United States Department of Energy; and (4) revisions to clarify the calculation of the CPP used in FE PA's auctions in the event PJM does not conduct a BRA as discussed in Paragraph 34 of the Joint Petition.[46]

Third Party Evaluator. The Commission's default service regulations provide that the competitive bid solicitation process shall be subject to monitoring by the Commission or an independent third party selected by a default service provider in consultation with the Commission.[47] FE PA proposed that CRA continue to serve as independent evaluator for its full requirements default service procurements.[48] The Joint Petitioners agree to the appointment of CRA as the independent third-party evaluator and auction manager for all DCAs.[49]

Documentation. The Commission's default service regulations require a default service provider to include copies of the agreements (such as the SMA) and other documentation to be used in implementing a default service provider's procurement plan.[50] The Joint Petitioners agree that the DCA rules set forth in FE PA Exhibit MP-3 and the

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[45] *Compare* FE PA Sts. 2, pp. 18-19, & 2-R, p. 3 *with* OCA St. 1, p. 17.

[46] *See* FE PA St. 2, pp. 14-18.

[47] *See* 52 Pa. Code § 54.186(c)(3).

[48] FE PA St. 2, p. 9.

[49] Joint Petition, ¶ 35.

[50] *See* 52 Pa. Code § 54.186(e)(6).

form SMA set forth in FE PA Exhibit RJR-2 should be utilized for implementation of the Company's procurement plan.[51]

III. CLASSIFICATION OF NON-RESIDENTIAL DEFAULT SERVICE CUSTOMERS

A. Classification of Customers Based on Maximum Registered Peak Load

The Commission's regulations (52 Pa. Code § 54.187) and Policy Statement (52 Pa. Code § 69.1805) provide that default service providers should design procurement classes based upon peak loads of 0-25 kW, 25-500 kW, and 500 kW and greater, but default service providers may propose to depart from these specific ranges, including to "preserve existing customer classes."[52] In the Settlement, the Joint Petitioners agree to FE PA's original proposal to divide customers into three classes for purposes of default service procurement, consistent with DSP VI: the residential class, commercial class, and industrial class subject to the definitions that were approved in the August 2022 Order with a change to the 100 kW threshold that separates the commercial and industrial class groupings.

As originally proposed and under the Settlement, FE PA will assign non-residential default service customers to the PTC Rider or HP Rider based on peak demand **or** MRPL during DSP VII subject to a two-year exemption period for customer-generators that come online before June 1, 2027.[53] The Joint Petitioners agree to tariff changes defining the MRPL as "a customer's net demand contribution impact to the Company's default service procurement activity, as determined upon the net power flow from or into the Company's distribution system."[54] To implement the procurement classes and the MRPL provisions of the Settlement, the Joint Petitioners have requested that, if necessary, the Commission grant FE PA a waiver of the specific peak load class criteria in 52 Pa. Code § 54.187.[55]

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[51] Joint Petition, ¶¶ 18, 28.

[52] *See* 52 Pa. Code § 69.1805.

[53] Joint Petition, ¶¶ 36-37; FE PA St. 1 (Corrected), pp. 15-16.

[54] *See* Joint Petition, ¶ 36; FE PA St. 1 (Corrected), p. 16; FE PA Ex. DMY-6.

[55] Joint Petition, ¶ 72

Currently, net metering customer-generators, which are nonutility owners and operators of distributed generation systems with generating capacity of less than three megawatts ("MW") and a demand below 100 kW, are classified as commercial customers and assigned to the PTC Rider.[56] Unlike traditional commercial and industrial ("C&I") customers, net metering customer-generators have little or no onsite electric load – meaning they consume minimal energy from the grid – but they generate electricity.[57] The amount of generation that exceeds their minimal consumption is banked until the end of the planning year of PJM on May 31, at which point the banked generation is cashed out at the commercial PTC Rider rate.[58] The costs associated with net metering credits and cash outs are recovered from other commercial PTC rider customers.[59]

Because these customer generators do not bid into the Company's default service auctions, their excess energy and alternative energy credits are not used to serve default service load or satisfy associated AEPS Act requirements.[60] Instead, this excess energy is recognized financially as an aggregate reduction of the Company's default service load and is credited to the applicable Rate District at the LMP.[61] The PTC Rider rate is significantly higher than wholesale market prices for energy, which creates a "true-up" expense that represents the difference between the full retail rate and the load reduction credits from PJM valued at the LMP for a given hour.[62] As shown in the analysis presented by FE PA witness David M. Young, the true-up expense as of May, 31 2025 for the commercial PTC Rider class was $4.6 million and is projected to increase to between $60 million and $544

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[56] *See* FE PA St. 1 (Corrected), pp. 15-16.

[57] FE PA St. 1 (Corrected), p. 17; FE PA St. 1-R, pp. 16-17.

[58] FE PA St. 1 (Corrected), p. 18; FE PA St. 1-R, pp. 17-19.

[59] FE PA St. 1 (Corrected), p. 18; FE PA St. 1-R, pp. 17-19.

[60] FE PA St. 1 (Corrected), p. 17; FE PA St. 1-R, pp. 16-17.

[61] FE PA St. 1 (Corrected), p. 17; FE PA St. 1-R, pp. 16-17.

[62] FE PA St. 1-R, pp. 17-19.

million by 2029.[63] FE PA's MRPL proposal ensures that the costs associated with compensation for excess generation are allocated fairly.[64]

The OCA and the OSBA supported FE PA's MRPL proposal to consider both the customer's load-only demand and net power flow impact on default service procurement and cost allocation among rate classes.[65] Walmart objected to FE PA's MRPL proposal, arguing that a two-year exemption from reclassification for net-metered projects that come online before June 1, 2027 is inadequate to mitigate the financial impacts on project owners.[66] To address Walmart's concerns about transition protections for projects in development in the Company's service area under the Settlement, excess generation compensation under the HP Rider will include capacity and line losses until May 31, 2041, absent a material change in PJM capacity markets as described in Paragraph 38 of the Joint Petition.

B. Projections of Customer-Generator Growth

In support of its classification proposal incorporated into the Settlement, FE PA witness Young presented a sensitivity analysis of the number of customer-generators that will reach commercial operation.[67] The sensitivity analysis documented a range of projects in FE PA's interconnection reaching commercial operation across three scenarios ("low," "medium," and "high") ranging from 1% to 50%, or between 12 and 612 of the 1223 projects in FE PA's interconnection queue. Even with a projected low PTC and just 10% of customer-generators commencing commercial operation by 2029, the net metering expense to the commercial customer class increases to $56 million.[68] FE PA further documented that the actual cancellation rate of projects in 2025 was only about 5%,

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[63] *See* FE PA St. 1-R, p. 17; FE PA Ex. DMY-7 Revised.

[64] *See* FE PA St. 1 (Corrected), pp. 17-18; FE PA St. 1-R, pp. 17-19

[65] *See* OCA Sts. 1, pp. 38-40, 1-R, pp. 17-24, & 1-SR, pp. 29-39; OSBA Sts. 1, pp. 3-4, 9-11, & 1-R, pp. 2-3.

[66] *See* Walmart St. 1, pp. 3-9.

[67] *See* FE PA Exhibit DMY-7 Revised.

[68] *Id.*

consistent with many more projects likely to commence commercial operation than even the “high” scenario presented by Mr. Young.[69]

C. Costs and Benefits of Customer-Generators

1. PTC Rider vs. HP Rider

As described above, continuing compensation of customer-generators under the PTC Rider results in unreasonable compensation for such generators. The MRPL proposal incorporated in the Settlement continues to provide full retail rate compensation consistent with the AEPS Act.[70] Notably, using the HP Rider rate in effect December 1, 2025 to May 31, 2026, Mr. Young demonstrated that the compensation customer-generators would receive under FE PA’s MRPL proposal was above the wholesale price of energy available to customer-generators if they chose to participate in wholesale energy markets.[71]

2. Risk Premiums

The inclusion of large customer-generators in the commercial procurement group introduces uncertainty in the default service load to be served. Suppliers reflect the associated migration, volume, and shape risks in fixed-price full requirements products through risk premiums, consistent with standard industry practice.[72] Assigning no load customer-generators with MRPL of at least 100 kW to the HP Rider will mitigate those risk premiums and helps ensure that the Company can meet its obligations as default service provider to procure adequate and reliable default service supply at the least cost to customers over time.[73]

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[69] *See* FE PA St. 1-R, p. 21.

[70] *See* FE PA St. 1-R, p. 18; *see also Penn Renewables*, p. 9.

[71] *See* FE PA St. 1-R, pp. 18-19.

[72] *See* FE PA St. 1 (Corrected), pp. 17-18; FE PA St. 1-R, p. 17; FE PA St. 3-R, pp. 5-9.

[73] *See* FE PA St. 1 (Corrected), pp. 17-18; FE PA St. 1-R, p. 17; FE PA St. 3-R, pp. 5-9.

D. Negative Peak Load Contribution and Negative Network Service Peak Load Contribution

The Settlement properly does not incorporate proposals to incorporate negative peak load contributions ("PLCs") or negative network service peak load contributions ("NPSLs") supported by JSA and CGC. FE PA witness Gregory F. Hussing explained that PLCs and NSPLs are accounting constructs (and JSA witness Michelman agreed).[74] Negative PLCs will reflect different allocations of costs between utility customers (including between FE PA customers).[75] Furthermore, the purported capacity and transmission cost benefits calculated by Mr. Michelman on behalf of JSA relied on assumed solar generation by a customer-generator at PJM coincident peaks despite the lack of certainty that the customer generator would be providing excess generation at future times of peak load within FE PA's service territory.[76] Mr. Hussing underscored that behind-the-meter generation is not a PJM capacity resource and dispatchable by PJM, and thus customer-generators do not directly reduce PJM's forward capacity resource requirements.[77] OCA witness Serhan Ogur also opposed negative PLCs and NSPLs for customer-generators and agreed with Mr. Hussing.[78] In short, any cost reduction arising from negative PLCs and NSPLs would reflect reallocation of costs and not actual, certain capacity and transmission cost reductions.[79]

E. Other Costs and Benefits

Both CGC and JSA asserted that there were additional benefits from customer-generators that should be taken into account in determining whether customer-generators

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[74] *See* FE PA St. 6-R, p. 5; JSA St. 1, p. 21 ("The PLC is simply an accounting construct at the customer and class levels to assign each customer and default service class its share of the zonal capacity obligation").

[75] *See* FE PA St. 6-R, p. 5.

[76] *See id.*, pp. 5-6.

[77] *See id.*, p. 7.

[78] OCA St. 1-SR, pp. 33-36.

[79] *See id.*, pp. 8-9.

should remain on the PTC Rider or the HP Rider, including benefits associated with reduced emissions from fossil fuel generation that would purportedly benefit people in the Commonwealth generally. Other than benefits purportedly derived from JSA's proposed negative PLCs and NPSLs and associated assumptions, which are flawed for reasons set forth above, these additional alleged benefits were entirely unquantified[80] and no party established that customer-generators were entitled to compensation for such benefits under the Public Utility Code's full retail rate provisions. Allegations of such additional benefits from customer-generators do not undermine the legality or reasonableness of the Company's MRPL proposal supported by the Joint Petitioners.

F. Compliance with Applicable Laws and Regulations

The Settlement's approach to classification of non-residential default service customers is consistent with Commission precedent approving similar rate classifications that reflect both the demand and supply impact of customer-generators on default service cost allocation and procurement.[81]

G. Grandfathering Proposal

The Settlement adopts FE PA's original "grandfathering" proposal with an addition limiting changes to the capacity and line loss provisions of the HP Rider until May 31, 2041, absent a material change in in PJM capacity markets.[82] This Settlement provision is clearly reasonable in light of the longer grandfathering provision (or complete rejection of FE PA's MRPL proposal) sought by other parties. For example, if the 25-year extension

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[80] *See* FE PA St. 1-R, pp. 20-22.

[81] *See Petition of UGI Utils., Inc. – Elec. Div. for Approval of a Default Serv. Plan for the Period of June 1, 2025 through May 31, 2029*, Docket No. P-2024-3049343, et al. (Opinion and Order entered Feb. 20, 2025) at 52-56, *aff'd*, *Penn Renewables v. Pa. P.U.C.*, No. 337 C.D. 2025, 2026 WL 709530 (Pa. Commw. Ct. Mar. 13, 2026) ("*Penn Renewables*"); *Pa. P.U.C. v. Citizens' Elec. Co.*, Docket No. R-2025-3054394 (Opinion and Order entered Jan. 15, 2026) at 68-76; *Pa. P.U.C. v. PPL Elec. Utils. Corp.*, Docket No. R-2025-3057164 (Opinion and Order entered June 11, 2026) at 192-202.

[82] Joint Petition, ¶¶ 37-38.

proposed by JSA were adopted, the PTC rate paid to customer-generators (which includes true-up expenses and therefore incorporates compounding increases each year) would increase by an astronomical 23,600% (or $32.62/kWh) in the Penn Power rate district.[83]

In sum, the MRPL provisions of the Settlement properly mitigate the escalating rate impacts of net-metering compensation on commercial PTC Rider customers, ensure that default service rates are designed so one customer class does not subsize another as required by Section 2807(e)(3.9)(7) of the Public Utility Code, and establish reasonable transition protections for affected customer-generators. The Settlement further resolves differences between FE PA and Walmart regarding the impact of reclassification of customer-generators with an MRPL of 100 kW or greater on onsite solar projects in development in Pennsylvania.

IV. RATE DESIGN AND COST RECOVERY

In the Original Proposal, FE PA proposed to maintain its current rate design with revised TOU rates, as discussed in Section IV.C below.[84] The rate design set forth in the Settlement fully complies with the Commission's default service regulations and the Public Utility Code, whereby FE PA recovers default service costs from default service customers through its PTC Rider (residential and commercial classes) and HP Rider (industrial class). FE PA also proposed limited tariff revisions to align its PTC Riders and HP Riders with the change in responsibility for NITS costs and the procurement plan proposed for DSP VII.[85]

FE PA currently has a DSS Rider that imposes non-bypassable charges. In the Original Proposal, the Company proposed to continue to assume responsibility for the NMB charges for both default service suppliers and EGSs that serve load in FE PA's

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[83] *See* FE PA St. 1-R, pp. 23-24; FE PA Ex. DMY-18.

[84] During DSP VII, FE PA will continue to procure default service supply separately for each Rate District due to the pricing differences in their respective PJM delivery zones. Therefore, the rates charged under the Company's PTC and HP Riders will remain separate for each Rate District. FE PA St. 4, pp. 4-5.

[85] *See* FE PA St. 4, pp. 3-8; FE PA Exs. CDL-1 and CDL-2.

service area and recover the costs from customers under the DSS Rider.[86] However, FE PA proposed to consolidate the Consumer Education Charge component of the DSS Rider and eliminate the Midcontinent Independent System Operator and Transmission Expansion Plan cost component, which are both currently set to zero for all Rate Districts.[87] In addition, the Company proposed to eliminate the Solar Photovoltaic Requirements Charge Rider that applies to all delivery service customers in the Met-Ed, Penelec, and Penn Power Rate Districts in DSP VII because all legacy solar contracts have expired and the rider is no longer active.[88]

The Settlement adopts FE PA's original proposed rate design, with a modification to the reconciliation of residential default service rates discussed in Section IV.A below.[89] Under the Settlement, the Joint Petitioners agree that FE PA shall be permitted to file the retail electric service tariff pages set forth in Exhibit B to the Joint Petition, FE PA Exhibit CDL-2, FE PA Exhibit CDL-3, and FE PA Exhibit DMY-6 to become effective June 1, 2027.[90] To continue semi-annual adjustment of default service rates for the commercial class and semi-annual reconciliation of the E-Factor for commercial and industrial default service customers under the Settlement, the Joint Petitioners have requested that, if necessary, the Commission grant FE PA a waiver of the rate design provisions in 52 Pa. Code § 54.187.[91]

A. Price to Compare Default Service Rate Rider (Joint Petition, Paragraphs 39-41)

FE PA's Original Proposal did not include any changes to its reconciliation mechanisms.[92] The OCA proposed semi-annual E-Factor reconciliation for the residential

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[86] FE PA St. 4, pp. 8-10.

[87] *Id.*, p. 8; *see also* FE PA Ex. CDL-3.

[88] FE PA St. 4, p. 9.

[89] Joint Petition, ¶¶ 39-47.

[90] *Id.*, ¶ 62.

[91] *Id.*, ¶ 72.

[92] FE PA St. 4, p. 7, & 4-R, pp. 7-8.

PTC Rider using a 12-month refund or recovery period with a one cent per kilowatt hour ("kWh") cap on the balance in either direction.[93]

Under the Settlement, beginning June 1, 2027, the Company will amortize the cumulative reconciliation balance for the residential PTC Rider identified at the conclusion of each 12-month reconciliation period over the subsequent 12-month period through the E-Factor mechanism.[94] This Settlement represents a reasonable compromise between FE PA and the OCA regarding reconciliation of FE PA's residential default service rates. Billing cycle lag results in a timing difference between revenue and expense that can produce significant fluctuations in the PTC that are not directly related to the underlying cost of default service supply. By using an annual reconciliation schedule , fluctuations in residential default service prices will be smoothed out and result in clearer price signals for both customers and EGSs.[95] While the Commission's regulations do not prescribe a period for reconciliation adjustments, FE PA believes that annual reconciliation of residential PTC Rider rates under the Settlement appropriately balances the Company's goal of mitigating volatility with maintaining the PTC as a price signal for customers and EGSs.[96]

B. Hourly Pricing Default Service Rider (Joint Petition Paragraphs 42 and 43)

As originally proposed, default service rates established pursuant to the HP Rider will continue to be based upon the PJM hourly LMP for each Rate District's respective PJM-designated transmission zone plus associated costs, such as capacity, ancillary services, PJM administrative expenses and costs to comply with AEPS requirements that are incurred to provide hourly pricing default service.[97] The Joint Petitioners agree that the

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[93] *See* OCA Sts. 1, pp. 34-36, & 1-SR, pp. 21-24.

[94] Joint Petition, ¶ 40 & Ex. B.

[95] *See* FE PA St. 4, pp. 3-4.

[96] *Id.*

[97] *See* Joint Petition, ¶ 42; FE PA St. 4, pp. 3-4; FE PA St. 4-R, p. 7.

default service rates also will include an E-Factor to continue reconciling costs and revenues on a semi-annual basis.[98]

C. Time-of Use Rates (Joint Petition, Paragraphs 48-61)

In addition to procurement of a "prudent mix" of default service supply contracts at the "least cost to customers over time,"[99] Act 129 requires EDCs to offer a TOU rate option to all default service customers with a smart meter.[100] Based on these statutory requirements under Act 129, FE PA currently offers optional TOU pricing rates for each Rate District through its TOU Default Service Rider ("TOU Rider").[101]

FE PA's existing TOU rates differentiate prices across three periods (peak, off-peak and super off-peak) that remain constant year-round based on price multipliers for each class and Rate District that are updated every two years and are designed to motivate customers to shift usage to lower-cost, off-peak hours.[102] The Company's current TOU rate structure offers a higher rate during weekdays from 2 p.m. to 9 p.m. relative to its non-time varying PTC Rider default service rate and a reduced rate during two off-peak periods.[103] The current TOU rates include a super off-peak pricing period from 11 p.m. to 6 a.m. every day to encourage electric vehicle charging during overnight low-priced hours.[104] The off-peak period consists of all other hours.[105]

For DSP VII, FE PA proposed to continue its current TOU rates consistent with Commission guidance on TOU rate design and Act 129 requirements[106] with two

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[98] *See* Joint Petition, ¶ 42; FE PA St. 4, pp. 3-4; FE PA Ex. CDL-2.

[99] 66 Pa.C.S. §§ 2807(e)(3.1)-(3.2), (3.4) and (3.7).

[100] 66 Pa.C.S. § 2807(f)(5).

[101] *See* FE PA St. 1 (Corrected), p. 9.

[102] *Id.*, pp. 9-11.

[103] *Id.*

[104] *Id.*

[105] *Id.*

[106] *See Dauphin Cty. Indus. Dev. Auth. v. Pa. P.U.C.*, 123 A.3d 1124, 1136 (Pa. Commw. Ct. 2015) ("*DCIDA*") (holding that Act 129 does not authorize default service providers

enhancements. First, the Company proposed to shorten the on-peak pricing period from seven hours (2 p.m. to 9 p.m.) to four hours (3 p.m. to 7 p.m.) to create larger price differentials that are more likely to motivate customers to adjust the time of day they use electricity.[107] FE PA also proposed to simplify its TOU rate offerings for DSP VII by using a single weighted-average class multiplier for all Rate Districts.[108]

The OCA opposed any changes to FE PA's TOU rates in this case because the Company did not evaluate the potential bill impacts and peak load reductions under the existing and proposed rate designs.[109] In addition to maintaining the Company's current TOU rate structure, the OCA recommended that FE PA develop and propose load response programs that would create demand response ("DR") capacity resources that could be offered into PJM's base residual auctions.[110]

The Settlement adopts FE PA's original proposed TOU product structure and rate design, and the Company agrees to perform the additional analyses described in Paragraph 50-52 of the Joint Petition. Reducing the peak period duration and applying a single weighted-average customer class TOU multiplier to all Rate Districts, as provided in the Settlement, will produce more significant price variation (on peak rates that are on average 2.5 times higher than off-peak rates) and increase the financial incentive for customers to

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to delegate the obligation to offer TOU rates to customers with smart meters to EGSs); *Petition of PPL Elec. Utils. Corp. for Approval of a New Pilot Time-of-Use Program*, Docket Nos. P-2013-2389572 and M-2016-2578051 (Secretarial Letter issued Apr. 6, 2017) ("April 2017 Secretarial Letter") (proposing a TOU design for PPL in accordance with the *DCIDA* decision and noting that the proposed TOU design "may provide future guidance to all EDCs" for incorporation into their own TOU proposals in their individual default service proceedings).

[107] FE PA Sts. 1 (Corrected), pp. 11-12, & 1-R, pp. 4-5.

[108] FE PA Sts. 1 (Corrected), pp. 12-14, & 1-R, pp. 4-5.

[109] *See* OCA Sts. 1, pp. 28-30, & 1-SR, pp. 25-27; OCA Sts. 2, pp. 13-17, & 2-SR, p. 15.

[110] OCA St. 1, pp. 27, 30-33.

enroll in TOU rates.[111] Shortening the on-peak period from seven hours (2 p.m. to 9 p.m.) to four hours (3 p.m. to 7 p.m.) reasonably encompasses expected system peak usage times and times reasonably and encourages higher adoption of energy-shifting behaviors like delaying running appliances or charging electric vehicles.[112] Under the Settlement, FE PA will continue updating the TOU pricing multipliers on a bi-annual basis in the same manner as DSP VI.[113]

The Settlement also documents agreement among the Joint Petitioners regarding FE PA's TOU rate calculations. Under the Settlement, FE PA will source both the standard and TOU default service for residential and commercial customers from the same supply portfolio for each procurement class.[114] In addition, TOU customer kWh sales and costs will be included in the reconciliation of the over/undercollection component of the PTC Rider for the entire procurement class (i.e., residential or commercial).[115] This reconciliation process using a single E-Factor for each procurement class will help mitigate potential large swings in PTC Rider over/undercollections that could arise if customers switch between FE PA's standard default service rate and TOU default service rate.[116] Notably, the Commission has previously authorized other EDCs to recover TOU over/undercollection amounts from all default service customers based on its finding that the TOU rates mandated by Act 129 are a "form of default service."[117]

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[111] FE PA Sts. 1 (Corrected), pp. 11-12, & 1-R, pp. 4-5.

[112] FE PA Sts. 1 (Corrected), pp. 12-14, & 1-R, pp. 4-5.

[113] Joint Petition, ¶ 55.

[114] *Id.*, ¶ 56.

[115] *Id.*, ¶ 57.

[116] FE PA St. 1 (Corrected), pp. 14-15.

[117] *See Pa. P.U.C. v. PPL Elec. Utils. Corp.*, Docket No. R-2011-2264771 (Opinion and Order entered Aug. 30, 2012), pp. 22-23.

As the Commission has recognized, Act 129 makes clear that an EDC's TOU program should be optional for default service customers.[118] The April 2017 Secretarial Letter (p. 3) further provides that EDC TOU rates should be available to all default service customers who are not eligible for "spot only" default service and should incorporate existing consumer protections for CAP customers. In accordance with the Commission's guidance, PECO's TOU rates under the Settlement will be available to non-PCAP residential and commercial default service customers with smart meters.[119] The Settlement also includes restrictions on re-enrollment if a customer leaves the TOU for any reason.[120] This provision is in the public interest because it will reduce "free riders" who enroll in a TOU rate only for times of the year when they do not have to shift usage to save money.[121]

For all of these reasons, the TOU rates under the Settlement satisfy Act 129 requirements, incorporate the PUC's recommended guidelines on TOU rate design, and balance a variety of important objectives, including development of a TOU rate structure that is actionable for customers.

V. CUSTOMER REFERRAL PROGRAM

FE PA currently has a CRP for residential and small commercial customers that was first established in the Predecessor Companies' second default service proceeding, consistent with the Commission's guidelines in its Retail Markets Investigation.[122] The

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[118] *See Investigation into Default Serv. and PJM Interconnection, LLC Settlement Reforms*, Docket No. M-2019-3007101 (Secretarial Letter issued Jan. 23, 2020), p. 6. Act 129 provides that "[r]esidential or commercial customers *may* elect to participate in time-of-use rates or real-time pricing". 66 Pa.C.S. § 2807(f)(5) (emphasis added).

[119] Joint Petition, ¶ 58.

[120] Joint Petition, ¶¶ 59-60.

[121] *See* FE PA St. 1 (Corrected), pp. 9-10.

[122] *See Investigation of Pa.'s Retail Elec. Mkt.: Intermediate Work Plan*, Docket No. I-2011-2237952 (Final Order entered Mar. 2, 2012), p. 31; *Joint Petition of Metro. Edison Co., Pa. Elec. Co., Pa, Power Co. and West Penn Power Co. for Approval of*

CRP provides eligible customers with an opportunity to select among a group of EGSs who have voluntarily chosen to offer customers a twelve-month contract priced at least 7% below the Company's applicable PTC at the time of the offer.[123] Customers may terminate a CRP contract at any time without penalty, either to re-enroll in the CRP with a new rate, select another EGS or return to default service.[124]

As previously explained in Section I.B above, in accordance with the Commission-approved DSP VI Settlement, the CRP administered by FE PA in each of the Rate Districts will terminate on May 31, 2027. In accordance with the DSP VI Settlement, FE PA agreed to address whether a successor CRP should be implemented in their next DSP filing and convened a collaborative to compile and review CRP metrics, including supplier participation, customer enrollment levels, and the prices CRP customers pay for competitive generation service during and after the 12-month CRP contract term.[125] The Settlement adopts FE PA's original proposal not to include a successor CRP for DSP VII based on the Company's review of the data gathered during the collaborative showing declining supplier participation and a relatively low-level of residential customer enrollment.[126]

VI. SUPPLIER COORDINATION TARIFF CHANGES AND RETAIL SHOPPING ISSUES

As discussed in Section I.B. above, the Company's Original Proposal included changes to EGS arrangements with residential customers and FE PA's POR program designed to encourage customers to make intentional choices about the cost of their generation supply and to incentivize EGSs to consider the impact of their pricing on

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Their Default Serv. Programs, Docket Nos. P-2011-2273650 et al. (Opinion and Order entered Aug. 16, 2021) at 137-140, 144-146.

[123] FE PA St. 4, p. 10.

[124] *Id.*

[125] *Id.*, pp. 10-11.

[126] Joint Petition, ¶¶ 63-64; FE PA Sts. 4, pp. 10-12, & 4-R, pp. 8-9; CAUSE-PA St. 1, pp. 27-29; OCA St. 2, pp. 5-8.

affordability. As documented in FE PA witness Young's direct testimony, in 2025 alone, the Company's residential shopping customers, in aggregate, paid $82 million more to EGSs than they would have paid for default service, even after factoring in customers who saved money by switching to an EGS.[127] In addition, the termination rates for FE PA residential shopping customers are much higher than all residential customers and residential default service customers.[128] Finally, FE PA customer complaints related to competition issues, including slamming and high EGS prices, have been increasing in recent years.[129]

Witnesses for CAUSE-PA and the OCA supported FE PA's proposals and associated waiver of 52 Pa. Code § 54.10(3) to address affordability of electric generation service, pointing to data showing that residential customers paid millions of dollars more to EGSs than they would have for default service. As OCA witness Barbara R. Alexander testified, residential shopping customers collectively paid 30% more than the PTC in every month from January 2022 through January 2026 and $394.8 million in aggregate.[130] In contrast, as Ms. Alexander explained, C&I shopping customers collectively all paid less to EGSs than they would have for default service over the same 49-month period.[131] Similarly, CAUSE-PA witness Patrick Cicero presented data showing that residential shopping customers have paid $888 million in aggregate net costs above the PTC since 2017.[132]

The Settlement adopts the Company's originally proposed Supplier Tariff changes set forth in FE PA Exhibit CDL-4 discussed in Sections VI.A. to VI.C. below.[133] To implement changes to EGS arrangements with FE PA residential shopping customers under

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[127] FE PA St. 1 (Corrected), pp. 21-22, & 1-R, p. 10; FE PA Ex. DMY-13.

[128] FE PA St. 1-R, p. 9; FE PA Ex. DMY-10.

[129] FE PA Sts. 1 (Corrected), p. 22, & 1-R, p. 11.

[130] *See* OCA St. 2, p. 10.

[131] *Id.*

[132] *See* CAUSE-PA St. 1, p. 31; CAUSE-PA St. 1-R, pp. 5-8.

[133] *See* Joint Petition, ¶¶ 65-68.

the Settlement, the Joint Petitioners requested waiver of Section 54.10(3) of the Commission's regulations for new contracts entered into on and after June 1, 2027 (the beginning of the DSP VII term).[134]

A. Return of Customers to Default Service at Contract Expiration

Concerns raised by FE PA, CAUSE-PA and the OCA about the impact of EGS charges in excess of default service rates on affordability are particularly important given the autorenewal with customer opt-out practice authorized in the Commission's regulations at 52 Pa. Code § 54.10(3).[135] Under that practice, if a customer does not respond to the required regulatory notices, EGSs currently have the right to increase the customer's price after an introductory "teaser" rate that might be temporarily lower than the PTC or other competitive offers or change a fixed-rate contract to a variable-rate contract.[136] Requiring affirmative action by residential customers to remain with an EGS after the end of a fixed duration contract and, addresses issues arising from residential customers unknowingly paying prices in excess of the PTC.[137] This Supplier Tariff change also enhances customer choice by allowing customers to assess new contract terms and prices and make an informed decision before reenrolling.[138]

B. Quarterly Affirmation for Variable Rate Contracts

Requiring customer consent on a quarterly basis for month-to-month variable rate products under the Settlement will encourage customers to make choices about the cost of their generation supply and help mitigate the adverse impact of above-PTC prices on customer bills and affordability for the same reasons discussed in Section VI.A. above.

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[134] Joint Petition, ¶ 73.

[135] FE PA St. 1 (Corrected), pp. 22-23.

[136] *Id.*

[137] FE PA Sts. 1 (Corrected), pp. 22-24, & 1-R, p. 7.

[138] FE PA Sts. 1 (Corrected), pp. 22-24, & 1-R, p. 7.

C. Changes to Purchase of Receivables (POR) Program

Consistent with the Commission's Policy Statement at 52 Pa. Code § 69.1814, each of the Predecessor Companies agreed to provide, and the Commission approved, POR programs for residential and small commercial accounts served by EGSs.[139] All EGSs that elect FE PA's UCB option are currently eligible to participate in the Company's POR program.[140] Under this program, FE PA pays the face value of the accounts receivable without recourse to the EGS regardless of what the Company is actually able to collect from customers.[141] As such, participating EGSs are paid upfront with no discount and have little incentive to moderate prices.[142]

EGS pricing in excess of the PTC also imposes higher uncollectible expense on the Company, which is then recovered from customers. POR-related uncollectible expense disproportionately contributes to the Company's overall generation-related uncollectible expense relative to the share of shopping customers.[143] For example, as Mr. Young testified, from 2022 to 2025, on average, 40% of the Company's total residential generation uncollectible expense was attributable to purchased EGS accounts receivable even though only 18% of residential customers were shopping over that same period.[144]

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[139] *See Joint Petition of Metro. Edison Co. and Pa. Elec. Co. for Approval of Their Default Serv. Program*s, Docket Nos. P-2009-2093053 and P-2009-2093054 (Opinion and Order approving settlement entered Nov. 6, 2009) (Met-Ed and Penelec); *Petition of Pa. Power Co. for Approval of its Default Serv. Program,* Docket No. P-2010-2157862 (Opinion and Order approving settlement entered Nov. 17, 2010) (Penn Power); *Joint Petition of Metro. Edison Co., Pa. Elec. Co., Pa. Power Co., and West Penn Power Co. for Approval of Their Default Serv. Program*s, Docket Nos. P-2013-2391368 et al. (Opinion and Order approving settlement entered Jul. 24, 2014) (revising West Penn).

[140] FE PA St. 1 (Corrected), pp. 24-25.

[141] *Id.*

[142] *Id.*

[143] *See* FE PA St. 1-R, pp. 9-10; FE PA Ex. DMY-12.

[144] FE PA St. 1-R, p. 9.

The Company's current Supplier Tariff includes a clawback mechanism to reduce FE PA's and customer exposure to increased uncollectible expense generated by EGSs whose pricing practices are driving significantly higher write-offs as compared to other EGSs.[145] The clawback charge is assessed to EGSs whose write-offs as a percentage of revenues are 200% higher than their peers and whose average price per kWh is greater than 150% of the average PTC of the Company.[146]

As explained by Mr. Young, during DSP VI, a substantial number of EGSs serving FE PA customers continue to charge prices higher than the PTC and generate POR-related write-offs well above the average for the entire EGS population notwithstanding clawback charges.[147] During DSP VII, EGSs that do not comply with the Settlement's new requirements for the Company's POR program will be responsible for all arrearages those EGSs generate, which would substantially reduce FE PA's and customers' exposure to unreasonable and excessive EGS-driven write-offs.[148] In sum, limiting eligibility for the Company's POR program as set forth in the Settlement is a reasonable approach that allows suppliers to continue using UCB but places the collection risk on those EGSs that charge rates above the PTC.

VII. CUSTOMER ASSISTANCE PROGRAM MAXIMUM BILL CREDITS

In this case, CAUSE-PA witness Cicero raised concerns about the effectiveness of FE PA's current PCAP maximum credit given the number of PCAP customers that exhausted the limits in 2025 and rising residential default service rates.[149] Based on those concerns, he recommended that FE PA increase maximum annual CAP credits for electric customers by 60% for each income tier, effective January 1, 2027.[150] Because customer affordability is a priority, the Company shares CAUSE-PA's concern about CAP

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[145] FE PA St. 1, p. 25.

[146] *Id.*

[147] *Id.*, pp. 26-27.

[148] FE PA Sts. 1, pp. 27-28, & 1-R, pp. 7-8, 13.

[149] *See* CAUSE-PA St. 1, p. 38.

[150] *Id.*, p. 44.

customers exhausting the credit before the end of the year.[151] As such, under the Settlement, FE PA agreed to increase its PCAP subsidy credit limit to the amounts shown in Table 2 of the Joint Petition as of January 1, 2027.[152] At its quarterly universal service advisory committee meetings, FE PA will report on the number of customers exceeding their maximum PCAP credit limit.[153]

VIII. ADDITIONAL SETTLEMENT TERMS

Paragraph 71 of the Joint Petition acknowledges that, to reach the Settlement, FE PA will include on its website a reference and link to the OSBA's website as a resource for customers.

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[151] FE PA St. 1-R, p. 15.

[152] Joint Petition, ¶ 69.

[153] *Id.*, ¶ 70.

IX. CONCLUSION

In sum, the Settlement provides a reasonable means of resolving all issues raised in this proceeding. It also reduces the administrative burdens on the Commission and the litigation costs of all parties. Accordingly, for the reasons set forth above and in the Joint Petition, the Settlement is in the public interest and should be approved without modification.

Respectfully submitted,

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Dated: July 2, 2026

STATEMENT B

Statement in Support of Joint Petition for Non-Unanimous Settlement of the Office of Consumer Advocate

Statement B

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of FirstEnergy Pennsylvania Electric Company for Approval of Its Default Service Program for the Period from June 1, 2027 to May 31, 2031	:	Docket No. P-2026-3060298

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE IN SUPPORT OF NON-UNANIMOUS SETTLEMENT

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I. INTRODUCTION

A. Procedural History

On February 3, 2026, the FirstEnergy Pennsylvania Electric Company (FE PA or Company) filed with the Pennsylvania Public Utility Commission (Commission) a Petition for approval of its Default Service Plan for its generation customers (Petition). The Company's existing Default Service Plan (DSP) is set to expire on May 31, 2027. The proposed DSP is for the period of June 1, 2027, through May 31, 2031. This filing has been made pursuant to the requirements of Act 129 of 2008 (Act 129), the Commission's Default Service Regulations, the Commission's Policy Statement on Default Service, and related Commission Orders.

FE PA's Petition was assigned to the Office of Administrative Law Judge (OALJ) and further assigned to Administrative Law Judges (ALJs) Mark A. Hoyer and Erin L. Gannon. On February 10, 2026, OALJ issued a Notice scheduling a Call-In Telephonic Prehearing Conference for March 19, 2026, at 10:00 a.m. and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed its Petition to Intervene and Answer.

On February 19, 2026, the ALJs issued a Prehearing Conference Order setting forth the parties' obligations with respect to the Prehearing Conference and directing the parties to prepare and distribute prehearing memorandums by March 17, 2026, at 3:30 p.m., and Penn Renewables LLC filed its Petition to Intervene. The OSBA filed its Notice of Intervention and Public Statement on February 20, 2026. On February 23, 2026, Shipley Choice, LLC d/b/a Shipley Energy and Interstate Gas Supply, LLC d/b/a IGS Energy filed a Joint Petition to Intervene. On February 24, 2026, Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, and the West Penn Power Industrial Intervenors filed their Joint Petition to Intervene. On March 5, 2026, Dimension PA 1 LLC filed a Petition to Intervene.

On March 9, 2026, the OCA filed its Notice of Intervention and Public Statement, and Answer in response to the Company's Petition. Also on March 9, 2026, the following parties filed Petitions to Intervene: WGL Energy Services, Inc.; Sunrise Airport Road LLC, Sunrise Forrester Road LLC, Sunrise Franklin Road LLC, Sunrise Harlansburg Road LLC, Sunrise Hendersonville Road LLC, Sunrise McCurdy Road LLC, Sunrise Perry Highway LLC, Sunrise Sandy Lake Greenville Road LLC, Sunrise Sandy Lake Polk Road LLC, and Sunrise Springfield Church Road LLC (collectively, the Customer-Generator Coalition or CGC); and Town Square Energy East, LLC. On March 10, 2026, Pennsylvania State University (Penn State) filed a Petition to Intervene.

On March 13, 2026, the Solar Energy Industries Association and the Coalition for Community Solar Access (collectively, Joint Solar Advocates or JSA) filed a Joint Petition to Intervene. On March 16, 2026, Constellation Energy Generation, LLC and Constellation NewEnergy, Inc., filed a Joint Petition to Intervene, and Duquesne Light Company filed a Petition to Intervene. On March 17, 2026, Walmart Inc. (Walmart) filed a Petition to Intervene.

On March19, 2026, the Prehearing Conference was held as scheduled. On March 23, 2026, a Prehearing Order was issued memorializing the discovery modifications and litigation schedule adopted at the Prehearing Conference.

On April 29, 2026, the OCA served the Direct Testimony of Serhan Ogur and the Direct Testimony of Barbara Alexander. On May 28, 2026, the OCA served the Rebuttal Testimony of Serhan Ogur and the Rebuttal Testimony of Barbara Alexander. On June 1, 2026, the OCA served the Corrected Direct Testimony of Barabara Alexander and the Corrected Rebuttal Testimony of Barbara Alexander. On June 11, 2026, the OCA served the Surrebuttal Testimony of Serhan Ogur and the Surrebuttal Testimony of Barabara Alexander.

On June 12, 2026, FE PA informed the ALJs via email that FE PA, the OCA, OSBA, CAUSE-PA, and Walmart (collectively, Settling Parties) reached a non-unanimous settlement on all issues. Also on June 12, 2026, the OCA served the Corrected Surrebuttal Testimony of Serhan Ogur. On June 14, 2026, FE PA submitted written rejoinder testimony. On June 15, 2026, an in-person evidentiary hearing was held in Harrisburg. The OCA submits the following Statement in Support pursuant to the July 2, 2026, non-unanimous settlement deadline established during the evidentiary hearing.

B. Non-Unanimous Settlement

The OCA, a signatory party to the Joint Petition for Approval of Non-Unanimous Settlement (Settlement) in the captioned proceeding, respectfully requests that the terms and conditions of the Settlement be approved without modification by the ALJs, and the Commission. The OCA supports the Settlement as it is supported by substantial evidence in the record, is in the public interest, and in the interests of the residential customers of FE PA.

C. Legal Standards

1. Burden of Proof

Proponents of an order bear the burden of proof.[1] The burden of proof in administrative proceedings is the preponderance of the evidence standard.[2] That is, the party with the burden must bring forth evidence that is more convincing, by even the smallest amount, than the evidence presented by the other parties.[3] "The term 'burden of proof" is comprised of two distinct burdens, the burden of production and the burden of persuasion."[4] The burden of production dictates which party has the duty to introduce enough evidence to support the proposed order.[5] The burden of persuasion determines

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[1] 66 Pa.C.S. § 332(a); *see also Petition of Pike County Light and Power Company for Approval of its Default Service Implementation Plan for the Period of June 1, 2014 through May 31, 2016*, Docket No. P-2013-2371666, (Opinion and Order entered March 20, 2014) at 5-6.

[2] *Samuel J. Lansberry, Inc. v. Pa. PUC*, 578 A.2d 600 (Pa. Cmwlth. 1990), *alloc. denied*, 529 Pa. 654, 602 A.2d 863 (1992) (*Lansberry*).

[3] *Se-Ling Hosiery, Inc. v. Margulies*, 364 Pa. 45, 70 A.2d 854 (1950).

[4] *Hurley v. Hurley*, 754 A.2d 1283, 1285 (Pa. Super. 2000).

[5] *Id.* at 1286.

which party has the duty to convince the finder-of-fact that a fact has been established.[6] "The burden of persuasion never leaves the party on whom it is originally cast."[7]

Additionally, the Commission's decision must be supported by substantial evidence in the record. Indeed, "the elements of that cause of action [must be] proven with substantial evidence which enables the party asserting the cause of action to prevail, precluding all reasonable inferences to the contrary."[8] More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established.[9]

2. Default Service Supply Requirements

Default service is the basic service that Pennsylvania's electric customers are entitled by law to receive if they do not switch to an alternative retail electric generation supplier (EGS), or if their alternative EGS fails to provide them with service.[10] FE PA as the Default Service Provider (DSP) is required to provide electric generation supply service to all of its default service customers through a Commission-approved competitive procurement plan.[11]

By statute, the DSP must offer default supply service "pursuant to a commission-approved competitive procurement plan" through a "prudent mix of contracts" that is designed to ensure the "least cost to customers over time."[12] The DSP must procure generation supply through competitive procurement processes that include one or more of

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[6] *Id.*

[7] *Id.*; *see also Milkie v. Pa. PUC*, 768 A.2d 1217 (Pa. Cmwlth. 2001); *see also Pa. PUC v. Equitable Gas Co.*, 57 Pa. PUC 423, 471 (1983).

[8] *Burleson v. Pa. PUC*, 461 A.2d 1234, 36 (Pa. 1983).

[9] *Norfolk & Western Ry. Co. v. Pa. PUC*, 49 Pa. 109, 413 A.2d 1037 (1980).

[10] 66 Pa. C.S. § 2807.

[11] *See* 66 Pa. C.S. § 2807(e).

[12] 66 Pa. C.S. § 2807(e)(3.1, 3.4).

the following: auctions, requests for proposals, and bilateral agreements.[13] As part of a procurement plan, the DSP must include a "prudent mix" of power purchases, as follows:

> The electric power procured pursuant to paragraph (3.1) shall include a prudent mix of the following:
>
> (i) Spot market purchases.
> (ii) Short-term contracts.
> (iii) Long-term purchase contracts, entered into as a result of an auction, request for proposal or bilateral contract that is free of undue influence, duress or favoritism, of more than four and not more than 20 years.[14]

The prudent mix of contracts must be designed to achieve certain goals, as follows:

> The prudent mix of contracts entered into pursuant to paragraphs 3.2 and 3.3 shall be designed to ensure:
>
> (i) Adequate and reliable service.
> (ii) The least cost to customers over time.
> (iii) Compliance with the requirements of paragraph (3.1).[15]

A determination of what constitutes "prudent mix" is subject to the Commission's discretion based on the substantive evidence in the record.[16] The Commonwealth Court determined as follows: "[I]n interpreting the term 'prudent mix,' the PUC must exercise some balance and discretion under the circumstances of the case in order for the 'mix' in question to be 'prudent.''[17]

The Commission must evaluate whether the DSP's plan meets the requirements of the Act. The Commission must take several factors into consideration, and must make

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[13] 66 Pa. C.S. § 2807(e)(3.1).

[14] 66 Pa. C.S. § 2807(e)(3.2).

[15] 66 Pa. C.S. § 2807(e)(3.4).

[16] *Popowsky v. Pa. PUC*, 71 A.3d 1112, 1117-1118 (Pa. Cmwlth. 2013) (*Popowsky*).

[17] *Popowsky* at 1117.

specific findings that the default supplier's plan meets the requirements of the Act, as follows:

> (3.7) At the time the commission evaluates the plan and prior to approval, in determining if the default electric service provider's plan obtains generation supply at the least cost, the commission shall consider the default service provider's obligation to provide adequate and reliable service to customers and that the default service provider has obtained a prudent mix of contracts to obtain least cost of a long-term, short-term and spot market basis and shall make specific findings which shall include the following:
>
> (i) The default service provider's plan includes prudent steps necessary to negotiate favorable generation supply contracts.
>
> (ii) The default service provider's plan includes prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis.
>
> (iii) Neither the default service provider nor its affiliated interest has withheld from the market any generation supply in a manner that violates Federal law.[18]

The Commission has recognized that the "least cost" standard must be considered in conjunction with the statutory requirements that prices be stable, and that service be reliable. The Commission's *Final Rulemaking Order* states:

> Finally, it should be noted that the "least cost over time" standard should not be confused with the notion that default prices will always equal the lowest cost price for power at any particular point in time. In implementing default service standards, Act 129 requires that the Commission be concerned about rate stability as well as other considerations such as ensuring a "prudent mix" of supply and ensuring safe and reliable service. *See* 66 Pa. C.S. §§ 2807(e)(3.2), (3.4) and (7). In our view, a default service plan that meets the "least cost over time" standard in Act 129 should not have, as its singular focus, achieving the absolute lowest cost over the default service plan time frame but, rather, a cost for power that is both

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[18] 66 Pa. C.S. § 2807(e)(3.7).

> adequate and reliable and also economical relative to other options.[19]

As the Commission's *Final Rulemaking Order* makes clear, default service providers must consider price stability and reliability when developing a procurement plan that meets the "least cost over time" standard.

In addition to the foregoing statutory requirements, the Commission has enacted regulations[20] and a Policy Statement[21] addressing default service programs.

3. Settlement

The Commission encourages parties in contested, on-the-record proceedings to settle cases.[22] A settlement, by definition, reflects a compromise of the parties' positions. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the settlement suits the public interest.[23] When the settling parties submitted their joint settlement petition for approval, the principal issue for the Commission is whether the agreement serves the public interest.[24]

II. DEFAULT SERVICE PROCUREMENT AND IMPLEMENTATION PLANS

A. Residential Class Default Service Products

The Procurement Plan for the Residential Class Section, below, discusses the Residential Class Default Service Products in coordination with the Residential Procurement Plan and addresses the related analysis supporting those products. Please review Section 3, "Procurement Plan for the Residential Class," and consider the

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[19] *Implementation of Act 129 of October 15, 2008: Default Service and Retail Electric Markets*, Docket No. L-2009-2095604, Slip op. at 11-12 (Oct. 4, 2011) (*Final Rulemaking Order*).

[20] *See* 52 Pa. Code §§ 54.181-54.190.

[21] *See* 52 Pa. Code §§ 69.1801-69.1817

[22] *See* 52 Pa. Code § 5.231.

[23] *Pa. PUC v. CS Water and Sewer Associates*, 74 Pa. PUC 767, 711 (1991).

[24] *Pa. PUC v. Philadelphia Electric Company*, 60 Pa. PUC 1, 21 (1985).

discussion of the Residential Class Default Service Products contained therein as incorporated herein by reference.

B. Responsibility for PJM Charges (including NITS) Under the Supplier Master Agreement

FE PA proposed to remove Network Integration Transmission Service (NITS) charges from the fixed-price full-requirements (FPFR) auction products in DSP VII.[25] Through this change, wholesale suppliers would not be responsible for NITS charges.[26]

The OCA agreed with FE PA's proposal.[27] OCA witness Ogur testified that NITS charges are a large component of all-in energy supply costs, and that they are unhedgeable by wholesale suppliers.[28] Removing NITS charges from the auction product reduces the supplier risk premium, which reduces the overall cost to customers.[29]

NITS charges have been highly variable and unpredictable over the last few years.[30] OCA witness Ogur testified that "[i]ncluding NITS charges in the FPFR auction products as the responsibility of wholesale suppliers would lead to large risk premiums being built into supplier bids, particularly for longer-term products such as the 24-month, 36-month, or 60-month FPFR contracts."[31]

The Settlement provides as follows:

> 28. The Joint Petitioners agree to the form of the Supplier Master Agreement ("SMA") that FE PA will execute with wholesale suppliers that are successful bidders in the Company's default service supply auctions set forth in FE PA Exhibit RJR-2.

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[25] OCA St. 1 at 23.

[26] OCA St. 1 at 23.

[27] OCA St. 1 at 24.

[28] OCA St. 1 at 24.

[29] OCA St. 1 at 23-24.

[30] OCA St. 1 at 24.

[31] OCA St. 1 at 24.

> 29. The Joint Petitioners agree to the following changes to the Predecessor Companies' current Commission-approved SMAs as shown in FE PA Exhibit RJR-2: (1) modifications to reflect the changes in default service supplier responsibility for AEPS compliance discussed in Paragraph 30 below; (2) removal of PJM charges for NITS from the pricing under the SMA; (3) changes to add new PJM billing line items associated with emergency orders issued by DOE; and (4) revisions to clarify the true-up methodology for the capacity proxy price ("CPP") used in FE PA's auctions in the event PJM does not conduct a base residual auction ("BRA") as discussed in Paragraph 34 below.[32]

As such, the Settlement adopts FE PA's proposal, and the OCA supports FE PA's proposal. Removing NITS from FPFR contracts ensures that customers pay actual NITS costs rather than estimated costs plus a supplier risk premium. OCA witness Ogur testified: "Over time, customers pay the true NITS cost, nothing more or less. Importantly, customers [should] not have to pay a risk premium in addition to the full NITS cost."[33] Under the existing approach, customers compensate suppliers for assuming NITS uncertainty.[34] FE PA's proposal eliminates that unnecessary premium while preserving recovery of the actual costs incurred. Both PECO Energy Company (PECO) and PPL Electric Utilities Corporation (PPL) have Commission-approved DSPs that exclude NITS.[35] The Commission should reach the same conclusion here and approve FE PA's proposal regarding NITS charges.

C. Capacity Proxy Price

FE PA proposed to continue using a Capacity Proxy Price (CPP) mechanism in FE PA's auctions in the event PJM Interconnection, LLC (PJM) does not conduct a base residual auction (BRA), with some revisions to clarify the true-up methodology for the

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[32] Settlement at ¶¶ 28-29.

[33] OCA St. 1R at 9.

[34] OCA St. 1R at 8.

[35] OCA St. 1 at 24.

CPP.[36] Under FE PA's proposal, the CPP for each Rate District would be equal to the most recent PJM BRA clearing price conducted by PJM.[37] Winning bidders would then be made whole through a reconciliation mechanism.[38] For each month for which the capacity price was not known at the time of the FPFR auction, a true-up for a given day would be calculated as the difference between the final zonal PJM capacity rate and the CPP, multiplied by the winning bidder's daily capacity obligation.[39] If the CPP is less than the actual capacity price, the winning bidder would receive an additional payment to ensure that it is fully compensated for its capacity cost to serve the FPFR contract.[40] Conversely, if the CPP is greater than the actual capacity price from PJM, FE PA's payment to the winning bidder under the contract would be reduced based on the same calculation.[41]

The CPP is meant to serve as a placeholder if the PJM BRA clearing price is not known for all months of the delivery period for an FPFR product.[42] If this occurs, bidders would use the CPP as the proxy for the final zonal PJM capacity rate to formulate their bids.[43] The CPP for each Rate District will be equal to the most recent PJM BRA clearing price conducted by PJM.[44] Winning bidders would then be made whole through a reconciliation mechanism.[45] For each month for which the capacity price was not known at the time of the FPFR auction, a true-up for a given day would be calculated as the difference between the final zonal PJM capacity rate and the CPP, multiplied by the

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[36] OCA St. 1 at 7.

[37] *Id.* at 21.

[38] *Id.*

[39] *Id.*

[40] *Id.*

[41] *Id.*

[42] *Id.*

[43] *Id.*

[44] *Id.*

[45] *Id.*

winning bidder's daily capacity obligation.[46] If the CPP is less than the actual capacity price, the winning bidder would receive an additional payment to ensure that it is fully compensated for its capacity cost to serve the FPFR contract.[47] Conversely, if the CPP is greater than the actual capacity price from PJM, FE PA's payment to the winning bidder under the contract would be reduced based on the same calculation.[48]

OCA witness Ogur agreed with FE PA's CPP proposal.[49] Dr. Ogur testified that FE PA's CPP proposal was preferable to the three other following alternatives: (1) requiring suppliers to include capacity costs in their bids without a subsequent true-up, even when PJM capacity prices are unknown for part of the delivery period; (2) removing capacity costs from the FPFR products and having the Company recover those costs directly from customers through a Commission-approved rate; or (3) shortening FPFR contract terms to periods for which capacity prices are known.[50]

The Settlement provides as follows:

> 29. The Joint Petitioners agree to the following changes to the Predecessor Companies' current Commission-approved SMAs as shown in FE PA Exhibit RJR-2: (1) modifications to reflect the changes in default service supplier responsibility for AEPS compliance discussed in Paragraph 30 below; (2) removal of PJM charges for NITS from the pricing under the SMA; (3) changes to add new PJM billing line items associated with emergency orders issued by DOE; and (4) revisions to clarify the true-up methodology for the capacity proxy price ("CPP") used in FE PA's auctions in the event PJM does not conduct a base residual auction ("BRA") as discussed in Paragraph 34 below.
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> …
>
> 34. The Joint Petitioners agree that if PJM does not conduct the BRA in time for default service suppliers to incorporate the auction results in their bids, the CPP will be equal to the clearing price in the most recent BRA

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[46] *Id.*

[47] *Id.*

[48] *Id.*

[49] OCA St. 1 at 22.

[50] OCA St. 1 at 22-23.

> conducted by PJM. During the delivery year for which the BRA results are not known, winning suppliers will be debited or credited (as applicable) any differences between the CPP and the actual capacity price utilizing their daily unforced capacity obligation by class and tranches served by class. [51]

As such, the Settlement adopted FE PA's proposal, which was supported by the OCA. The evidence demonstrated that the Company's CPP proposal, as filed, is preferable to any alternative.[52] Requiring suppliers to embed uncertain capacity costs in their bids would shift substantial and difficult-to-hedge risk to suppliers, resulting in significant risk premiums and higher costs to customers, particularly given the current PJM capacity shortfall and ongoing uncertainty regarding capacity market rules and pricing.[53] Assigning capacity costs directly to the Company would eliminate opportunities for suppliers to secure potentially lower-cost bilateral capacity arrangements while creating additional administrative burdens without a corresponding customer benefit.[54] Shortening FPFR contract terms would undermine residential rate stability by increasing reliance on shorter-term hedges and exposing customers to more frequent repricing and greater wholesale market volatility.[55]

The Settlement's CPP approach is also consistent with practices previously approved for other Pennsylvania EDCs and utilized in other retail choice jurisdictions.[56] Accordingly, while competitive bilateral capacity arrangements should be encouraged where feasible, the current market and regulatory environment support adoption of FE PA's

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[51] Settlement at ¶¶ 29, 34.

[52] OCA St. 1 at 22-23.

[53] OCA St. 1 at 22.

[54] OCA St. 1 at 22-23.

[55] OCA St. 1 at 23.

[56] OCA St. 1 at 23.

CPP proposal as the most reasonable and least costly option among the available alternatives.[57]

Moreover, the same rationale that supports the Company's treatment of NITS applies to FE PA's CPP. Requiring FPFR suppliers to include capacity costs in fixed-price bids without a subsequent true-up, even when PJM capacity prices are unknown for part of the contract term, would shift a large, highly variable, and difficult-to-hedge risk to suppliers.[58] Suppliers would recover that risk through higher bid premiums, increasing costs to customers.[59] The CPP mechanism avoids those unnecessary premiums by allowing customers to pay actual capacity costs rather than paying suppliers to assume and price uncertain capacity risk. These Settlement provisions are in the public interest and should be adopted by the Commission.

D. Additional Default Service Requirements

1. Term of Revised DSP VII

FE PA is proposing a four-year term for its proposed DSP VII, which is the same term length of the currently effective DSP VI programs for each of the Predecessor Companies, now referred to as Rate Districts.[60]

The OCA did not disagree with the four year term, as proposed by the Company, because the four-year default service plan period reduces administrative costs relative to the shorter default service plan periods that have been relied on historically.[61] The OCA also agreed with the Company that doing so is consistent with the default service plan terms for other EDCs in Pennsylvania.[62]

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[57] OCA St. 1 at 23.

[58] OCA St. 1 at 23.

[59] OCA St. 1 at 22-23.

[60] Petition at ¶ 5.

[61] OCA St. 1 at 13.

[62] *Id*.

The Commission's Policy Statement provides that a default service program should have a two-year term unless the Commission directs otherwise.[63] Consistent with this authority, the Commission has approved default service plans with terms exceeding two years where such terms serve the public interest. For example, the Commission approved four-year default service programs for both Duquesne Light Company and PECO Energy Company, concluding that a four-year term would minimize future litigation expenses and reduce administrative costs.[64]

The introductory paragraph of the Settlement signals that the settling parties agree to the four-year term as proposed by the company, as follows:

> 14. FE PA's Revised DSP VII shall have a term of four years, beginning June 1, 2027 and ending May 31, 2031 ("DSP VII Term").[65]

As such, the Settlement adopts FE PA's proposal, and the OCA supports FE PA's proposal. For the reasons as explained in Dr. Ogur's testimony relating to terms and considering Commission precedent, a four-year term is consistent with this Company's past DSP plan terms, as well as the timing of DSP review of other EDCs in the Commonwealth and reduces administrative burden and therefore cost. Thus, the Commission should reach the same conclusion here and approve FE PA's proposal.

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[63] 52 Pa. Code § 69.1804.

[64] *Petition of Duquesne Light Co. for Approval of its Default Service Program for the Period from June 1, 2021 through May 31, 2025*, Docket No. P-2020-3019522, Order at 27 (Jan. 14, 2021); *Petition of PECO Energy Co. for Approval of its Default Service Program for the Period from June 1, 2021 through May 31, 2025*, Docket No. P-2020-3019296, Order at 30–31 (Dec. 3, 2020).

[65] Settlement at ¶14.

2. Competitive Procurement Process

FE PA proposed plans for the residential and commercial classes that consisted of semi-annual procurements.[66] The first auction, as proposed by FE PA, would occur in January 2027 and would have three procurements thereafter (January, April and November 2027).[67] From 2028 to 2030, FE PA proposed to conduct auctions in January and November.[68] For the industrial class, FE PA proposed four procurements occurring in April 2027, January 2028, January 2029 and January 2030.[69]

The Company proposed to procure supply for its default service program through simultaneous, multiple-round, descending-price clock auctions, consistent with the procurement approach used under its DSP VI.[70] Under this process, pre-qualified suppliers that satisfy the Company's credit and financial requirements compete to provide full-requirements default service products, with winning bids selected solely on the basis of the lowest price.[71]

The Company proposed using a "descending clock" auction (DCA) format to explain how it planned to follow its proposed schedule.[72] In each auction round, the procurement manager announces prices for each product, and suppliers bid on the number of tranches they are willing to provide at those prices.[73] If suppliers offer more tranches than the Company needs for a product, the price for that product is lowered in the next round.[74] Suppliers can then update their bids and, if applicable, switch to bidding on

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[66] Petition at ¶ 16.

[67] *Id*.

[68] *Id*.

[69] *Id*.

[70] Petition at ¶ 17.

[71] *Id*.

[72] Petition at ¶¶ 17-19.

[73] Petition at ¶ 17.

[74] *Id*.

different products.[75] The process continues until the amount of supply offered matches the Company's procurement needs.[76]

The Company averred that this descending clock auction format promotes efficient procurement by allowing multiple products to be acquired in a single auction while providing transparent, market-based price discovery.[77] The iterative bidding process encourages competition, allows suppliers to respond to changing price signals, and results in the selection of the lowest-cost suppliers.[78] The Company also noted that this procurement methodology has been successfully used by both the predecessor companies and the Company for more than a decade, including throughout DSP VI, and is familiar to the Commission.[79]

The Company also proposed to retain the existing auction load caps during DSP VII, limiting any single supplier to no more than 50% of the fixed-price product load and 75% of the hourly product load awarded in an auction.[80] FE PA explained that these limits are intended to promote supplier diversity and reduce concentration in the procurement process.[81]

The OCA did not disagree with using the DCA auction approach by and through its litigated positions.[82] Dr. Ogur testified as follows:

> This process has generally worked as proposed and implemented by FE PA and the Company has successfully procured default service supplies with this procurement method in the past. In the absence of clear cost or administrative benefits to

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[75] *Id*.

[76] *Id*.

[77] Petition ¶ 19.

[78] *Id*.

[79] *Id*.

[80] Petition ¶ 20.

[81] *Id*.

[82] *See* OCA St. 1 at 13; OCA St. 1R at 2-3.

> changing the procurement method [he does] not see a compelling reason to change the existing DCA approach.[83]

Dr. Ogur expressed concerns related to the timing of auctions in relation to their deliveries, the length of the terms of the supply contracts, and laddering as it relates to overhanging contracts and ensuring supply is maintained throughout the DSP VII term.[84] However, the OCA, by and through Dr. Ogur, has maintained its position that it agrees with the Company's proposed use of the DCA and that he does not see a compelling reason to change the approach.[85]

The Settling Parties agreed to the following provisions relating to format of auctions:

> 17. FE PA will procure 100% of the supply required to serve residential and commercial default service customers during the DSP VII Term through a descending clock auction ("DCA") for full requirements service. Winning suppliers will bid on "tranches" corresponding to a percentage of the actual residential and commercial default service customer load and be responsible for fulfilling all the associated requirements of a load serving entity ("LSE") under their agreements with PJM, including energy, capacity, transmission,[86]

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[83] OCA St. 1 at 13.

[84] OCA St. 1 at 13-20.

[85] OCA St. at 13, OCA St. 1R at 2-3.

[86] These transmission requirements exclude Regional Transmission Expansion Plan (RTEP) charges, Expansion Cost Recovery Charges; Reliability Must Run/generation deactivation charges associated with generating plans for which specific RMR charges begin after July 24, 2014; historical out-of-market tie line, generation, and retail customer meter adjustments; unaccounted for energy; or any Federal Energy Regulatory Commission (FERC) approved reallocation of PJM RTEP charges related to Docket No. EL05-121-009 (collectively, referred to as non-market based charges or NMB charges). FE PA will continue to assume these NMB charges for both default service suppliers and EGSs that serve load in the Company's service area, and the associated costs will be recovered from customers in a competitively neutral manner

> ancillary services, PJM administrative expenses, as well as providing all necessary alternative energy credits described in Paragraph 30 below for Alternative Energy Portfolio Standards Act ("AEPS") compliance.
> 18. The Joint Petitioners agree to the rules for the DCA set forth in FE PA Exhibit MP-3.
> 19. Each residential tranche is a fixed-price full requirements, load-following product. The fixed price will be established through FE PA's DCAs.[87]

The Commission should approve the Company's continued use of the DCA format as outlined in the Settlement because the DCA format has consistently demonstrated that it is an efficient, transparent, and competitive means of procuring default service supply.[88] By allowing multiple products to be procured in a single auction, the DCA process promotes administrative efficiency while providing real-time, market-based price discovery.[89] The multi-round bidding structure encourages robust competition by allowing suppliers to respond to changing price signals, resulting in the selection of the lowest-cost suppliers and helping to secure competitively priced default service for customers.

Moreover, the Company and its predecessor companies have successfully employed the DCA format for more than a decade, including throughout DSP VI, providing the Commission with substantial experience overseeing and evaluating this well-established

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through FE PA's non-bypassable Default Service Support (DSS) Rider. In addition, as discussed in Paragraph 29 below, beginning June 1, 2027, default service suppliers will not be responsible for Network Integration Transmission Service (NITS) or PJM charges associated with United States Department of Energy (DOE) emergency orders pursuant to Section 202(c) of the Federal Power Act.

[87] Settlement at ¶¶ 17-19.

[88] *See* OCA St. 1 at 7.

[89] *See* OCA S. 1 at 13.

procurement process.[90] Given its track record of producing competitive outcomes and promoting the interests of both the Company and its default service customers, the Commission should approve the continued use of the descending clock auction format in DSP VII.

3. Procurement Plan for the Residential Class

FE PA proposed to meet its residential default service load through a portfolio of FPFR contracts with terms of 12, 24, and 60 months.[91] FE PA proposed that these FPFR contracts will supply all residential default service load and will be procured twice each year to replace contracts as they expire, creating a laddered procurement structure.[92] Under FE PA's proposal, 60-month FPFR contracts would supply approximately 10 percent of the residential load in each Rate District.[93] The remaining 90 percent would be supplied through a combination of 12-month and 24-month FPFR contracts, with the proportion of each varying by Rate District.[94] Each residential tranche will represent a fixed percentage of the residential default service load, with the tranche size also varying by Rate District.[95]

The Company testified that the 60-month product(s) would be procured in the January 2027 auction through the same auction platform used for shorter-term tranches.[96] FE PA asserted that "the inclusion of longer-term tranches enhances portfolio diversity and

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[90] *See Metropolitan Edison Company for Approval of Its Default Service Plan for the Period From June 1, 2023 through May 31, 2027*, Docket No. P-2021-3030012, *et al.*, Recommended Decision at 23, 46, and 53 (Jun. 29, 2022); *See also* FE PA St. 2 at 10.

[91] Petition at ¶ 13; *see also* FE PA St. 3 at 4.

[92] Petition at ¶ 16; *see also* FE PA St. 5 at 4.

[93] Petition at ¶ 13; *see also* FE PA St. 2 at 6.

[94] *Id.*

[95] *Id.*; *see also* OCA St. 1 at 7.

[96] FE PA St. 3 at 6.

provides a partial long-term energy hedge for customers, while maintaining manageable exposure to market changes."[97]

The Company maintained that its proposed procurement design would achieve a balanced supply portfolio that limits risk while providing reasonable cost stability for customers.[98] According to the Company, the combination of 12-, 24-, and 60-month full-requirements contracts would provide both short-term responsiveness to changing market conditions and longer-term price stability.[99] The Company further asserted that procuring 12- and 24-month contracts at multiple points throughout the four-year plan, together with the 60-month contracts, would expose customers to meaningful market price signals while reducing price volatility through a diversified portfolio of contracts with varying terms.[100]

The Company further asserted that adding a 60-month full-requirements product would better align its procurement portfolio with Act 129's requirement that default service include a prudent mix of spot, short-term, and long-term contracts.[101] The Company maintained that including a limited amount of longer-term supply would improve cost stability for customers while preserving the flexibility to respond to changing market conditions.[102] It further stated that the 60-month contracts would provide greater cost certainty by locking in energy prices for a portion of the default service load over a five-year period.[103]

Because these contracts would be procured through the same competitive DCA used for shorter-term products, the Company contended that suppliers would continue to

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[97] *Id.*

[98] FE PA St. 3 at 7.

[99] *Id.*

[100] *Id.*

[101] FE PA St. 3 at 20.

[102] *Id.*

[103] *Id.*

compete on equal terms and that resulting prices would reflect market conditions.[104] Finally, the Company asserted that incorporating a modest long-term component would further Act 129's objectives of promoting price stability and prudent risk management by selecting suppliers capable of managing long-term energy and volumetric risks, thereby helping to provide reliable default service at the lowest reasonable cost over time.[105]

FE PA also argued that if the 60-month tranches offered in the January 2027 auction do not attract sufficient bids to clear, the Company would fill the uncovered portion of the portfolio by procuring additional 12-month full-requirements tranches during the subsequent April 2027 auction.[106]

The Company proposed to continue using the same procurement process employed in DSP VI by conducting auctions twice each year.[107] However, it proposed one exception during the first year of DSP VII, with auctions to be held in January, April, and November 2027.[108] The Company proposed that the first DSP VII auction occur in January 2027.[109] Thereafter, from 2028 through 2031, the Company proposed to conduct semiannual auctions in January and November, rather than in April and November.[110]

In response to the Company's proposed procurement plan, the OCA recommended several modifications. Specifically, the OCA recommended replacing the proposed 60-month full-requirements FPFR contracts with 36-month FPFR contracts, conducting FPFR auctions in September and February of each year, and modifying the auction product mix

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[104] *Id.*

[105] *Id.*

[106] FE PA St. 3 at 6; *see also* Petition ¶ 39.

[107] FE PA St. 2 at 8.

[108] *Id.* at 8.

[109] *Id.*

[110] *Id.* at 8-9.

to provide additional laddering and place greater reliance on 24-month products rather than 12-month products.[111]

The OCA further supported its recommendations by raising several concerns with the Company's proposed procurement design. First, the OCA argued that the proposed 60-month FPFR contract was untested and could result in higher risk premiums due to the uncertainty associated with the long-term price and volumetric risks assigned to suppliers.[112] Second, the OCA recommended changing the auction schedule because conducting auctions in November and January would create unnecessary concentration of pricing risk for the residential portfolio, as both months fall within the same winter pricing period.[113]

The OCA also recommended adjustments to the mix of 12-month and 24-month FPFR products. It noted that the Company's proposed allocation varied by Rate District, with the Met-Ed Rate District relying more heavily on 12-month contracts, while the Penelec and Penn Power portfolios had a more balanced mix and the West Penn portfolio included approximately twice as much 24-month supply as 12-month supply.[114] Dr. Ogur asserted that 24-month contracts generally provide greater rate stability and recommended a portfolio design with increased reliance on the 24-month products.[115] Finally, the OCA recommended improving the staggering of contract terms by procuring 12-month and 24-month products with half of the contracts beginning delivery in June and half beginning delivery in December, consistent with the approach used by other large Pennsylvania electric distribution companies.[116]

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[111] OCA St. 1 at 9.

[112] OCA St. 1 at 13.

[113] OCA St. 1 at 14.

[114] *Id.*

[115] *Id.*

[116] *Id.*

The OCA acknowledged that 60-month FPFR contracts could provide valuable rate stability benefits for residential customers but expressed concerns that these contracts may not be procurable at reasonable prices due to the significant risks suppliers would assume over a five-year term.[117] Although suppliers would not bear risks associated with PJM capacity costs or PJM NITS costs under the Company's proposed design, Dr. Ogur noted that suppliers would still be responsible for managing energy, ancillary services, uplift, and alternative energy credits (AEC) cost risks, auction revenue rights (ARR) revenue risk, and volumetric risks such as load migration and net metering changes.[118] The OCA further explained that while suppliers may be able to hedge energy price risk at major PJM trading hubs, managing zonal price risk and congestion costs associated with individual Rate Districts could be more difficult and costly.[119]

The OCA also raised concerns that assigning additional regulatory risks to suppliers, including potential changes to AEC requirements, PJM billing practices, ancillary service requirements, or credit and collateral obligations, could cause suppliers to include significant risk premiums in their bids for a five-year product.[120] The OCA noted that neither the Company nor the OCA was aware of other electric distribution companies that had attempted to procure 60-month FPFR contracts, and that the Company had not sought feedback from current or potential suppliers regarding the product.[121] Based on these uncertainties, the OCA concluded that it would be premature to introduce 60-month FPFR contracts at this time.[122]

Dr. Ogur recommended that FE PA replace the 60-month FPFR contracts with 36-month contracts with a delivery period from June 1, 2027 through May 31, 2030, and then

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[117] *Id*. at 15.

[118] *Id*.

[119] *Id*.

[120] *Id*.

[121] *Id*. at 16.

[122] *Id*.

another set of 36-month contracts with a delivery period from June 1, 2030 through May 31, 2033, for the same number of tranches that is allocated to the 60-month products under the Company's proposal.[123] Dr. Ogur explained that this methodology has proven successful in New Jersey.[124] Dr. Ogur further explained that it would provide a measured approach to increasing the average contract duration of the residential portfolio.[125]

The OCA stated that successfully procuring 36-month contracts at reasonable risk premiums would provide valuable market information and allow the Company to consider increasing the share of 36-month FPFR contracts in future DSPs.[126] The OCA further noted that this gradual approach could allow for the potential introduction of longer-term products, such as 48-month or 60-month FPFR contracts, in future procurements once suppliers and market participants have demonstrated the ability to price and manage the associated risks.[127]

As an alternative recommendation, the OCA explained that if the Commission approved the solicitation of 60-month FPFR contracts, such approval should include additional safeguards.[128] First, in the event the Company was unable to procure 60-month FPFR contracts, the contingency procurement should consist of 24-month FPFR contracts rather than the 12-month contracts proposed by the Company.[129] Second, the OCA recommended that the Company's auction monitor develop a cost-to-serve forecast for the 60-month FPFR product and that the Commission apply a predetermined, reasonable risk premium, either as a percentage of the cost-to-serve forecast or as a dollar-per-megawatt-

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[123] *Id.*

[124] *Id.*

[125] *Id.*

[126] *Id.*

[127] *Id.*

[128] *Id.* at 17.

[129] *Id.*

hour (MWh) value, when evaluating whether to approve the auction results.[130] The OCA explained that this approach would help ensure that any risk premium reflected in supplier bids, while potentially reasonable from the suppliers' perspective, and also represents a reasonable outcome for customers.[131]

The Company agreed that a 36-month product would align more closely with available forward market liquidity and hedging instruments, but, by and through FE PA witness Powers' rebuttal testimony, pointed out that a 60-month product would provide greater longer-term price stability.[132] Mr. Powers further testified that "the Company's proposed approach remains reasonable and consistent with Act 129's objective of maintaining a prudent mix of products designed to achieve the least cost to customers over time," and that "the Company's proposal reasonably balances those considerations."[133]

FE PA witness Patria also responded to Dr. Ogur on behalf of the Company as to the 60-month contracts. Dr. Patria claimed that Dr. Ogur's concern about the 60-month contracts is "largely speculative and not well supported" in light of the OCA's proposal to replace the 60-month contracts with 36-month contracts.[134] She also testified that PPL successfully procured 5-year products and, more recently, a 10-year long-term block product.[135] She also claimed that the risks associated with 60-month FPFR products are narrower than Dr. Ogur suggested because NITS will be excluded from FPFR contracts and the CPP mechanism addresses uncertainty associated with PJM capacity costs.[136]

FE PA witness Rose also disagreed with the OCA's recommendation to replace the 60-month contracts with 36-month contracts because he disagreed with Dr. Ogur's

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[130] *Id.*

[131] *Id.*

[132] FE PA St. 3R at 2.

[133] *Id.*

[134] FE PA St. 5R at 4-12

[135] *Id.*

[136] *Id.*

contention that 60-month products are untested and premature, citing to PPL's successful procurement of 5-year and 10-year block products in 2021 and in 2025, respectively.[137] Mr. Rose also claimed that a default service portfolio without a contract between 4 years and 20 years in length would violate 52 Pa. Code Section 54.186(b)(1)(iii).[138]

While the Company disagreed with the OCA's concerns over the products, Mr. Rose acknowledged that conducting auctions in February and September of each year as Dr. Ogur proposed is feasible.[139] However, Mr. Rose expressed two concerns with doing so; First, the Company expressed concern that moving the auction to September would shorten the timeframe between the auction clearing results and PJM's ARR allocation process, potentially creating timing challenges.[140] Second, the Company noted that a September auction would create a nine-month period between the auction and the start of delivery, compared to the seven-month period that would result from a November auction.[141]

The OCA argued that Dr. Patria and Mr. Rose overlooked a critical distinction between the long-term products procured by PPL and the 60-month FPFR product proposed by the Company. Specifically, the OCA explained that PPL's 5-year and 10-year contracts were fixed-quantity, energy-only products, whereas the Company's proposed 60-month product is a load-following, full-requirements product that requires suppliers to assume substantially greater risk.[142] Although the proposed FPFR product excludes PJM capacity costs through the CPP mechanism and excludes PJM NITS costs, the OCA noted that suppliers would still bear energy, ancillary services, uplift, AEC, and ARR risks, as well as volumetric risks such as load migration and net metering.[143] By contrast, suppliers

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[137] FE PA St. 2R at 3.

[138] *Id.*

[139] FE PA St. 2R at 5.

[140] *Id.* at 6-7.

[141] *Id.*

[142] OCA St. 1SR at 6.

[143] *Id.*

under PPL's long-term contracts were responsible only for delivering a fixed quantity of energy each hour over the contract term and did not bear these additional risks.[144]

Accordingly, the OCA maintained that the Company's proposed 60-month FPFR product is materially different from, and significantly riskier than, the long-term energy-only products procured by PPL.[145] For that reason, the OCA rejected the Company's assertion that the risks associated with the proposed 60-month product were narrower than the OCA had described, maintaining instead that the remaining risks are substantial and could lead suppliers to include significant risk premiums in their bids.[146]

FE PA witness Rose theorized that the OCA's "proposed procurement structure introduces additional complexity through the inclusion of transitional 18-month products, revised auction schedules, and more granular staggering approaches."[147] While he agreed that Dr. Ogur's suggested modifications would "theoretically" provide incremental diversification benefits, he claimed that "they also increase administrative complexity and may reduce procurement efficiency without demonstrating commensurate customer benefits."[148] He also theorized that the Company's proposed procurement design is broadly consistent with industry practice among large default service procurements in Pennsylvania and neighboring states, providing PECO, PPL, Duquesne Light Company, AES Ohio, Duke Energy Ohio, Ohio Edison, The Illuminating Company, and Toledo Edison as examples.[149] Mr. Rose also contended that the OCA's recommendations are internally inconsistent because Dr. Ogur recommended greater reliance on 24-month contracts than on 12-month

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[144] *Id*. at 6-7.

[145] *Id*. at 7.

[146] *Id*.

[147] FE PA St. 2R at 7.

[148] *Id*.

[149] *Id*.

contracts while recommending to replace the 60-month contracts with 36-month contracts.[150]

In response to the Company's concerns regarding the OCA's recommendation for a 36-month product, Dr. Ogur further explained that the OCA's recommendation represented a prudent compromise consistent with a gradual approach to increasing contract duration.[151] Rather than immediately moving to a 60-month product, the OCA's proposal would allow the Company to incrementally expand the use of longer-term FPFR contracts while gaining experience with the associated risks and market response.[152] Dr. Ogur stated that this approach would provide a reasonable pathway for the Company to transition toward potentially procuring 60-month contracts in a future DSP proceeding.[153]

As to scheduling, Mr. Rose stated that "[w]hen the auction is closer to delivery, more real time data is available on the PJM forward market which could lead to less uncertainty and potentially lower risk premiums."[154] However, Mr. Rose also opposed the OCA's recommended procurement schedule, which would have shortened the period between the auction and the start of delivery from the Company's proposed seven months to three months.[155] Under the OCA's proposal, products with a December 1 delivery start date would be procured through September auctions.[156] This differed from the Company's proposal to procure only June 1 delivery start date products and conduct half of those auctions in November, seven months before delivery begins.[157]

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[150] *Id.*

[151] OCA St. 1SR at 9.

[152] *Id.*

[153] *Id.*

[154] FE PA St. 2R at 5.

[155] *Id.*; *see also* OCA St. 1SR at 12-13.

[156] *See* OCA St. 1 at 15.

[157] OCA St. 1SR at 12-13.

Dr. Ogur explained that Mr. Rose's objection without further clarification represented a clear internal inconsistency in Mr. Rose's reasoning.[158] The OCA's proposed procurement schedule, when considered together with its recommended product mix, would reduce the time between the auction and the start of the related delivery period to no more than four months, compared to the seven-month period under the Company's proposal.[159] At the same time, the OCA's schedule would maintain approximately equal spacing between the semiannual auctions, providing a more balanced procurement timeline.[160]

Ultimately, the Company and the OCA maintained differing positions on these issues throughout the litigation of the matter.

The Settling Parties agreed to resolve their differences over this issue, as follows:

> 20. During the DSP VII Term, contracts for approximately 10% of the residential class load will have terms of 60 months, contracts for approximately 45% of the residential class load will have terms of 12 months, and contracts for the remaining approximately 45% will have terms of 24 months.
> 21. FE PA's independent evaluator shall administer the DCA process for the 60-month product consistent with the DCA process for the Company's default service procurements. As part of that process, the independent evaluator shall include consideration of the 60-month product in any pre or post auction reports that it prepares during the normal course of administering auctions. Following the auction, the Company shall cause an independent market consultant to prepare a post-auction report assessing the reasonableness of the auction results for any 60-month product relative to contemporaneous market conditions, cost-to-serve estimates, supplier risk premiums, and prevailing market data available at the time of auction. The independent market consultant's report shall be submitted to the Commission in connection with the Commission's review of the auction results.
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> …
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> 24. Each of the residential and commercial full requirements products will be procured through semi-annual auctions in February and September each

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[158] *Id*. at 13.

[159] *Id*.

[160] *Id*.

> year, with the exception that for the first auction year of the term, FE PA will hold auctions in January 2027, April 2027, and October 2027.
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> 25. The procurement schedule for the residential and commercial class contracts are set forth in Exhibit A. Exhibit A is a revised version of FE PA Exhibit RJR-1.
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> …
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> 32. If the Company is unable to procure Commission-approved 60-month fixed-price full-requirements ("FPFR") contracts through the solicitation process, the Company shall promptly conduct a subsequent solicitation for 24-month FPFR contracts. To the extent the precise portfolio allocation among remaining contract terms differs from the residential supply mix described in Paragraph 20 above, the Company shall maintain a share of load served under 24-month FPFR contracts that is similar to the share of load served under 12-month FPFR contracts, unless otherwise authorized by the Commission. Any additional failures of auction success would default to FE PA's contingency plan as originally proposed and described in Paragraph 31.
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> 33. The Joint Petitioners agree that, in the event a winning bidder defaults prior to the start of or during the delivery period, FE PA will offer the unfilled tranches to the other qualified bidders who participated in the most recent solicitation of full-requirements, load-following products. FE PA may enter into an agreement with the qualified bidder(s) offering the best terms for the unfilled tranches resulting from the default, provided the prices offered by such bidder(s) are consistent with the original prices at which the unfilled tranches were procured giving due consideration to changes in market conditions from the time when the original tranches were procured. If FE PA is not able to enter into such an agreement and at least 30 calendar days remain prior to the start of the delivery period, the Company will seek to bid the defaulted tranches in a separate supplemental competitive solicitation. If insufficient time exists to conduct an additional competitive solicitation, or if the supplemental solicitation is unsuccessful, FE PA will supply the tranches using PJM-administered markets in the same manner described in the preceding paragraph.[161]

The OCA supports these provisions as they also serve as reasonable compromises in consideration of possible litigation outcomes, and the OCA asserts that these provisions are in the public interest.

Although the OCA agreed to the Company's proposed procurement mix of products as part of the settlement (Paragraph 20), that agreement does not represent a complete

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[161] Settlement at ¶¶ 20-21, 24-25, 32-33.

endorsement of the Company's original proposal. Rather, the OCA's acceptance of the product mix was reached as part of a broader negotiated settlement in which the OCA obtained other modifications and protections addressing its concerns, discussed below. The OCA evaluated the settlement as a whole and determined that the overall package, including improvements in other areas of the procurement plan, provided sufficient benefits to customers to warrant resolving the remaining differences regarding the product mix.

While the OCA continues to have concerns regarding the inclusion of 60-month contracts for 10% of the portfolio, Paragraph 21 of the Settlement Agreement provides additional protection that helps mitigate those concerns and make the proposal more acceptable. More specifically, this provision provides important protections by ensuring that the introduction of the 60-month FPFR product is subject to the same independent oversight and transparency requirements that apply to the Company's existing default service procurements.

Requiring the independent evaluator to administer the 60-month auction and include the product in its pre- and post-auction reporting provides the Commission with an objective assessment of the auction process and results. This independent review helps ensure that the 60-month product is procured through a fair and competitive process and allows the Commission to evaluate whether supplier participation, bidding behavior, and auction outcomes are consistent with market conditions. The additional transparency is particularly valuable given that 60-month FPFR contracts represent a new component of the procurement portfolio and have not been widely tested in default service procurements.

The additional requirement that an independent market consultant evaluate the reasonableness of the 60-month auction results further protects customers by ensuring that the Commission has an independent analysis of whether the resulting prices reflect reasonable market outcomes. By considering factors such as contemporaneous market conditions, cost-to-serve estimates, supplier risk premiums, and available market data, the review will help determine whether any premium associated with the longer-term product is justified and reasonable. This added scrutiny is particularly valuable given the limited market experience with 60-month FPFR contracts and helps balance the potential benefits of longer-term price stability with the need to ensure customers receive supply at a reasonable cost. This term was essential for the OCA to agree to Settlement as Paragraph 20 adds independent oversight and transparency to a new and potentially higher-risk procurement product.

Additionally, the Settling Parties' compromise regarding the procurement schedule helped address the OCA's concerns and further supports the OCA's decision to support the Settlement. Paragraphs 24 and 25 improve the procurement schedule by establishing a consistent semiannual auction structure while also providing a reasonable transition period during the first year of the DSP term. Holding auctions in February and September each year better spaces procurement events throughout the year, reducing the concentration of purchases within a single market period and helping to mitigate the risk that all supply is procured under similar market conditions. Holding the auctions during those months help address Dr. Ogur's justified concerns as explained above. The initial schedule of auctions in January, April, and October 2027 also allows for an orderly transition from the prior procurement plan while ensuring that the Company maintains a regular cadence of supply procurement. The approach achieved under Settlement provides greater flexibility, enhances portfolio diversification, and supports more stable default service pricing for customers.

Paragraph 32 also appropriately balances the potential benefits of 60-month FPFR contracts with protections against the risks associated with procuring a new long-term product. By requiring the Company to pursue 24-month FPFR contracts if 60-month contracts cannot be successfully procured, the provision establishes a reasonable middle-ground alternative that maintains some longer-term price stability without forcing the Company to immediately rely on shorter-term products or less predictable procurement outcomes. This approach preserves the benefits of portfolio diversification while reducing the risk that an unsuccessful 60-month solicitation could result in a less favorable supply mix for customers.

The provision also promotes a balanced residential supply portfolio by requiring the Company to maintain a 24-month FPFR contract share comparable to the 12-month FPFR contract share, absent Commission approval of a different allocation. This requirement supports greater diversification and helps avoid excessive reliance on short-term contracts. Finally, the structured contingency process provides a clear and orderly mechanism for addressing auction failures while ensuring that the Company retains the ability to secure reliable default service supply for customers. The OCA appreciates that this provision reflects an alternative that Dr. Ogur proposed in his testimony[162] and represents a reasonable compromise that balances the Company's procurement objectives with appropriate protections for default service customers.

Paragraph 33 provides important customer protections by establishing a clear contingency process if a winning bidder fails to fulfill its supply obligation and addresses the risks and uncertainty that Dr. Ogur espoused in his analysis.[163] By first offering the unfilled tranches to other qualified bidders from the most recent solicitation, the Company can quickly seek replacement supply from suppliers already vetted through the competitive procurement process. Allowing the Company to negotiate with those bidders, while requiring that prices remain consistent with the original auction prices while accounting for reasonable market changes, helps avoid unnecessary price impacts resulting from a supplier default.

If replacement supply cannot be secured through existing qualified bidders, the provision requires the Company to pursue an additional competitive solicitation when sufficient time remains before the delivery period begins. This maintains the competitive procurement principles underlying the default service program. Finally, establishing PJM-administered market purchases as a final contingency ensures continuity of service and prevents supply gaps if other replacement options are unavailable. Overall, the provision

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[162] OCA St. 1 at 17.

[163] *Id*. at 15-17.

balances the need for reliable default service with the goal of obtaining replacement supply through transparent and cost-conscious processes.

The OCA respectfully submits that the Settlement provisions governing the Company's default service procurement represent a reasonable and significant compromise that is in the public interest when viewed as a whole. Although the OCA did not obtain every modification it sought to the Company's proposed procurement mix, the Settlement incorporates meaningful safeguards and improvements in other key areas, including the procurement schedule, enhanced independent oversight of the new 60-month product, and strengthened contingency provisions in the event those products cannot be successfully procured. Taken together, these provisions strike an appropriate balance between the Company's objective of incorporating longer-term contracts to promote price stability and the OCA's concerns regarding procurement risk and customer protection. The revised procurement schedule promotes a more balanced and diversified procurement process, the enhanced audit and reporting requirements provide the Commission with independent oversight of the 60-month product, and the contingency provisions ensure that customers remain protected if the long-term product cannot be procured on reasonable terms. Collectively, therefore, these negotiated compromises produce a more balanced, transparent, and resilient default service procurement plan that better serves the interests of Pennsylvania consumers than either party's litigated position standing alone. Accordingly, the OCA recommends that the Commission approve the same.

4. Procurement Plan for the Commercial Class

The OCA did not provide testimony on this issue.

5. Procurement Plan for the Industrial Class

The OCA did not provide testimony on this issue.

6. Additional Procurement Issues

The OCA has no additional procurement issues to discuss.

III. CLASSIFICATION OF NON-RESIDENTIAL DEFAULT SERVICE CUSTOMERS

A. Classification of Customers Based on Maximum Registered Peak Load

FE PA is proposing that non-residential default service customers with a demand of 100 kilowatts (kW) or above or MRPL of 100 kW or above will be classified as "commercial," for default service procurement and provision purposes, and served under the Hourly Pricing Default Service Rider ("HP Rider"). Default service customers with a demand below 100 kW and MRPL below 100 kW would be served under the Price to Compare (PTC) Rider.[164] FE PA proposed to define MRPL as: "A customer's net demand contribution impact to the Company's default service procurement activity, as determined upon the net power flow from or into the Company's distribution or transmission system. As related to customer-generators, this shall also be inclusive of the nameplate capacity of the generation system."[165]

OCA witness Ogur supported FE PA's MRPL proposal.[166] Inclusion of large customer-generators in the commercial customer procurement group would bundle small commercial customers with more sophisticated large customer-generators in the same FPFR contract procurements.[167] OCA witness Ogur testified that this would negatively affect small commercial default service customers in two ways as follows:

> First, because the more sophisticated, large customer-generators would entail higher switching risk for the FPFR suppliers, the FPFR suppliers would either build larger risk premiums into their FPFR contract bids or shy away from participating in the FPFR auctions. This would have the likely effect of higher PTCs and/or more volatile rates for small commercial customers due to the inclusion of large customer-generators in the small commercial procurement group. In addition, large customer-generators would receive the higher PTC, which would have been inflated simply by their mere

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[164] OCA St. 1 at 37.

[165] OCA St. 1 at 37.

[166] OCA St. 1 at 40.

[167] OCA St. 1 at 38.

> participation and switching risk, for their exports, which in turn would be recovered from all small commercial default service customers, most of which are small commercial customers.
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> …
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> Second, even the large customer-generators that stay on default service constitute volumetric risk for FPFR suppliers because of the uncertainty surrounding the level and profile of on-site generation (e.g., outages, in-service dates of on-site generators that are in FE PA's distribution interconnection queue). Similar to switching risk, this volumetric risk would prompt the FPFR suppliers to either build larger risk premiums into their FPFR contract bids or shy away from participating in the FPFR auctions, resulting in higher PTCs and/or more volatile rates for small commercial customers.[168]

The Settlement adopts FE PA's MRPL proposal as follows:

> 36. The Joint Petitioners agree to the Company's original proposal to introduce the MRPL into FE PA's determination of eligibility for participation in the PTC Rider and HP Rider as set forth in the DSP VII Petition.[169]

The Settlement adopts FE PA's proposed MRPL, as recommended by the OCA. This Settlement provision properly protects small commercial consumers. FE PA's non-residential customer classification framework should avoid cross-subsidization and risk contamination, which requires keeping higher-risk, more sophisticated larger commercial and industrial customers separate from small commercial customers so small commercial customer rates remain stable, predictable, and tied to their own load characteristics. OCA St. 1 at 40. As the Settlement protects small commercial customers from unreasonable cross-subsidization and risk contamination, this Settlement provision is in the public interest and should be adopted by the Commission.

B. Projections of Customer-Generator Growth

The OCA responds to CGC arguments related to projections of customer-generator growth in Section (C)(1), below.

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[168] OCA St. 1 at 38-40.

[169] Settlement at ¶ 36.

C. Costs and Benefits of Customer-Generators

1. PTC Rider vs. HP Rider

FE PA proposed that non-residential default service customers with a demand of 100 kW or above or MRPL of 100 kW or above be classified as "commercial," for default service procurement and provision purposes, and served under the Hourly Pricing Default Service Rider (HP Rider).[170] Default service customers with a demand below 100 kW and MRPL below 100 kW would be served under the PTC Rider.[171] Both the PTC Rider and the HP Rider include PJM billing line items (other than the ones included in FE PA's Default Service Support Rider), AEPS Act compliance, FE PA's administrative costs, and Pennsylvania gross receipts tax.[172]

OCA witness Ogur supported FE PA's proposal for a PTC Rider and HP Rider.[173] OCA witness Ogur testified as follows:

> Commercial customer PTCs (under the PTC Rider) would only differ (positively or negatively) from industrial customer PTCs (under the HP Rider) because of the way in which individual cost components are procured by the Company for each customer class as well as the unique load and (switching and usage) risk characteristics of each customer class. Therefore, regardless of whether compensation for customer-generators' exported energy is smaller or larger, or more or less volatile, under the HP Rider than under the PTC Rider, that is the fair outcome because large customer-generators belong in the same default service procurement group as the industrial customers in terms of sophistication and risk profile for wholesale suppliers of FPFR contracts, as affirmed by the Commission's decision in the UGI Electric DSP case (Docket No. P-2024-3049343).[174]

The Settlement provides as follows:

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[170] OCA St. 1 at 37.

[171] *Id.*

[172] OCA St. 1R at 20.

[173] OCA St. 1R at 21.

[174] OCA St. 1R at 21.

> 38. For purposes of determining compensation for net excess generation for customer-generators taking service under the HP Rider, such compensation shall include capacity and line loss portions of the HP Rider until May 31, 2041, absent a material change in the capacity markets operated by PJM. In the event of such an occurrence, FE PA will notify and meet with parties to this Settlement, including Walmart, to discuss the proposed changes and their impact on customer-generator compensation at least 30 days in advance of any Commission filing.[175]

To protect small commercial customers, the non-residential customer classification framework should avoid cross-subsidization and risk contamination by maintaining separate procurement groups for customers with materially different risk characteristics. Keeping larger, more sophisticated commercial and industrial customers separate from small commercial customers will promote rates that are stable, predictable, and reflective of the load characteristics of the customers being served.[176] As both the PTC Rider and the HP Rider include the same cost components; that is, PJM billing line items (other than the ones included in FE PA's Default Service Support Rider), Alternative Energy Portfolio Standards Act compliance, FE PA's administrative costs, and the Pennsylvania gross receipts tax,[177] the Commission should adopt this Settlement provision as it is reasonable and in the public interest.

2. Risk Premiums

As discussed above, FE PA proposed adopting MRPL as a criteria for determining customer eligibility for the PTC Rider and HP Rider to better align default service procurement with the characteristics of customer-generators.[178] The Company explained that large customer-generators differ from traditional commercial customers because they often have little onsite electricity consumption, and the energy they receive from the

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[175] Settlement at ¶ 38.

[176] OCA St. 1R at 21.

[177] OCA St. 1R at 20.

[178] FE PA St. 1 at 17.

distribution system is primarily used to support their generating facilities.[179] Moreover, the excess generation exported by these customers is not used to serve default service load but instead reduces the amount of load that winning default service suppliers are required to serve.[180]

FE PA explained that continuing to include large customer-generators in the commercial PTC default service procurement group would increase volumetric and switching risk for suppliers because the amount of load they would ultimately be required to serve would become less predictable.[181] The Company testified that suppliers would likely respond to this uncertainty by incorporating higher risk premiums into their fixed-price full-requirements bids, resulting in higher default service costs for smaller commercial customers.[182] By using both customer demand and the MRPL to classify customers for procurement purposes (moving large customer-generators to the HP Rider), the Company asserted that large customer-generators would be grouped with similarly situated customers, thereby reducing procurement uncertainty, limiting unnecessary risk premiums, and avoiding cost shifts from large customer-generators to smaller commercial default service customers.[183]

The OCA shared the Company's concern that including large customer-generators in the commercial default service procurement group would increase both switching and volumetric risks for suppliers bidding on full-requirements contracts.[184] The OCA demonstrated that large customer-generators are more likely than smaller commercial customers to shop for competitive generation service, increasing the likelihood that

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[179] *Id.*

[180] *Id.*

[181] *Id.*

[182] *Id.*

[183] *Id.*

[184] OCA St. 1 at 38-40.

suppliers would lose load during the contract term.[185] Even when such customers remain on default service, uncertainty regarding the amount and timing of their on-site generation, including factors such as generator outages, new distributed generation coming online, and changes in output, creates additional volumetric risk because suppliers cannot accurately predict the quantity or profile of the load they will be required to serve.[186]

Dr. Ogur maintained that suppliers would respond to these uncertainties by either incorporating higher risk premiums into their bids or reducing participation in the auctions, resulting in higher or more volatile Price to Compare rates for small commercial default service customers.[187] The OCA therefore maintained that reducing these sources of uncertainty would encourage greater supplier participation and more competitive bidding, helping to minimize unnecessary risk premiums and lower procurement costs for consumers.[188]

The Settlement provisions in Paragraphs 36 and 38 (see above) address a significant source of supplier risk identified during the proceeding by providing greater certainty regarding customer generation and load migration. As Dr. Ogur explained, suppliers bidding on long-term FPFR products must account for volumetric risks, including uncertainty related to customer migration and net metering. The Settlement's adoption of the MRPL methodology for determining default service eligibility, along with the grandfathering of existing customer-generators through June 1, 2029, and continuation of capacity and line-loss compensation under the Hourly Pricing Rider through May 31, 2041, establishes a more stable and predictable framework for default service planning.

By more accurately classifying customer-generators and providing greater certainty regarding customer participation and compensation, these provisions allow suppliers to better estimate future load obligations and may reduce the need to include additional risk

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[185] *Id.*

[186] *Id.*

[187] *Id.*

[188] *Id.*

premiums in their bids. The OCA submits that these provisions are in the public interest because they reduce procurement uncertainty, protect customers from avoidable costs, and preserve the benefits of a competitive default service procurement process. Accordingly, the OCA recommends that the Commission approve the same.

3. Negative Peak Load Contribution and Negative Network Service Peak Load Contribution

Mr. Michelman on behalf of the Joint Solar Advocates argued in testimony that the Company's Petition overestimated the impact of net-metering customer-generators on the Commercial PTC Rider rates because the Company failed to recognize the energy, capacity, and transmission costs that net-metered excess generation allows FE PA, its suppliers, and ultimately its customers to avoid.[189] JSA witness Michelman recommended that, as a way to mitigate the consequences of the Company's proposal to shift net-metered customer-generators from the commercial to the industrial default service class, the Commission should require FE to modify how it calculates customer peak loads used to determine generation capacity and transmission cost allocation by allowing customers to register "negative loads" as a result of the excess generation they produce, and apply the cost savings of those negative loads to reduce the allocation of the relevant costs to the default service class in which the customer-generator is assigned.[190]

FE PA disagreed with Mr. Michelman's proposal to assign a negative Peak Load Contribution (PLC) to customer-generators for three reasons. First, FE PA witness Hussing on behalf of the company pointed out that PLC is a cost allocation mechanism which is used to assign each customer a share of system capacity cost, and that if a customer-generator's PLC is reduced through a negative PLC, then another customer, presumably a non-customer-generator in the same customer class, will pay more.[191] Second, Mr. Hussing explained that Mr. Michelman's suggestion that the Commission should rely on assumed

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[189] JSA St. 1 at 4.

[190] *Id.*

[191] FE PA St. 4R at 5.

solar generation by a customer-generator to calculate a dollars per megawatt year benefit would ignore the fact that there is no certainty that the customer-generator will be providing excess generation at the future peak which the 5CP mechanism is designed to address.[192] Mr. Hussing also observed that Mr. Michelman does not propose that customer-generators should pay any penalty if they do not perform, as other entities with a capacity obligation do. [193] Third, Mr. Hussing posits that while FE PA customers in one particular rate district might have a lower overall capacity cost if customer-generators receive a negative PLC in comparison to the customers of other utilities in the PJM zone, the costs are still shifted to other customers within the rate district.

The OCA has demonstrated that FE PA, and not JSA, is correct here. First, capacity requirements and costs assigned by PJM to an EDC zone [are] determined three years before the start of a delivery year (in "steady state" when BRAs are conducted according to schedule).[194] Since "negative loads" of customer-generators are not included in such capacity requirement and cost assignment by PJM, customer-generators' "negative loads" would not reduce the EDC zone's total capacity requirement or total capacity costs.[195] Therefore, compensating customer-generators for a value they did not create, such as a negative PLC, would result in an inequitable cost shift, effectively requiring other customers in the zone to subsidize customer-generators.[196]

Second, PJM's load forecast, which serves as an input to capacity procurement in the BRAs, is based on historical load patterns, weather trends, and anticipated future load growth.[197] It remains uncertain how quickly customer-generator "negative loads" would be incorporated into PJM's load forecasts, whether such reductions would meaningfully

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[192] *Id.*

[193] *Id.*

[194] OCA St. 1SR at 33.

[195] *Id.*

[196] *Id.*

[197] *Id*. at 34.

decrease the Electric Distribution Company (EDC) zone's capacity obligation, or whether intermittent solar generation output would reliably coincide with PJM's modeled peak demand periods in future years.[198] Providing compensation for a speculative and uncertain capacity benefit, while increasing capacity costs for all other customers in the zone, would create an inequitable cost shift.[199]

Third, compensating customer-generators for capacity through the assignment of negative PLCs could create inappropriate incentives for generation developers and potentially undermine PJM capacity market objectives.[200] When a generator directly interconnects with PJM, it is recognized as a capacity resource and contributes to increased supply, which can place downward pressure on capacity prices.[201] By contrast, generation resources interconnected behind an EDC customer meter are not recognized by PJM as capacity resources and do not make the same contribution to the capacity market.[202] Providing capacity compensation to behind-the-meter customer-generators could therefore encourage development in a manner that does not increase PJM capacity supply, potentially contributing to continued capacity market costs.[203]

Capacity resources that receive compensation through PJM are subject to obligations, including commitments to perform during system emergencies and potential penalties for nonperformance.[204] Customer-generators interconnected behind the EDC distribution system do not assume comparable performance obligations.[205] Accordingly, the OCA demonstrated that customer-generators should not be entitled to capacity

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[198] *Id.*

[199] *Id.*

[200] *Id.*

[201] *Id.*

[202] *Id.*

[203] *Id.*

[204] *Id.*

[205] *Id.*

compensation based solely on their output during PJM's peak load hours because they have not undertaken the same commitments required of PJM-recognized capacity resources.[206]

Finally, implementing JSA witness Michelman's proposal to assign negative PLCs to customer-generators in this proceeding, without advance notice to the marketplace, could disrupt existing long-term fixed-price retail contracts with EGSs and FPFR contracts with wholesale suppliers.[207] These contracts were priced based on FE PA's current capacity cost allocation methodology.[208] Assigning negative PLCs to customer-generators would increase capacity obligations and costs for other customers, potentially affecting the assumptions underlying existing contracts and requiring adjustments to agreed-upon prices.[209]

Given the potential impacts on customers, EGSs, and wholesale suppliers, the Commission should consider Mr. Michelman's proposal in a separate proceeding.[210] That process would allow all affected parties to participate and provide a more complete record through discovery and stakeholder input.[211] A separate proceeding would also allow the Commission to fully evaluate the potential cost, market, and operational impacts before adopting a significant change to the capacity allocation methodology.[212]

Mr. Hussing also opposed Mr. Michelman's proposal to assign negative capacity network service peak load contributions (NSPLs), which are used to calculate and allocate transmission costs and are based on a customer's contribution to peak transmission demand, to customer-generators, for the same reasons he opposed Mr. Michelman's

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[206] *Id.*

[207] *Id.*

[208] *Id.* at 34-35.

[209] *Id.* at 35.

[210] *See* FE PA St. 2R at 7.

[211] OCA St. 1SR at 35.

[212] *Id.*

proposal to assign negative PLCs to customer-generators.[213] Mr. Hussing observed that reduction in PJM transmission costs as a result of lower aggregate demand (due to "negative loads" of customer-generators) is uncertain.[214]

The OCA also demonstrated through record evidence that Mr. Hussing is correct to reject JSA's proposal to assign NSPLs to customer generators. First, the NITS rate base and the associated annual revenue requirement are fixed for existing transmission facilities in a transmission zone.[215] Customer-generators cannot lower that rate base or revenue requirement by registering "negative loads."[216] Therefore, assigning negative NSPLs to customer-generators unfairly shifts costs from customer-generators to all other customers.

Second, Mr. Michelman's proposal appears to assume that "negative loads" from customer-generators would avoid or delay future transmission investments.[217] That assumption is simply uncertain.[218] Some transmission investments are needed to replace aging infrastructure and would be required regardless of customer-generator output.[219] It is also speculative to assume that customer-generators' "negative loads" during peak periods would reduce future transmission needs.[220] Transmission upgrades may still be required in areas without customer-generators or during periods when customer-generators are not producing energy.[221] Examples include summer evening hours and winter mornings, evenings, or overnight periods when solar generation is unavailable or limited.[222]

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[213] *Id.* at 8.

[214] *Id.*

[215] OCA St. 1 SR at 35.

[216] *Id.*

[217] *Id.*

[218] *Id.*

[219] *Id.*

[220] *Id.*

[221] *Id.*

[222] *Id.* at 35-36.

Finally, implementing Mr. Michelman's proposal to assign negative NSPLs to customer-generators in this proceeding, without providing several years of advance notice to the marketplace, could disrupt existing contractual arrangements.[223] Existing long-term fixed-price retail contracts with EGSs and FPFR contracts with wholesale suppliers (which will continue to include NITS until the start of DSP VII) were priced based on the Company's current capacity cost allocation methodology.[224] Assigning negative NSPLs to customer-generators would increase NITS rates and costs allocated to other customers and could undermine the assumptions underlying existing contracts, potentially requiring customers and EGSs to revisit previously agreed-upon fixed prices.[225] Given the potential impacts on customers, EGSs, and wholesale suppliers, the Commission should address Mr. Michelman's proposal in a separate proceeding, as proposed by the OCA.[226] Such a proceeding would allow all affected parties to participate and provide a more complete record, including through discovery, before the Commission considers a significant change to the capacity cost allocation methodology.[227]

The Settlement's silence on this issue should be interpreted as a prohibition on assigning negative NSPLs provides greater certainty and fairness in the allocation of capacity-related obligations among customers. Allowing negative NSPLs could result in certain customer-generators receiving capacity credits that exceed their actual contribution to reducing system peak demand, which could shift capacity-related costs to other customers. By maintaining a floor of zero for NSPLs, the Settlement, by omission, avoids overstating the impact of individual customer generation on system capacity requirements and ensures that capacity costs are allocated based on actual system needs. This approach promotes a more accurate and equitable default service procurement process while

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[223] *Id*. at 36.

[224] *Id*.

[225] *Id*.

[226] *Id.*

[227] *Id.*

reducing potential cost shifts among customers. Further, the OCA and other parties are prepared to address these issues more thoroughly by and through briefing.

4. Other Costs and Benefits

The OCA has no further discussion regarding other costs and benefits.

D. Compliance with Applicable Laws and Regulations

Pursuant to Section 54.185(e)(1) of the Commission's Regulations, the Company proposes to satisfy its obligations under the Alternative Energy Portfolio Standards (AEPS) Act through its default service procurement process.[228] Specifically, winning suppliers of FPFR products in the Company's Rate Districts will be responsible for satisfying all Tier I and Tier II AEPS requirements, including applicable solar photovoltaic requirements.[229]

AECs represent the environmental attributes associated with qualifying alternative energy generation under the AEPS Act and are used by utilities and suppliers to demonstrate compliance with statutory requirements.[230] Solar Alternative Energy Credits (SPAECs) are a subset of AECs that represent the environmental attributes associated with one megawatt-hour of electricity generated from a qualifying solar photovoltaic resource and are used to satisfy Pennsylvania's solar carve-out requirement.[231] Like other AECs, SPAECs may be procured separately from the underlying electricity through bilateral contracts or other market transactions.[232]

The Settlement provides as follows:

> 30. For DSP VII, FE PA will satisfy all of its AEPS Act requirements as part of the solicitation of default service supply. Under the SMA, winning suppliers of full-requirements default service products in the Company's

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[228] OCA St. 1 at 25; 52 Pa. Code § 54.185(e)(1).

[229] FE PA St. 2 at 12.

[230] FE PA St. 2 at 12.

[231] *Id.*

[232] *Id.*

> service area will be responsible for meeting all Tier I and Tier II requirements, including solar photovoltaic requirements.[233]

As OCA witness Ogur testified, AECs—including Tier I, Tier II, and SPAECs—can be procured by suppliers through bilateral markets for multiple years in advance, FPFR suppliers have the ability to manage and hedge AEPS compliance obligations as part of their overall supply obligations.[234] Accordingly, assigning responsibility for satisfying all AEPS Act requirements to FPFR suppliers is appropriate, consistent with the full-requirements nature of the products being procured, and allows suppliers to incorporate the costs of compliance into their competitive bids. This Settlement provision is in the public interest and should be adopted by the Commission.

E. Grandfathering Proposals

Regarding customer classification based on MRPL, First Energy proposed a two-year grandfathering for existing projects as of the beginning of DSP VII.[235] FE PA's proposal would make the MRPL method effective June 1, 2027, for new net metering customer generation coming online after June 1, 2027, and exempting existing net metering generation coming online before June 1, 2027 from the annual reclassification based on MRPL until June 1, 2029.[236]

OCA witness Ogur testified that both JSA witness Michelman's 25-year grandfathering for completed projects and CGC witness Heidell's 15-year grandfathering for pre-construction projects, even at 90 percent of commercial PTC, are unreasonably excessive.[237] However, OCA witness Ogur testified that Walmart witness Chriss' 10-year

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[233] Settlement at ¶ 30.

[234] OCA St. 1 at 25.

[235] OCA St. 1R at 23.

[236] OCA St. 1R at 23-24.

[237] OCA St. 1R at 22-23.

grandfathering proposal for certain projects, and an EDC-wide cumulative capacity limit for others, may be reasonable.[238]

The Settlement provides as follows:

> 37. Customer-generators online prior to June 1, 2027 will be exempt from the MRPL proposal until June 1, 2029 as originally proposed in the DSP VII Petition.[239]

In UGI Electric's most recent default service proceeding, the Commission determined that residential and small commercial customers will pay higher default service rates caused by and for the benefit of large customer-generators in the absence of customer classification based on Supply Peak Load Impact (which is the equivalent of MRPL in FE PA's Petition).[240] As discussed by OCA witness Ogur, perpetuating this harm to, and subsidization of, large customer-generators by small customers by grandfathering these arrangements for 15 or 25 years is not fair for small commercial customers.[241] Instead, the Commission should adopt the terms of the Settlement that provides a reasonable two-year grandfathering, as a two-year grandfathering period is in the public interest.

IV. RATE DESIGN AND COST RECOVERY

A. Price to Compare Default Service Rate Rider

FE PA currently recovers the cost of default service for both residential and commercial; customer classes through its PTC Default Service Rate Rider (PTC Rider).[242] The Company proposed to continue a flat per-kilowatt-hour (kWh) rate design for residential customers and maintain semiannual residential rate adjustments on June 1 and December 1 of each year.[243]

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[238] OCA St. 1R at 23-24.

[239] Settlement at ¶ 37.

[240] OCA St. 1R at 24 (internal citations omitted).

[241] OCA St. 1R at 23.

[242] Petition at ¶ 32.

[243] OCA St. 1 at 34.

The Company also proposed to retain the DSP VI reconciliation mechanism for DSP VII, under which the reconciliation balance is calculated over a six-month period and collected from, or refunded to, customers with interest over the following six-month period through the "E-Factor" component of the PTC.[244] According to the Company, reconciliation adjustments primarily result from differences between projected and actual supply costs and billing cycle timing.[245]

OCA witness Ogur testified that a flat per-kWh rate structure appropriately balances simplicity and customer understanding, while semiannual adjustments provide a reasonable balance between rate stability and responsiveness to changes in underlying market conditions.[246]

While the OCA supports the Company's proposed CPP mechanism, the OCA is concerned that the current volatility in PJM capacity prices could result in larger reconciliation adjustments between CPP charges and realized PJM capacity costs, increasing variability in the E-Factor rate.[247] Additional factors, including increased participation in Time-of-Use (TOU) rates and continued growth in residential net metering, could further increase reconciliation volatility.[248]

To mitigate these concerns, the OCA recommended modifying the existing six-month reconciliation process by amortizing reconciliation balances over the subsequent 12-month period rather than the following six months.[249] Extending the recovery period would reduce the magnitude and variability of E-Factor adjustments while improving PTC stability and market reflectiveness.[250] The OCA further recommended establishing a

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[244] *Id.*

[245] *Id.*

[246] OCA St. 1 at 34.

[247] *Id.* at 35.

[248] *Id.*

[249] *Id.* at 36.

[250] *Id.*

$0.01/kWh cap on the E-Factor, in either direction.[251] Any reconciliation balance that cannot be fully recovered or refunded within the applicable period due to the cap would be carried forward into the subsequent reconciliation period.[252]

FE PA witness De La Rosa disagreed with both of the OCA's recommendations.[253] She testified that the Company's proposal mitigates rate volatility for residential customers while maintaining PTC Rider rate as a price signal correlating to the underlying wholesale supply costs for customers and EGSs.[254] She also claimed that OCA witness Ogur did not provide any analysis or other evidence supporting my conclusion that my recommendation would provide more stable rates.[255] The Company further argued that the OCA did not recognize that larger amount of interest would accrue with a 12-month amortization schedule of over- or under-collections.[256] FE PA witness De La Rosa also opposed OCA witness Ogur's suggestion for a one cent per kWh cap on the E-Factor rate in either direction, with the stated concern that the reconciliation balance could compound and grow under the OCA's proposal, especially in times of high capacity prices and associated capacity proxy price true-ups.[257]

The OCA further disagreed with the Company's position for five reasons:

- Dr. Ogur demonstrated that a historical empirical analysis is not necessary to demonstrate that extending the amortization period would reduce the reconciliation rate. Amortizing the same reconciliation balance over a longer period, and therefore

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[251] *Id.*

[252] *Id.*

[253] OCA St. 1SR at 22.

[254] FE PA St. 4R at 7.

[255] *Id.*

[256] *Id.*

[257] *Id.* at 7-8.

a larger number of kWh, necessarily results in a lower per-kWh reconciliation rate.[258]

- A longer amortization period, such as the 12-month period proposed by the OCA, would produce a lower E-Factor rate that better reflects underlying wholesale supply costs as a price signal for customers and EGSs. The larger the E-Factor adjustment, the more the PTC becomes disconnected from current wholesale market costs. A more gradual recovery of reconciliation balances therefore improves the accuracy and transparency of the price signal provided to customers and competitive suppliers.[259]
- The OCA demonstrated that the Company's concern regarding additional interest costs is overstated. Interest accrual applies in both directions, and over time, interest paid and interest received will offset each other to some degree because some reconciliation periods will result in under-collections while others will result in over-collections. Even if customers experience a net increase in interest costs due to more frequent under-collections, the impact would still benefit certain customers, particularly low-income customers with credit card debt, because the interest rate applied to Company reconciliation balances is likely lower than the rates those customers pay on credit card balances.[260]
- The Company's concern that a $0.01/kWh cap on the E-Factor could create perpetual reconciliation balances is speculative and unsupported. Under the Company's proposed procurement structure, residential default service supply would primarily obtained primarily through fixed-price full-requirements contracts, with adjustments limited to CPP true-ups. In addition, PJM's Base Residual Auctions would remain subject to price caps through May 31, 2030, and those caps are generally consistent with recent capacity auction outcomes. The OCA was

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[258] OCA St. 1SR at 22-23.

[259] *Id.* at 23.

[260] *Id.*

unable to see, then, any basis to assume that the Company will experience chronic, significant under-collections that would create unmanageable reconciliation balances under the OCA's proposal.[261]

- Since the Company's DSP VII will end on May 31, 2031, the Company will have ample time to address with the Commission (either as an amendment to DSP VII or as part of its petition for its subsequent DSP) any elongated revenue shortfalls that would result from a one cent per kWh cap on the E-Factor rate.[262]

The Settlement provides as follows:

> 39. FE PA will continue to recover the cost of default service for the residential and commercial classes through its Price to Compare Default Service Rate Rider ("PTC Rider") separately for each Rate District consistent with the PTC Rider approved by the Commission in the DSP VI proceeding. Default service rates established pursuant to the PTC Rider will consist of a single per-kilowatt hour energy charge, which will change semi-annually. These rates will continue to recover: (1) generation costs, transmission costs (excluding NMB charges described in footnote 6 above), and ancillary service costs; (2) supply management and administrative costs, as provided in 52 Pa. Code § 69.1808; and (3) applicable taxes. In addition, the default service rates will include a reconciliation component, or "E-Factor," to recoup or refund, as applicable, under or over-collections from prior periods. The Joint Petitioners agree that over/undercollections of default service costs for the residential class will be reconciled every 12 months and default service costs for and commercial class will continue to be reconciled on a semi-annual basis.
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> 40. Beginning June 1, 2027, the Company will amortize the cumulative reconciliation balance for the residential PTC Rider identified at the conclusion of each 12-month reconciliation period over the subsequent 12-month period through the E-Factor mechanism.
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> 41. The Joint Petitioners agree that FE PA shall be permitted to file the PTC Rider set forth in Exhibit B attached to the Joint Petition to become effective as of June 1, 2027. Exhibit B is a revised version of FE PA Exhibit CDL-1 and incorporates the tariff change described in Paragraph 40 above.[263]

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[261] *Id.*

[262] *Id.* at 23-24.

[263] Settlement at ¶¶ 39-41.

While the OCA continues to believe that extending both the reconciliation and amortization periods to twelve months would provide the greatest reduction in E-Factor volatility and further enhance residential rate stability, the Settlement nevertheless addresses the OCA's principal concern by requiring that residential reconciliation balances be amortized over a twelve-month period.[264] Although the reconciliation balance will continue to be calculated annually, spreading recovery of that balance over a full year will reduce the magnitude of individual E-Factor adjustments compared to the Company's original proposal.[265]

These Settlement terms therefore represent a meaningful compromise that advances the public interest. The Settlement promotes greater rate stability, improves bill predictability for customers, and continues to ensure that the Company has a reasonable opportunity to recover prudently incurred default service costs by preserving the Company’s existing default service rate design while adopting a longer amortization period for residential reconciliation balances.[266] The Settlement also maintains a transparent and market-reflective PTC that supports customer decision-making and the competitive retail electric market.[267] Although the Settlement does not incorporate every element of the OCA's recommendation, it substantially addresses the OCA's concerns regarding reconciliation volatility and provides tangible benefits to residential customers without compromising the integrity of the default service procurement process.

Accordingly, the OCA submits that the Settlement's revisions to the PTC Rider reconciliation mechanism represent a reasonable and balanced resolution of the disputed issues. Because these provisions enhance rate stability, improve customer bill predictability, and appropriately balance the interests of customers and the Company, they are in the public interest and should be approved by the Commission.

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[264] OCA St. 1 at 36.

[265] *Id.*

[266] *Id.*

[267] *Id.*

B. Hourly Pricing Default Service Rider

FE PA currently recovers the cost of default service for the industrial customer class through the HP Rider.[268] This rider applies to commercial and industrial customers with a demand or MRPL of 100 kW and above.[269] Default service customers with a demand below 100 kW and MRPL below 100 kW would be served under the PTC Rider.[270] FE PA proposes to define MRPL as: "A customer's net demand contribution impact to the Company's default service procurement activity, as determined upon the net power flow from or into the Company's distribution or transmission system. As related to customer-generators, this shall also be inclusive of the nameplate capacity of the generation system."[271]

FE PA witness Young stated that FE PA's proposed methodology includes both demand and supply impacts to ensure that large customer-generators are grouped with other large customers for default supply procurement purposes.[272] Mr. Young stated that net metering generation projects are typically utility scale (between 1 megawatt (MW) and 3 MW).[273] He pointed out that FE PA does not use excess energy from net-metered customer generators as supply to serve default service load, but instead, excess energy from intermittent net-metered customer generators is recognized financially as an aggregate reduction of the load served by winning bidders in the Company's default service auctions.[274]

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[268] OCA St. 1 at 37.

[269] *Id.*

[270] *Id.*

[271] *Id.*

[272] *Id.*

[273] *Id.*

[274] *Id.* at 37-38.

Mr. Young highlighted two benefits of classifying default service customers based on both demand and MRPL.[275] First, it would avoid the risks associated with reduced load for commercial customers on the PTC Rider.[276] Second, it would avoid potential subsidization of large customer generators by smaller commercial retail customers since the costs of net metering excess power purchases paid by the Company are recovered from other customers in the same class as large customer generators.[277]

As discussed above, the OCA supported FE PA's proposal to classify commercial and industrial customers according to both demand and MRPL.[278] OCA witness Ogur testified that to properly protect small commercial consumers, the non-residential customer classification framework should avoid cross-subsidization and risk contamination, which requires keeping higher-risk, more sophisticated larger commercial and industrial customers separate from small commercial customers so small commercial customer rates remain stable, predictable, and tied to their own load characteristics.[279] Therefore, the OCA did not oppose the HP Rider as proposed by FE PA.

The Settlement provides as follows:

> 42. FE PA will continue to use its HP Rider approved by the Commission in the DSP VI proceeding to recover the cost of default service for industrial class customers, including customer-generators with an MRPL of 100 kW or above after June 1, 2027, subject to the exemption described in Paragraph 25 above. Default service rates established pursuant to the HP Rider will continue to be based upon the PJM hourly LMP for each Rate District's respective PJM-designated transmission zone plus associated costs, such as capacity, ancillary services, PJM administrative expenses and costs to comply with AEPS requirements that are incurred to provide hourly pricing default service. The Joint Petitioners agree that the default service rates also will include an E-Factor to continue reconciling costs and revenues on a semi-annual basis.

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[275] *Id.* at 38.

[276] *Id.*

[277] *Id.*

[278] *Id.* at 40.

[279] *Id.*

> 43. The Joint Petitioners agree that the Company shall be permitted to file the HP Rider set forth in FE PA Exhibit CDL-2 to become effective as of June 1, 2027, subject to the Company's commitment regarding HP Rider calculations for purposes of excess generation compensation described in Paragraph 38 above.[280]

These Settlement terms adopt the Company's proposed HP Rider without modification, reflecting the parties' agreement that the existing hourly pricing framework remains appropriate for large commercial and industrial default service customers, including customer-generators with an MRPL of 100 kW or greater.[281] As the OCA recognized in its testimony, classifying customers based on both demand and MRPL appropriately aligns customers with similar load characteristics and procurement risks while avoiding cross-subsidization between large customer-generators and smaller commercial customers.[282] By maintaining separate procurement and pricing structures for these customers, these Settlement terms help ensure that the costs associated with serving larger, more sophisticated customers are borne by the customers who create those costs, rather than being shifted to smaller commercial customers.

The Settlement also preserves the hourly pricing structure, under which default service rates continue to reflect PJM hourly locational marginal prices, capacity costs, ancillary service costs, PJM administrative expenses, AEPS compliance costs, and a semiannual reconciliation through the E-Factor.[283] This design appropriately reflects the market-based cost of serving large commercial and industrial customers, who are generally better equipped to understand and respond to hourly price signals than smaller customers.[284] Maintaining this pricing structure also promotes efficient wholesale market

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[280] Settlement at ¶¶ 42-43.

[281] OCA St. 1 at 37.

[282] *Id.* at 40.

[283] Settlement at ¶ 42.

[284] OCA St. 1 at 38.

participation while ensuring that default service customers continue to pay rates that accurately reflect the costs incurred to serve them.[285]

Finally, the Settlement terms retain the Company's proposed methodology for including customer-generators with an MRPL of 100 kW or greater under the HP Rider, subject to the agreed-upon commitment regarding excess generation compensation.[286] This approach appropriately recognizes the procurement impacts associated with large customer-generators while protecting smaller commercial customers from increased procurement risk and potential cost shifting.[287] The Settlement is in the public interest because it preserves a customer classification framework that align procurement costs with cost causation principles and promotes fair cost allocation among customer classes. Accordingly, the Commission should approve these Settlement terms.

C. Time-of-Use Rates

1. Time-of-Use Program

FE PA proposed to continue, with certain modifications, the TOU rate program that is currently in place in DSP VI.[288] The Company proposed to offer a residential TOU rate on a voluntary, opt-in basis.[289] Generation supply for both standard and TOU residential default service customers would be sourced from the same supply portfolio.[290] FE PA offers three TOU periods: peak, off-peak, and super off-peak.[291] The price for each TOU period would be calculated as the PTC Rider price times a multiplier derived from energy and capacity price data for the respective FE PA Rate District zones over the most recent four

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[285] *Id.* at 40.

[286] Settlement at ¶¶ 42-43.

[287] OCA St. 1 at 40.

[288] OCA St. 1 at 26.

[289] *Id.*

[290] *Id.*

[291] *Id.*

years (currently, 2021-2024).[292] The TOU pricing multipliers are reviewed every two years using an updated rolling four year energy and capacity pricing, and they get revised to the updated multipliers if the change is 15 percent or larger for at least one TOU rate multiplier.[293] The current (June 1, 2025, through May 31, 2027) peak period price for the residential class is 2.74 times the super off-peak period price, and the off-peak period price is 1.35 times the super off-peak period price for Met-Ed Rate District.[294] These ratios are similar for other Rate Districts. These price multipliers and the TOU peak period allocators (the percentage of kWh usage) for each of the three relevant time periods are used in conjunction with the PTC Rider price, which changes semiannually, to compute the semiannual TOU prices for the residential class.[295]

Residential customers could opt-in to the TOU rate at any time and exit at any time, though once they leave, they must wait 12 months before being able to return to the rate.[296] This restricted entry is designed to minimize the opportunity for residential customers to game the rate.[297]

The Company's current on-peak TOU period is between 2 p.m. and 9 p.m. on non-holiday weekdays, and its super off-peak TOU period is between 11 p.m. and 7 a.m. daily.[298] All other hours are classified as off-peak.[299] The Company proposed revising its on-peak TOU period to between 3 p.m. and 7 p.m. on non-holiday weekdays; retain the same super off-peak TOU period definition; and all other hours would be off-peak.[300] The

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[292] *Id.*

[293] *Id.*

[294] *Id.*

[295] *Id.* at 26-27.

[296] *Id.* at 27

[297] *Id.*

[298] *Id.*

[299] *Id.*

[300] *Id.*

new TOU structure would result in larger price variation between on and off-peak periods.[301] For example, under the proposed TOU rate periods, for the Met-Ed Rate District, peak period price for the residential class would increase to 3.64 times the super off-peak period price for Met-Ed Rate District.[302]

FE PA witness Young testified that TOU periods should be revised because the length of the current on-peak period (seven hours) is challenging for customers to shift usage to off-peak hours and the on-peak to off-peak ratios are too low to incentivize load shifting.[303] He also testified that "reducing the on-peak hours will produce a more meaningful price variation (on average 2.5 times higher than off-peak) to create a stronger incentive for customers to sign up for the TOU program and change their energy consumption habits."[304]

OCA witness Ogur testified that the TOU rate program currently in place does not appear to meet the needs of FE PA's customers given its low enrollment.[305] Despite this, Dr. Ogur did not recommend discontinuance of the program because the implementation cost of the program is a sunk costs and the Company indicated that there are no additional costs associate with administering the current program.[306]

Dr. Ogur also testified that the Company has not demonstrated that its proposed revisions to the residential TOU rate program, would advance the goals of increasing participation and shifting usage from heavier system load periods to lighter system load periods.[307] OCA witness Young speculated that a larger price variation between TOU periods would create a stronger incentive for customers to sign up for the TOU program,

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[301] *Id.*

[302] *Id.*

[303] *Id.* at 28.

[304] FE PA St. 1 at 11.

[305] OCA St. 1 at 27.

[306] *Id.* at 27-28.

[307] *Id.* at 28.

however, it is also possible that a higher on-peak rate would scare, even existing participants, away from TOU rates.[308] Dr. Ogur asserted that the conclusion that larger rate differential would prompt participants to shift usage away from on-peak period is based on the unsubstantiated presumption that customers that signed up for the TOU rate did so with the intention of shifting usage.[309] It is also possible that customers that would happen to save money with the TOU rates due to their current usage profiles would sign up for the TOU program, without any intention of shifting usage.[310] The OCA asserted that a deliberate statistical analysis featuring appropriate baselines and control groups would be required to address these questions.[311]

OCA witness Dr. Ogur also testified that the proposed on-peak period does not accurately reflect the actual PJM systemwide peak load hours with one of the PJM peak hours falling outside FE PA's proposed on-peak TOU rate period.[312] In comparison, the on-peak period in the existing TOU rate structure includes all five PFJM systemwide peak load hours in the last five years.[313] Accordingly the OCA recommended that FE PA leave the current TOU program intact for DSP VII, however, if the Company proposed a different TOU program with the appropriate analyses and justification, the OCA would considered such a proposal.[314]

As another option to incentivize shifting usage, OCA witness Dr. Ogur recommended that FE PA develop and propose a load response program that would create Demand Response (DR) capacity resources that would be eligible to offer into base residual

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[308] *Id.*

[309] *Id.* at 28-29.

[310] *Id.* at 29.

[311] *Id.*

[312] *Id.*

[313] *Id.*

[314] *Id.* at 30.

auctions conducted by PJM.[315] He provided Baltimore Gas and Electric Company's Air Conditioner cycling program as an example of a DR program which, during periods of high electricity use in the Mid-Atlantic region, the company sends a radio signal to the programmable thermostat or outdoor air conditioning switch at participating customer homes to interrupt the flow of electricity to air conditioning units for a period of time each hour.[316] This alternative program reduces the peak demand for electricity, helping to maintain reliable service and keep down the cost of electricity.[317]

The Settlement provides as follows:

> **(i) TOU Product Structure and Rate Design**
>
> 53. FE PA's TOU Rider will differentiate prices across three usage periods that are constant throughout the year as shown in Table 1 below.
>
> **Table 1**
>
> | TOU Pricing Period | Year-Round Days/Hours Included |
> |---|---|
> | On-Peak | 3 p.m. – 7 p.m.
Monday through Friday |
> | Super Off-Peak | 11 p.m. – 6 a.m.
Every day |
> | Off-Peak | All other hours |
>
> These TOU pricing periods will be identical for the residential and commercial classes.
>
> 54. The Joint Petitioners agree that FE PA will use a single weighted-average class TOU rate multiplier for all Rate Districts during DSP VII. This multiplier will reflect the ratios calculated from average PJM spot market prices as well as allocation of the cost of capacity to on-peak hours only.

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[315] *Id.* at 30-33.

[316] *Id.* at 33.

[317] *Id.*

> 55. FE PA agrees to continue reviewing its TOU rate multipliers every two years and to update the TOU multiplier if the calculation results in a 15% or larger change in any direction.
>
> 56. FE PA will continue to source both the standard and TOU default service for residential and commercial customers from the same supply portfolio for each procurement class. FE PA will use the standard default service price as calculated in the PTC Rider as the reference price by class for its TOU rate calculations.
>
> 57. TOU rates will continue to be adjusted on a semi-annual basis, synchronized with the PTC Rider adjustment periods for the residential and commercial classes, using FE PA's proposed pricing multipliers. Any mismatches between revenues from TOU rates and supply costs paid to default service suppliers will be recovered or refunded within the existing TOU Rider customer class reconciliation.
>
> **(ii) Customer Eligibility**
>
> 58. FE PA's TOU Rider will be available to residential and commercial default service customers with smart meters. Customers enrolled in the Company's Customer Assistance Program ("PCAP") will not be eligible for the TOU Rider during the DSP VII Term.
>
> 59. Participating customers will remain on the TOU Rider until they affirmatively elect to return to FE PA's standard default service rate or switch to an EGS.
>
> 60. Customers who select the TOU Rider may leave at any time without incurring related penalties or fees. However, if those customers subsequently leave the TOU Rider for any reason, they may not re-enroll for twelve months.
>
> **(iii) Tariff Changes**
>
> 61. Effective June 1, 2027, the Company shall be permitted to implement the TOU Rider set forth in FE PA Exhibit DMY-6.[318]

The Settlement largely adopts the Company's proposed TOU Rider while preserving several features of the existing program that the OCA supported. Although the OCA maintained that the Company had not demonstrated that its proposed modifications would meaningfully increase customer participation or produce greater load shifting, the OCA also recognized that the current TOU program should be continued because the implementation costs have already been incurred and the Company represented that there

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[318] Settlement at ¶¶ 53-61.

are no significant ongoing administrative costs associated with maintaining the program.[319] These Settlement provisions therefore preserve a voluntary TOU option for customers while maintaining important consumer protections, including the ability to leave the program at any time without penalty and the continued use of a common default service supply portfolio.[320]

The Settlement also addresses the OCA's concerns by retaining a measured approach to TOU rate implementation. The TOU pricing multipliers will continue to be reviewed every two years and revised only when the calculated multipliers change by at least fifteen percent, providing stability and reducing unnecessary rate fluctuations.[321] In addition, any differences between TOU revenues and procurement costs will continue to be reconciled through the existing reconciliation mechanism, ensuring that customers pay no more and no less than the actual costs of providing TOU default service.[322]

While the Settlement does not adopt the OCA's recommendation to retain the existing on-peak period or require the Company to perform additional empirical analysis before modifying the TOU structure, it represents a reasonable compromise among the Joint Petitioners.[323] The TOU Rider remains voluntary and continues to provide customers with an opportunity to reduce their electricity costs by shifting usage to lower-cost periods.[324] The Settlement preserves the opportunity to evaluate customer participation and usage patterns during DSP VII and adjust accordingly.[325] For these reasons, the TOU provisions represent a reasonable resolution of the disputed issues, are in the public interest, and should be approved by the Commission.

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[319] OCA St. 1 at 27-28.

[320] Settlement at ¶ 56.

[321] Settlement at ¶ 57.

[322] *Id.*

[323] OCA St. 1 at 28-29.

[324] Settlement at ¶ 58.

[325] Settlement at ¶ 52.

2. The OCA's Consumer Protection Concerns

As discussed above, FE PA proposed changes to the current (Time-of-Use) TOU rate to provide a shorter on-peak time period—from seven hours (2 p.m. to 9 p.m.) to four hours (3 p.m. to 7 p.m.)—with higher price multipliers and longer off-peak pricing with lower price-multipliers.[326] The Company proposed this increased price variation between on- and off-peak periods in order to incentivize customers to sign up for the TOU program and change their energy consumption habits.[327] The Company would maintain its current super-off-peak pricing usage period of 11 p.m. to 6 a.m., but plans to simplify its TOU rate offerings for DSP VII by using a single weighted-average class multiplier for all Rate Districts.[328]

The OCA opposed the adoption of these changes to the TOU rate due to consumer protection concerns and concerns regarding whether these changes would be worth the potential costs to implement the proposed TOU rate.[329] OCA witness Alexander's consumer protection concerns were as follows:

- Current participation in FE PA's TOU rate option is extremely low with an average of only 85 residential customers each month enrolled throughout FE PA's Pennsylvania EDCs. The Company has not done an evaluation on whether the proposed changes will increase participation.[330]
- FE PA has not done an evaluation showing whether the current or proposed TOU rates would result in customers shifting usage or impacts on peak load nor has the Company tracked lost revenues relative to default service pricing. Therefore, it is

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[326] OCA St. 2 at 13; Petition at ¶ 45.

[327] FE PA St. 1 at 12.

[328] Petition at ¶¶ 44-45.

[329] *Id.* at 14.

[330] *Id.*at 15.

unclear whether this program actually influences its participates to shift their usage pattern.[331]

- FE PA has not evaluated the bill impact of these proposed changes for its current participants but proposes to move all current participants onto the new rate without affirmative consent.[332]
- FE PA's current marketing communications and web page describing TOU rates are insufficient, and the Company has not done any surveys regarding customer satisfaction with TOU rates and did not address these issues with its new proposal.[333]
- FE PA did not present information in its proposal regarding how it plans to communicate the TOU rate changes to its current TOU customers.[334]
- FE PA does not have a web-based bill calculator that would allow customers to compare their monthly bills on the current default service price with the TOU rate option and therefore, customers cannot make an educated decision on whether they would benefit from enrolling in the TOU rate.[335]

The Settlement provides as follows:

> 48. During DSP VII, the FE PA will continue to offer time-of use ("TOU") default service rate options for eligible residential and commercial customers under its Commission-approved TOU Default Service Rider ("TOU Rider") to comply with the Company's obligations under Act 129 of 2008 ("Act 129") to offer TOU and real-time rates to all default service customers with smart meters.
> 49. The Joint Petitioners agree to the Company's originally proposed TOU rate structure outlined in Paragraphs 53 to 57 below.
> 50. After 12 months following implementation of the TOU program under DSP VII, the Company shall conduct an evaluation of customer participation and enrollment in the TOU program. The evaluation shall identify and

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[331] *Id.*

[332] *Id.*

[333] *Id.* at 15-16.

[334] *Id.* at 16.

[335] *Id.*

> analyze factors that may be affecting customer enrollment, participation, retention, awareness, understanding of TOU rates, and any barriers to participation reasonably identified by customers or stakeholders. In addition, the evaluation will include comparisons between participating TOU customers and a group of non-participating customers with similar load profiles for peak load reduction, bill amounts, and a valuation of the peak load reduction to benefits for distribution and default service if implemented on a larger scale. As part of this evaluation, the Company shall reasonably consult available customer data, enrollment trends, customer feedback, outreach results, and any other relevant information available to the Company concerning customer interest in and adoption of the TOU program.
> 51. Within six months following completion of the first year of the TOU program under DSP VII, the Company shall convene at least one stakeholder meeting open to all interested parties to present and discuss the evaluation findings, customer participation trends, identified barriers to enrollment, and potential modifications or enhancements to improve customer awareness and participation in the TOU program. The Company shall provide the parties to this Settlement with reasonable advance notice of the stakeholder meeting and shall make available, in advance of the meeting, a summary of the evaluation findings and supporting information, subject to appropriate confidentiality protections.
> 52. If, following the first year of TOU program implementation under DSP VII, the Company's evaluation, stakeholder discussions, and program data demonstrate that the TOU program alone is not producing meaningful or sustained demand reduction, peak load reduction, or customer load-shifting outcomes, the Company shall collaborate with interested stakeholders to develop and evaluate potential alternative or supplemental demand response program options. Any such proposed demand response measures shall be designed, to the extent practicable, to complement and support — and not duplicate, conflict with, or undermine — existing and future programs, objectives, and compliance obligations established pursuant to Act 129. FE PA shall present the results of such evaluation and any resulting proposals in a future filing or stakeholder process, as appropriate. Any associated filings will be at the Company's sole discretion with consideration of input from stakeholders.[336]

These Settlement terms reasonably address the issues raised by the OCA concerning FE PA's proposed modifications to its TOU default service rate. While the OCA initially opposed the proposed TOU changes due to significant consumer protection concerns and

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[336] Settlement at ¶¶ 49-52 (internal citations omitted).

the lack of supporting analysis demonstrating customer benefits, the Settlement incorporates safeguards and evaluation measures that directly address those concerns while allowing the Company to continue meeting its statutory obligations under Act 129.

The Settlement addresses these concerns by requiring the Company to conduct a comprehensive evaluation of the TOU program after its first year of implementation under DSP VII. Specifically, the Company must assess customer enrollment, participation, retention, awareness, and understanding of TOU rates, and identify barriers to participation.[337] The evaluation must also compare participating TOU customers with similarly situated non-participating customers to determine whether the program is producing measurable peak-load reductions, customer bill impacts, and system benefits.[338] These requirements provide analyses that were absent from FE PA's original proposal and will allow stakeholders to assess whether the TOU program is achieving its intended objectives.

The Settlement further promotes transparency and stakeholder involvement by requiring the Company to convene a stakeholder meeting following completion of the evaluation. At that meeting, the Company must present its findings, discuss customer participation trends and barriers to enrollment, and consider potential modifications or enhancements to improve the program.[339] This process will provide interested parties with a meaningful opportunity to review the results of the TOU program and propose improvements based on actual customer experience and program performance.

Importantly, the Settlement also establishes a mechanism to address the possibility that the TOU program may not produce meaningful customer load-shifting or peak-reduction outcomes.[340] If the evaluation demonstrates that the TOU program is not generating sustained demand reduction or peak-load benefits, FE PA must collaborate with

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[337] *Id.* at ¶¶ 50-51.

[338] *Id.* at ¶ 50.

[339] *Id.* at ¶ 51.

[340] *Id.* at ¶ 52.

stakeholders to develop and evaluate alternative or supplemental demand-response options. This provision ensures that customers will not be asked to bear the costs of an ineffective program indefinitely and provides a pathway toward more effective demand-side solutions if warranted by the evidence.

Accordingly, the Settlement provides an appropriate balance between permitting FE PA to offer a TOU rate as proposed and ensuring that the program's effectiveness is rigorously evaluated. By requiring data-driven program evaluation, stakeholder engagement, and consideration of alternative approaches if the TOU rate proves ineffective, the Settlement substantially addresses the OCA's consumer protection concerns and advances the public interest, and therefore the OCA respectfully requests that the Commission approve the Joint Settlement as proposed.

V. CUSTOMER REFERRAL PROGRAM

FE PA proposed to discontinue the Customer Referral Program (CRP) as of May 31, 2027 because, "[b]ased on FE PA's review of the data collected and reviewed during the collaborative, supplier participation in the CRP has been significantly declining and interest in the program from eligible customers is very low."[341] FE PA witness De La Rosa also noted that "EGS participation decreased by more than 50% for three of the Rate Districts and 100% for the Penelec Rate District," and "currently 10,367 residential customers are enrolled in the CRP, which represents only 3% of the Company's total eligible residential customers."[342]

The OCA supported and continues to support this proposal. In its Statement in Support in the last FE PA DSP proceeding[343] the OCA stated:

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[341] FE PA St. 4 at 11.

[342] *Id.*

[343] *Joint Petition of Metro. Edison Co., Pennsylvania Elec. Co., Pennsylvania Power Co., and West Penn Power Co. for Approval of their Default Serv. Programs for the Period Beginning June 1, 2023 through May 31, 2027*, Docket Nos. P-2021-3030012 et al., R.D. (June 29, 2022) ("DSP VI RD").

> [T]here is not a sufficient value to consumers to continue the CRP. Ms. Alexander noted that the program has served its initial purpose and that there is no need for the EDC to act as the marketing agent for the EGSs since the retail market has been in effect for over a decade. Ms. Alexander provided evidence demonstrating that despite the CRP being promoted as a "7% discount program," there is a widespread disparity in actual discount levels for customers who enrolled in the CRP compared to their respective Prices to Compare (PTCs). Ms. Alexander further noted that no amount of additional customer disclosures would provide an accurate picture when the emphasis to entice enrollment is a 7% discount that does not in fact last more than a few months and does not extend beyond the initial month when the customer enrolls in certain months. Terminating the CRP as of May 31, 2027 is a reasonable compromise and is in the public interest.[344]

OCA witness Alexander also noted that the design of the program is flawed because the program offers a 7% discount for 12 months for the PTC at the time of enrollment.[345] The PTC, however, changes quarterly, so if the PTC lowers below the CRP discounted rate then the customer not only loses the value of the discount, but also, in some cases, pays more than the PTC.[346] Additionally, CRP participants often renew with the supplier at the end of the 12-month term and end up with a contract price in excess of the applicable PTC.[347]

The Settlement provides as follows:

> 63. Under the Commission-approved settlement of the DSP VI proceeding ("DSP VI Settlement"), the Customer Referral Program ("CRP") administered by FE PA in each of the Rate Districts will terminate on May 31, 2027.

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[344] OCA St. 2 at 5-6 (citing *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company, for Approval of Their Default Service Programs*, Docket Nos. P-2021-3030012 et al., OCA Statement in Support of Settlement at 10-11, (May 6, 2022)).

[345] OCA St. 2 at 6-7.

[346] *Id.*

[347] *Id.* at 7-8.

> 64. The Joint Petitioners agree that FE PA will not implement a successor CRP for DSP VII based on data reviewed during the collaborative held in accordance with the DSP VI Settlement.[348]

These Settlement provisions are in the public interest because they end a program that has demonstrated limited customer participation and questionable consumer benefits while avoiding the costs associated with maintaining or replacing the program. The Settlement also addresses the OCA's longstanding concerns regarding the design and operation of the CRP. Given the program's declining participation, limited value to customers, and structural shortcomings, the continuation of the CRP would provide little benefit while exposing customers to the risk of misunderstanding the nature and duration of the advertised discount. The Settlement appropriately recognizes that the retail electric market in Pennsylvania is mature and that there is no longer a need for FE PA to serve as a marketing conduit for electric generation suppliers.

Accordingly, the Settlement adopts a reasonable and practical resolution that protects consumers, avoids unnecessary program costs, and reflects the realities of the current retail market. For these reasons, the OCA supports FE PA's proposal and asserts that it is in the public interest to discontinue the CRP.

VI. SUPPLIER COORDINATION TARIFF CHANGES AND RETAIL SHOPPING ISSUES

A. Return of Customers to Default Service at Contract Expiration

FE PA requests a waiver of 52 Pa. Code Section 54.10(3) to implement its proposal that EGSs entering into contracts with residential customers after June 1, 2027, return customers to default service at the end of their fixed duration contract absent an affirmative consent by the customer to elect to remain with the EGS or switch to a new supplier.[349]

The OCA supported and continues to support this reform because it helps address the affordability of essential electric service. OCA witness Alexander asserted and FE PA

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[348] Settlement ¶¶ 63-64.

[349] OCA St. 2 at 8 (citing FE PA Petition ¶¶ 50-52).

confirmed that the vast majority of residential customers served by an EGS pay more than the PTC over any reasonable period. Ms. Alexander testified that:

> In 2025, 84 EGSs served FirstEnergy's residential customers, with 68 of those suppliers serving customers at a rate above the Company's applicable PTC. This resulted in FirstEnergy's residential customers paying nearly $85 million more in generation charges to those 68 EGSs that charged an average price in 2025 that was 27% higher than the PTC. Conversely, 16 EGSs served FirstEnergy's residential customers at a rate that was on average 6% lower than the applicable PTC, which resulted in those customers saving a little more than $3 million. In total, FirstEnergy's residential shopping customers paid approximately $82 million more in net generation charges in 2025 than they would have paid if they were paying for the same amount of generation at the Company's default service rates.[350]

Additionally, Ms. Alexander stated that FE PA EDC residential customers have paid $394,826,692.63 more than the PTC to EGSs for the period January 2022 to January 2026.[351] These higher prices have resulted in residential customers being unable to afford their bills with a large portion of residential uncollectible expense being attributed to customers enrolled with an EGS.[352]

The Settlement provides as follows:

> 65. The Joint Petitioners agree to FE PA's originally proposed modifications to its supplier coordination tariff set forth in FE PA Exhibit CDL-4 in two areas: (1) protocols for EGS arrangements with customers and (2) purchase of EGS receivables.
> 66. As shown in FE PA Exhibit CDL-4, EGSs entering into new contracts with residential customers after June 1, 2027, must return those residential customers to default service at the conclusion of the fixed duration contract term absent an affirmative choice to remain with the EGS in response to the notices required by the Commission's regulations at 52 Pa. Code § 54.10.
> 73. Under the Commission's regulations at 52 Pa Code. § 54.10(3), a customer served by an EGS that does not respond to the required notices regarding expiration of a fixed duration contract automatically renews with the customer's current EGS on a month-to-month contract or another fixed

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[350] *Id.* at 9-10.

[351] *Id.* at 10.

[352] *Id.*

> duration contract, without cancellation fees. If necessary, the Joint Petitioners respectfully request that the Commission grant a waiver of its regulations at 52 Pa Code. § 54.10(3) to implement FE PA's changes residential customer arrangements with EGSs described in Section II.I above.[353]

The OCA supports FE PA's request for a waiver of 52 Pa. Code Section 54.10(3) to allow FE PA to revert customers back to default service absent affirmative consent at the end of their fixed term contracts because it addresses the OCA's affordability concerns. These Settlement provisions address the OCA's concerns as they are designed to respond to the common EGS offer of a promotional or low fixed rate for a certain period followed by a variable rate that is not known to the customer at the time of enrollment.[354] Currently, although EGSs are required to notify customers of price changes, the customer is not required to affirmatively consent to this change in their rates.[355] Therefore, these contracts expose residential customers to a highly volatile wholesale market and contribute to higher rates and customer confusion when their bills suddenly increase.[356]

The Settlement's adoption of this reform is in the public interest because it provides important consumer protections while preserving customer choice. Residential customers remain free to shop for generation service and to affirmatively elect to remain with their current supplier or select a new supplier at the conclusion of a fixed-term contract. Absent such an affirmative choice, customers will be returned to default service, where rates are procured through a Commission-approved competitive process and are generally lower and more stable than the rates paid by many shopping customers.[357] This approach appropriately recognizes the need to protect customers from unintentionally remaining on higher-priced supply products after the expiration of an introductory offer.

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[353] Settlement ¶¶ at 65-66, 73.

[354] *Id.* at 11.

[355] *Id.*

[356] *Id.*

[357] FE PA St. 1 at 20-24.

Given the substantial evidence in this proceeding that demonstrates that residential shopping customers have paid hundreds of millions of dollars more than the PTC in recent years, the Settlement's provisions are reasonably designed to mitigate customer harm, improve affordability, and ensure that customers make informed choices regarding their electric generation service. Accordingly, the OCA supports the requested waiver of 52 Pa. Code Section 54.10(3), and submits that the Settlement's resolution of this issue is reasonable, supported by the record, and should be approved by the Commission.

B. Quarterly Affirmation for Variable Rate Contracts

FE PA proposes that for EGS contracts entered after June 1, 2027, EGSs be required to provide an attestation of affirmative customer consent on a quarterly basis for all residential customers on variable-priced month-to-month products.[358]

The OCA supported and continues to support this proposal for the same reasons discussed in Section VI.A of this statement, namely, because it addresses the OCA's affordability concerns caused by EGSs' strategy to enroll customers at a price lower than the PTC and later impose increased variable rates on the customer without affirmative consent.

OCA witness Alexander further provided two alternatives to FE PA's proposal: (1) to prohibit variable rate contracts for residential customers or (2) to eliminate the use of the Purchase of Receivables option for variable rate contracts, which still allows suppliers to market and bill for such contracts directly with customers who affirmatively agree to such terms.[359]

The Settlement provides as follows:

> 66. In addition, commencing June 1, 2027, EGSs will be required to provide an attestation of affirmative customer consent on a quarterly basis for all residential customers on variable-priced month-to-month products.[360]

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[358] *Id.* at 9.

[359] *Id.* at 11-12.

[360] Settlement at ¶ 66.

The OCA supports this Settlement provision because it provides an additional safeguard to ensure that residential customers knowingly and voluntarily remain enrolled in variable-priced products. Unlike fixed-price contracts, variable-rate products expose customers to potentially significant price fluctuations that may result in generation charges substantially exceeding the PTC.[361] Requiring EGSs to obtain and attest to affirmative customer consent on a quarterly basis helps ensure that customers remain aware of their enrollment status and the nature of the product they have selected, rather than remaining on a variable-rate contract through inattention.[362]

The Settlement therefore addresses the OCA's concern that customers may unknowingly remain on higher-priced variable-rate products after an introductory offer expires. The provision also preserves customer choice by allowing customers who wish to remain on such products to do so. This provision advances important consumer protection and affordability objectives by enhancing customer awareness and reducing the likelihood that customers will unknowingly incur excessive generation costs. Accordingly, the OCA supports this Settlement term and submits that it is reasonable, in the public interest, and should be approved by the Commission.

C. Changes to Purchase of Receivables (POR) Program

FE PA proposed to limit the use of the POR to collect charges that are equal to or less than what the customer would pay with default service as follows:

> For DSP VII, the Company proposes a limitation on eligibility for its POR program to incentivize EGSs to consider the impact of their pricing on a customer's ability to pay and affordability. Specifically, for all contracts entered into after June 1, 2027, EGSs on UCB must use "rate-ready" billing and charge a rate that is at or below the PTC at the time of the customer's enrollment transaction or rate change transaction to be eligible for POR for that customer account. EGSs that do not comply with the new pricing requirement for the Company's POR program will be responsible for all arrearages those EGSs generate, which would substantially reduce FE PA's

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[361] FE PA St. 1 at 21-22.

[362] OCA St. 2 at 10-11.

> and customers' exposure to unreasonable and excessive EGS-driven write-offs.[363]

The OCA supported and continues to support this proposal. OCA witness Alexander testified that the use of FE PA's bill to collect EGSs charges subject to termination of service is an option that FE PA should be able to control to benefit their customers, avoid unaffordable bills, and eliminate FE PA's responsibility for collecting charges that are much higher than the PTC and that threaten their reputation and community satisfaction.[364] Further, this proposal does not prohibit EGSs from charging rates higher than the PTC because EGSs can use dual billing to collect their charges outside of FE PA's bill, which is a common method of billing and collecting charges by EGSs that serve commercial and industrial customers.[365]

The Settlement provides as follows:

> 67. The Joint Petitioners agree that for all contracts entered into after June 1, 2027, EGSs on utility consolidated billing must use "rate-ready" billing and charge a rate that is at or below the PTC at the time of the customer's enrollment transaction or rate change transaction to be eligible for purchase of receivables ("POR") for that customer account. The Company will phase out its existing clawback mechanism over the first year of the DSP VII term if its proposed POR program changes are approved by the Commission.[366]

The OCA supports this Settlement provision because it is in the public interest by promoting affordable electric service. Under the Settlement, EGSs remain free to offer products priced above the PTC, but they may not shift the collection risk associated with those products to the Company and its customers through the POR program. The Settlement creates an incentive for suppliers to offer competitively priced products while

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[363] Petition at ¶ 55.

[364] OCA St. 2 at 13.

[365] *Id.*

[366] Settlement at ¶ 67.

reducing the risk that residential customers will incur unaffordable generation charges that contribute to arrearages and uncollectible accounts.

The provision also helps ensure that FE PA's utility-consolidated billing system and collection mechanisms, including the potential for service termination, are used to support reasonably priced electric supply rather than products that have historically resulted in customers paying substantially more than default service. At the same time, the Settlement preserves retail market choice because suppliers remain free to market higher-priced products and collect those charges through alternative billing arrangements.

Accordingly, this provision addresses the OCA's affordability concerns and is in the public interest. The Commission should therefore approve this provision of the Settlement.

VII. ADDITIONAL SETTLEMENT TERMS

A. Default Service Support Rider

FE PA currently has a Default Service Support (DSS) Rider that imposes non-bypassable charges.[367] The Company will continue to assume responsibility for non-market based (NMB) charges for both default service suppliers and EGSs that serve load in FE PA's Rate Districts and recover the costs from customers under the DSS Rider.[368] The Company proposed to consolidate the Consumer Education Charge component of the DSS Rider and eliminate the Midcontinent Independent System Operator and Transmission Expansion Plan (MTEP) cost component, which are both currently set to zero for all Rate Districts.[369]

The Company proposed to continue a flat per kilowatt-hour (kWh) rate design for the residential and commercial customer classes and a demand-based rate design for the industrial customer class.[370] The demand for the industrial customer class will continue to

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[367] Petition at ¶ 35.

[368] *Id.*

[369] *Id.*

[370] *Id.* at ¶ 36.

be the single coincident peak kilowatt network service peak load, as calculated by FE PA in accordance with PJM rules and requirements.[371]

FE PA also requested a waiver, if necessary, of the Commission's regulations (specifically with regard to the inclusion of transmission costs in the PTC addressed at 52 Pa. Code Sections 54.182 and 54.187) so that they may continue to recover the NMB charges through the non-bypassable DSS Rider rather than the PTC Rider and HP Rider.[372]

The OCA did not provide testimony on this matter.

The Settlement provides as follows:

> 44. The Company's tariff will include a Default Service Support ("DSS") Rider that imposes non-bypassable charges to recover the same categories of costs approved by the Commission in the DSP VI proceeding, with consolidation of the Consumer Education Charge component across Rate Districts and elimination of the Midcontinent Independent System and Transmission Expansion Plan cost components, which are zero for all Rate Districts.
> 45. FE PA's DSS Rider will continue to recover four categories of costs: (1) the uncollectible accounts expense incurred through the provision of default service and on behalf of EGSs through the purchase of receivables ("POR") program for residential and small commercial customers; (2) retail enhancement costs; (3) customer education costs; and (4) NMB charges.
> 46. The Joint Petitioners agree that FE PA shall be permitted to file the Default Service Support Rider set forth in FE PA Exhibit CDL-3 to become effective as of June 1, 2027.[373]

These Settlement terms preserve the Company's existing DSS Rider framework while incorporating limited administrative revisions that streamline the tariff without affecting customer rates or cost recovery.[374] Specifically, the Settlement consolidates the Consumer Education Charge across Rate Districts and eliminates the unused MTEP cost

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[371] *Id.*

[372] *Id.* at ¶ 37.

[373] Settlement at ¶¶ 44-46.

[374] *Id.*

component, which is currently set at zero in all Rate Districts.[375] These revisions simplify the tariff while maintaining transparency regarding the recovery of default service support costs.

The Settlement also continues the Commission-approved mechanism for recovering non-bypassable costs associated with default service, including NMB charges, uncollectible accounts expense, retail enhancement costs, and customer education costs.[376] Maintaining recovery of these costs through the DSS Rider promotes equitable cost allocation by ensuring that costs incurred to support default service and the competitive retail market are recovered on a non-bypassable basis from all customers who benefit from those services.[377] Because the Settlement retains a previously approved cost recovery framework while making reasonable administrative improvements, these provisions are just, reasonable, and in the public interest. Accordingly, the Commission should approve the Settlement's DSS Rider provisions.

B. Solar Photovoltaic Requirements Charge Rider

FE PA proposed to eliminate the Solar Photovoltaic Requirements Charge Rider (SPVRC) because all legacy solar contracts have expired and the rider is no longer active.[378] The OCA did not provide testimony on this matter.

The Settlement provides as follows:

> 47. The Joint Petitioners agree that FE PA shall be permitted to eliminate its non-bypassable Solar Photovoltaic Requirements Charge Rider that applies to all distribution customers in the Met-Ed, Penelec, and Penn Power Rate Districts as originally proposed in the DSP VII Petition.[379]

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[375] *Id.* at ¶ 44.

[376] *Id.* at ¶ 45.

[377] *Id.*

[378] Petition at ¶ 38.

[379] Settlement at ¶ 47.

Because the SPVRC Rider is no longer needed following the expiration of all legacy solar contracts, eliminating the inactive rider simplifies the Company's tariff without affecting customer service or cost recovery, thereby promoting regulatory efficiency and serving the public interest. Therefore, the Commission should approve this Settlement provision.[380]

VIII. CUSTOMER ASSISTANCE PROGRAM MAXIMUM BILL CREDITS

The OCA did not present testimony on this issue.

IX. CONCLUSION

The OCA submits that the Settlement is supported by substantial evidence and is in the public interest for the reasons outlined above. The Settlement ensures that FE PA will meet its statutory responsibilities to procure a default service portfolio that is designed to ensure service at least cost over time. In its whole, all of these benefits, especially when weighed against the risks and costs of litigation, demonstrate that this proposed Settlement is in the public interest.

Respectfully submitted,
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Dated: July 2, 2026

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[380] Petition at ¶ 38.

Statement B

STATEMENT C

Statement in Support of Joint Petition for Non-Unanimous Settlement of the Office of Small Business Advocate

Statement C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of FirstEnergy Pennsylvania :
Electric Company for Approval of Its : Docket No. P-2026-3060298
Default Service Program for the Period :
From June 1, 2027 to May 31, 2031 :

STATEMENT IN SUPPORT OF THE JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT ON BEHALF OF THE OFFICE OF SMALL BUSINESS ADVOCATE

I. INTRODUCTION

The Office of Small Business Advocate ("OSBA"), one of the signatory parties ("*Joint Petitioners*") to the Joint Petition for Non-Unanimous Settlement ("*Joint Petition*") respectfully requests that: (a) Administrative Law Judges ("ALJs") Mark A. Hoyer and Erin L. Gannon recommend an approval of the Settlement set forth in this *Joint Petition* without modification; and (b) the Pennsylvania Public Utility Commission ("Commission") approve and adopt the Settlement as set forth in this *Joint Petition* without modification.

The Small Business Advocate is authorized and directed to represent the interests of the Small Business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50.

Although OSBA agrees with all the Settlement terms, its main concern is that all net-metering customer-generators are moved out of the Small Business default service class (PTC Rider) so that it does not negatively impact the non-net-metering customer-generators.

A. Procedural History

On February 3, 2026, FirstEnergy Pennsylvania Electric Company ("FE PA" or the "Company"), petitioned the Commission for approval of its seventh default service program (hereinafter "DSP VII"). The Petition is in accordance with its responsibilities as a default service provider to establish the terms and conditions under which the Company will procure default service supplies, provide default service to non-shopping customers, and recover all associated costs on a full and current basis for the period from June 1, 2027, through May 31, 2031.

The OSBA filed its Notice of Intervention on February 20, 2026. On June 15, 2026, OSBA admitted into evidence the Direct Testimony and Exhibit of Maksim Malukoff and the Rebuttal Testimony of Maksim Malukoff.

B. Non-Unanimous Settlement

The *Joint Petitioners* agree to resolve their differences and the OSBA supports the provisions listed below and finds them just and reasonable as well as beneficial to the Company's Small Business consumers.

The OSBA evaluated whether the Settlement is consistent with sound economics and regulatory policy, and whether it is equitable to Small Business customers. Although this is a Non-Unanimous Settlement, the *Joint Petitioners* agree that these settlement terms resolve all outstanding issues pertaining to the Company's proposed DSP for the period June 1, 2027, through May 31, 2031, and that the DSP as set forth in the Petition should be approved, subject to below modifications.

C. Legal Standards

The Commission encourages parties in contested, on-the-record proceedings to settle cases. *See* 52 Pa. Code § 5.231. A settlement, by definition, reflects a compromise of the parties' positions. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the settlement suits the public interest. *Pa. PUC v. CS Water and Sewer*

Associates, 74 Pa. PUC 767, 711 (1991). When the settling parties submitted their joint settlement petition for approval, the principal issue for the Commission is whether the agreement serves the public interest. *Pa. PUC v. Philadelphia Electric Company*, 60 Pa. PUC 1, 21 (1985).

II. DEFAULT SERVICE PROCUREMENT AND IMPLEMENTATION PLANS

A. Residential Class Default Service Products

The OSBA supports, but is not commenting on this issue.

B. Responsibility for PJM Charges (including NITS) Under the Supplier Master Agreement

The OSBA supports, but is not commenting on this issue.

C. Capacity Proxy Price

The OSBA supports, but is not commenting on this issue.

D. Additional Default Service Program Requirements

1. Term of Revised DSP VII

The OSBA supports, but is not commenting on this issue.

2. Competitive Procurement Process

Please see section II.D.4. below.

3. Procurement Plan for the Residential Class

The OSBA supports, but is not commenting on this issue.

4. Procurement Plan for the Commercial Class

The OSBA supports the *Joint Petitioners*' resolution of this issue as it is just and reasonable for Small Business customers.

The procurement approach includes overhanging full requirements contracts, making Commercial products more attractive to bidders and a closer substitute for residential products. In the *Joint Petition*, the *Joint Petitioners* agree to a default plan for the 48 months running from June 1, 2027, to May 31, 2031. The salient features of the default service procurement for Commercial customers are discussed more fully in OSBA Direct Testimony, Statement No. 1.[1]

5. Procurement Plan for the Industrial Class

The OSBA supports, but is not commenting on this issue.

6. Additional Procurement Issues

The OSBA supports, but is not commenting on this issue.

III. CLASSIFICATION OF NON-RESIDENTIAL DEFAULT SERVICE CUSTOMERS

A. Classification of Customers Based on Maximum Registered Peak Load

The OSBA supports this provision and finds that it is just and reasonable for Small Business customers.

The issue of maximum registered peak load ("MRPL") is to limit the number of net-metering customer generators classified to the PTC Rider (commercial) customer class. Reclassifying large customer-generators under the HP Rider would offer these customers fair compensation without unduly burdening Small Businesses that are not customer-generators under the PTC Rider.

B. Projections of Customer-Generator Growth

The OSBA supports, but is not commenting on this issue.

C. Costs and Benefits of Customer-Generators

Like other electric distribution companies in Pennsylvania, notably PPL Electric and UGI Utilities, Inc. – Electric Division ("UGI"), the OSBA has concerns that net-metered customer-generators with minimal to no onsite electric load are distorting default service procurement markets for residential and Smaller Commercial customers. The OSBA is very concerned that if customer-generators are not moved to the HP Rider, then the Small Businesses customers will pay the higher cost. Please see OSBA Rebuttal.[2]

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[1] OSBA Statement No. 1 pp. 4-6.

[2] OSBA Rebuttal Testimony pp.1-3.

The OSBA supports the *Joint Petition* because it strikes a fair balance between encouraging customer-owned generation and protecting Small Business customers from unjustified cost shifting. The record demonstrates that certain large net-metered customer-generators, particularly those with little or no onsite electric load, are currently receiving benefits under the PTC Rider that were not intended for customers of their size or usage. As a result, the costs associated with those customers are shifted to other default service customers, including Small Businesses that do not own generation facilities.

The *Joint Petition* addresses this inequity by moving those large customer-generators to the HP Rider, where they will continue to receive fair compensation for the energy they provide without imposing unnecessary costs on Small Business customers. The *Joint Petition* also includes reasonable grandfathering provisions that honor investment decisions already made by existing customer-generators while establishing an appropriate transition period. Extending the grandfathering period beyond 2029 would simply continue the current cost shift and require Small Businesses to subsidize larger customer-generators for even longer.

For these reasons, the OSBA believes the *Joint Petition* represents a reasonable compromise that fairly compensates customer-generators, promotes equitable cost allocation, and protects Pennsylvania's Small Businesses from bearing costs that they did not create.

1. PTC Rider vs. HP Rider

The Company has estimated that potential costs to PTC Rider customers range from $60 million to $544 million between 2026 and 2029, depending on the number of net-metering installations that come online.[3]

The Company's current classification results in Small Business default service customers disproportionately subsidizing customer-generators that, based on their size and output, should be classified as

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[3] FE PA Statement No. 1-R Exhibit DMY-7 Revised.

Industrial customers under the HP Rider. The OSBA agrees with FE PA in that that HP Rider Industrial customers, relative to PTC customers, are more active and sophisticated in managing their energy needs and are thus less likely to be impacted by net-metered generation.[4]

OSBA agrees that customer-generators should be fairly compensated for the energy they supply to the Company's distribution system. Reclassifying large customer-generators as under the HP Rider would offer these customers fair compensation without unduly burdening Small Businesses that are not customer-generators under the PTC Rider.

2. Risk Premiums

Under the status quo, the presence of large customer generators in the Small Commercial procurement class entails switching and volumetric risks for default service suppliers. Accordingly, suppliers increase the risk premium incorporated into bid prices. The *Joint Petition* will appropriately classify large customer-generators as merchant generators under the HP Rider and reduce risks and costs to Smaller Commercial customers.

3. Negative Peak Load Contribution and Negative Network Service Peak Load Contribution

The OSBA supports, but is not commenting on this issue.

4. Other Costs and Benefits

The OSBA supports, but is not commenting on this issue.

D. Compliance with Applicable Laws and Regulations

Under existing regulations, these purchases are applied to the same class as the customer-generator from whom the power is purchased. Thus, if Commercial customers with minimal loads export large amounts of generation, the burden of the higher-cost default service supplies currently falls on Commercial default service customers, including non-net-metering customers.

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[4] FE PA Statement No. 1, p. 19. See also Company response to CGC Set 1, No. 24.

E. Grandfathering Proposals

Customer generators online prior to June 1, 2027, will be exempt from the MRPL proposal until June 1, 2029. The *Joint Petition* is reasonable and offers continued compensation to customer generators that have already made investment decisions. Extending the transition period beyond June 1, 2029, would only perpetuate the inequitable status quo where Small Business customers bear the burden of compensating large customer-generators.

The OSBA recognizes that previous settlements have provided customer-generators with longer grandfathering periods, including a ten-year transition.[5] However, each proceeding must be evaluated on its own record and the particular circumstances presented. Here, the *Joint Petition* strikes an appropriate balance by providing existing customer-generators with approximately a two-year transition period, through June 1, 2029. This transition affords affected customers a reasonable opportunity to adjust while avoiding an unnecessarily prolonged continuation of the existing cost shift borne by Small Business customers.

While the OSBA appreciates that existing customer-generators relied on the rules in place when they invested, that reliance interest must be balanced against the ongoing harm to Small Business customers. Every additional year of grandfathering extends the period during which non-generating Small Businesses continue to bear costs attributable to large customer-generators. The two-year transition reflected in the *Joint Petition* is a reasonable compromise because it respects prior investments while ensuring that inequitable cost shifting does not continue for another decade.

Grandfathering is intended to ease the transition for customers who made investment decisions under prior rules. It is not intended to indefinitely preserve a rate design that has been shown to impose unreasonable costs on other customers. Extending the grandfathering period significantly beyond June 1, 2029, would

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[5] Docket R-2025-3057164 Order.

continue requiring Small Businesses, many of whom cannot afford or install customer generation, to subsidize larger customer-generators. The OSBA believes the *Joint Petition* appropriately balances the reliance interests of existing customer-generators with the Commission's obligation to ensure just and reasonable rates for all customers.

IV. RATE DESIGN AND COST RECOVERY

A. Price to Compare Default Service Rate Rider

The OSBA supports, but is not commenting on this issue.

B. Hourly Pricing Default Service Rider

The OSBA supports, but is not commenting on this issue.

C. Time-of-Use Rates

The OSBA supports, but is not commenting on this issue.

V. CUSTOMER REFERRAL PROGRAM

The OSBA supports, but is not commenting on this issue.

VI. SUPPLIER COORDINATION TARIFF CHANGES AND RETAIL SHOPPING ISSUES

A. Return of Customers to Default Service at Contract Expiration

The OSBA supports, but is not commenting on this issue.

B. Quarterly Affirmation for Variable Rate Contracts

The OSBA supports, but is not commenting on this issue.

C. Changes to Purchase of Receivables (POR) Program

The OSBA supports, but is not commenting on this issue.

VII. CUSTOMER ASSISTANCE PROGRAM MAXIMUM BILL CREDITS

The OSBA supports, but is not commenting on this issue.

VIII. ADDITIONAL SETTLEMENT TERMS

The Company has agreed to provide information concerning the OSBA on its website, which will benefit the Company's Small Business Consumers.

IX. CONCLUSION

WHEREFORE, The Office of Small Business Advocate respectfully requests that ALJs Hoyer and Gannon and the Commission approve this *Joint Petition* inclusive of its terms and conditions without modification, and that the Commission enter an Order consistent with this Non-Unanimous Settlement resolving and terminating the proceeding and resolving all outstanding complaints.

Respectfully submitted,

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Dated: July 2, 2026

STATEMENT D

Statement in Support of Joint Petition for Non-Unanimous Settlement of the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania

Statement D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF FIRSTENERGY	**:**
PENNSYLVANIA ELECTRIC COMPANY	**:**
FOR APPROVAL OF ITS DEFAULT	**: Docket No. P-2026-3060298**
SERVICE PROGRAM FOR THE PERIOD	**:**
FROM JUNE 1, 2027 THROUGH MAY 31,	**:**
2031	**:**

STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA) IN SUPPORT OF THE JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

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July 2, 2026

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Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period from June 1, 2025 through May 31, 2029, Final Order, Docket No. P-2024-3047290 (order dated Nov. 7, 2024)................................. 17

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I. INTRODUCTION

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), a signatory party to the Joint Petition for Non-Unanimous Settlement (Joint Petition or Settlement), respectfully requests that the terms and conditions of the Settlement be approved without modification by the Honorable Deputy Chief Administrative Law Judge Mark A. Hoyer, the Honorable Administrative Law Judge Erin L. Gannon (collectively, ALJs) and the Pennsylvania Public Utility Commission (PUC or Commission).

A. Procedural History

CAUSE-PA adopts the procedural history set forth in paragraphs 1-12 of the Joint Petition. In addition, CAUSE-PA notes that its Petition to Intervene and Answer was filed on February 10, 2026, and its intervention was later granted during the March 19, 2026 Prehearing Conference in this matter. CAUSE-PA's witness, Patrick M. Cicero, sponsored extensive written testimony in this proceeding, including direct, rebuttal, and surrebuttal testimony as well as multiple exhibits and appendices – all of which were entered into the record without objection at the June 15, 2026, evidentiary hearing in this matter.[1]

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[1] CAUSE-PA Statements 1, 1-R, and 1-SR; and Exhibits 1, 2, 3, 1-R, and 2-R. Note that CAUSE-PA St. 1-R and Exhibit 2-R contain highly confidential information.

B. Non-Unanimous Settlement

CAUSE-PA intervened in this proceeding to ensure that FirstEnergy Pennsylvania's (FE PA or the Company) proposed Default Service Plan (DSP or DSP VII), and all related programs, terms, and conditions of service, are appropriately designed to ensure that FE PA's default service remains accessible and affordable for low income consumers and other vulnerable consumer groups. In turn, CAUSE-PA sought to investigate FE PA's voluntary retail market programs and related supplier rules, and the justness and reasonableness of its related proposals.[2]

CAUSE-PA joined as a signatory party to the proposed Settlement because the terms and conditions therein are squarely in the public interest and supported by substantial evidence that was not credibly rebutted in the record. If approved, the terms of the Settlement will advance critical reforms to FE PA's current DSP and related rules and programs necessary to help to reduce high rates of termination and uncollectible expenses and resulting higher costs to all residential ratepayers, thereby improving the justness and reasonableness of FE PA's service in full compliance with all applicable laws and policies of the Commonwealth.

While the proposed Settlement is opposed by several intervening parties, the overwhelming weight of the evidence clearly supports a conclusion that the terms contained therein will advance the public interest.

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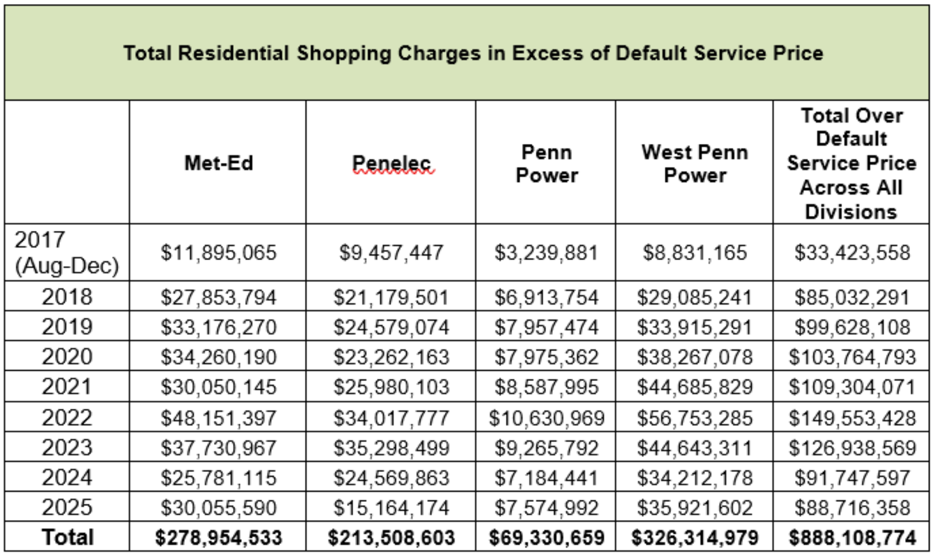
[2] CAUSE-PA Petition to Intervene and Answer at 4, para. 12.

Specifically, the record shows that FE PA's residential shopping customers are consistently charged substantially higher charges than the applicable default service price. Over a 100-month period, from August 2017 through December 2025, residential shopping customers were charged over $888 million more than the applicable default service price.[3] In fact, across all four FE PA divisions, there has not been a single month in which residential shopping customers, in aggregate, were charged less than the applicable default service price.[4]



Total Residential Shopping Charges in Excess of Default Service Price					
	Met-Ed	**Penelec**	**Penn Power**	**West Penn Power**	**Total Over Default Service Price Across All Divisions**
2017 (Aug-Dec)	$11,895,065	$9,457,447	$3,239,881	$8,831,165	$33,423,558
2018	$27,853,794	$21,179,501	$6,913,754	$29,085,241	$85,032,291
2019	$33,176,270	$24,579,074	$7,957,474	$33,915,291	$99,628,108
2020	$34,260,190	$23,262,163	$7,975,362	$38,267,078	$103,764,793
2021	$30,050,145	$25,980,103	$8,587,995	$44,685,829	$109,304,071
2022	$48,151,397	$34,017,777	$10,630,969	$56,753,285	$149,553,428
2023	$37,730,967	$35,298,499	$9,265,792	$44,643,311	$126,938,569
2024	$25,781,115	$24,569,863	$7,184,441	$34,212,178	$91,747,597
2025	$30,055,590	$15,164,174	$7,574,992	$35,921,602	$88,716,358
Total	**$278,954,533**	**$213,508,603**	**$69,330,659**	**$326,314,979**	**$888,108,774**

On a per customer basis, residential customers are charged significantly higher average rates compared to the applicable default service price – ranging between $168 and $307 across FE PA's four divisions in 2025.[5]

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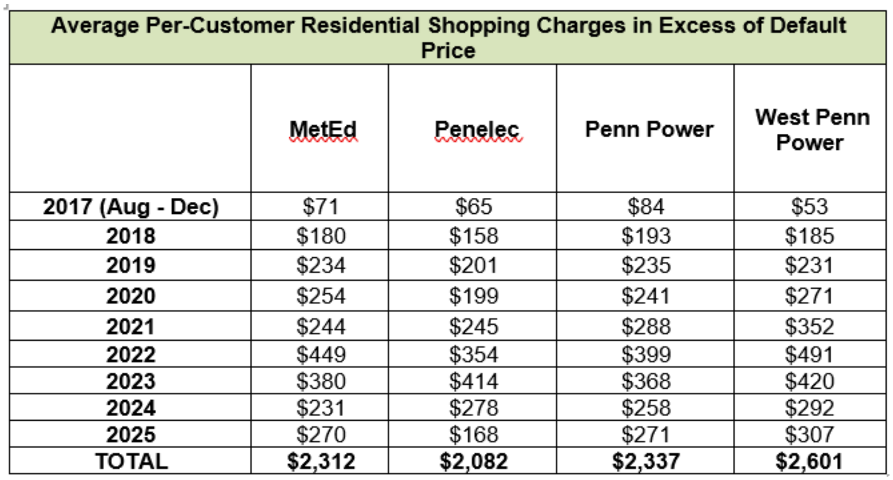
[3] CAUSE-PA St. 1 at 16-17 & Exhibit 1.

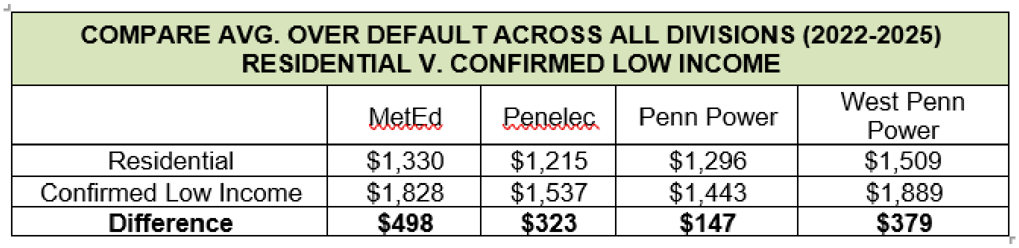
[4] CAUSE-PA St. 1 at 16-17 & Exhibit 1.

[5] CAUSE-PA St. 1 at 22 & Exhibit 1.



Average Per-Customer Residential Shopping Charges in Excess of Default Price				
	MetEd	**Penelec**	**Penn Power**	**West Penn Power**
2017 (Aug - Dec)	$71	$65	$84	$53
2018	$180	$158	$193	$185
2019	$234	$201	$235	$231
2020	$254	$199	$241	$271
2021	$244	$245	$288	$352
2022	$449	$354	$399	$491
2023	$380	$414	$368	$420
2024	$231	$278	$258	$292
2025	$270	$168	$271	$307
TOTAL	**$2,312**	**$2,082**	**$2,337**	**$2,601**

The record further shows that confirmed low income (CLI) shopping customers are consistently charged even higher rates compared to residential shopping customers.



COMPARE AVG. OVER DEFAULT ACROSS ALL DIVISIONS (2022-2025) RESIDENTIAL V. CONFIRMED LOW INCOME				
	MetEd	Penelec	Penn Power	West Penn Power
Residential	$1,330	$1,215	$1,296	$1,509
Confirmed Low Income	$1,828	$1,537	$1,443	$1,889
Difference	**$498**	**$323**	**$147**	**$379**

As the above table shows, on a per customer basis from 2022 through 2025, confirmed low income shopping customers were charged hundreds of dollars more compared to other residential shopping customers, and over a thousand dollars more than the default service price.[6] Through this four-year period, residential shopping customers were charged a price premium between 31-42% above the default service price, while confirmed low income customers were charged a price premium as high as 56% above the applicable default service price.[7]

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[6] CAUSE-PA St. 1 at 23.

[7] CAUSE-PA St. 1 at 19-21 & Exhibits 2 & 3.

Demonstrably higher prices in the competitive market are driving substantially higher rates of involuntary termination and uncollectible expenses, which in turn drives up rates for all residential customers. Involuntary termination rates for residential shopping customers are substantially higher than the termination rates for default service customers.[8] In 2025, termination rates for residential shopping customers ranged between 14-22% across FE PA's four divisions, compared to just 1-3% for residential default service customers.[9]

Also in 2025, on a per customer basis, shopping related uncollectible expenses were more than two times higher in Met-Ed and West Penn divisions and more than three times higher in Penelec and Penn Power divisions, as compared to default service uncollectible expenses.[10] Average per customer uncollectibles associated with shopping accounts across FE PA's four rate districts ranged between $23-38, compared to $8-$15 for uncollectibles associated with default service accounts.[11] This same pattern of higher uncollectible rates for residential shopping customers is reflected in uncollectible data since at least 2022, adding millions of dollars to collections expenses recovered from other ratepayers.[12]

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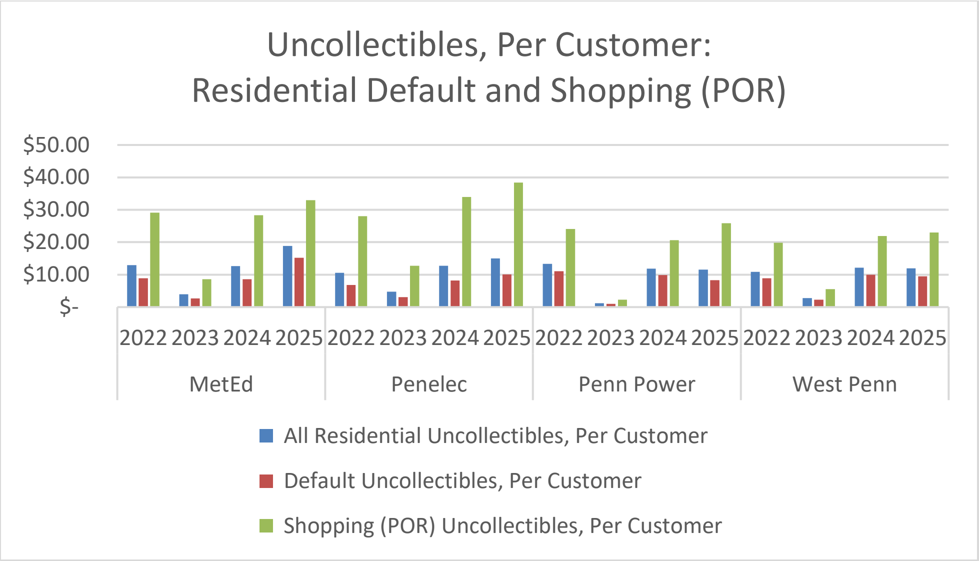
[8] CAUSE-PA St. 1-R at 17-18; CAUSE-PA Exhibit 1-R.

[9] CAUSE-PA St. 1 at 24, T.7.

[10] CAUSE-PA St. 1-R at 17-18, CAUSE-PA Exhibit 1-R.

[11] CAUSE-PA Exhibit 1-R.

[12] CAUSE-PA St. 1-R at 17-18, CAUSE-PA Exhibit 1-R.



Excessive charges in the residential retail market have not only resulted in higher rates of involuntary service termination and uncollectible expenses, it has also driven other adverse impacts on the health, safety, and wellbeing of households across FE PA's service territory – especially among low income and other vulnerable customer groups.[13] There are over 400,000 estimated low income households in FE PA's service territory that subsist on income levels which fall woefully short of meeting basic needs.[14] These households are already struggling to keep up with rising energy rates and are often forced to make impossible choices between food, medicine, water, heat, and other basic needs.[15] Low income customers are facing the greatest price premium in the competitive market, and face the furthest ranging negative consequences from excessive retail market prices.

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[13] CAUSE-PA St. 1 at 23-25; CAUSE-PA St. 1-R at 17-19; CAUSE-PA Exhibit 1-R.

[14] CAUSE-PA St. 1 at 10-11.

[15] CAUSE-PA St. 1 at 12-13.

The record is clear that these unjust and unreasonable retail market outcomes are exacerbated by FE PA's existing retail market rules and programs – including FE PA's Purchase of Receivables (POR), Customer Referral Program (CRP), and the procedures in place at the end of a contract period when consumers are passively rolled into a new rate without making an affirmative choice.

In addition to these stark retail market outcomes, the record also contains substantial evidence that rising default service rates – driven primarily by unprecedented growth in large load interconnections within PJM – are eroding the effectiveness of FE PA's Pennsylvania Customer Assistance Program (PCAP or CAP) and its ability to ensure low income households can maintain service.[16] An increasing number of low income PCAP participants who heat with electricity are exceeding FE PA's fixed maximum credit thresholds, increasing the risk of termination for this uniquely vulnerable population.[17] In the first three months of 2026, 2,412 PCAP participants had already exceeded the maximum and are now bearing the brunt of full tariff rates through the remaining 9 months.[18] This evidence, as detailed further below, strongly supports the need to increase the maximum thresholds for assistance through PCAP to maintain the integrity of the program and ensure participants can reasonably afford to maintain service.[19]

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[16] CAUSE-PA St. 1 at 36-44.

[17] CAUSE-PA St. 1 at 38-40.

[18] CAUSE-PA St. 1 at 39.

[19] CAUSE-PA St. 1 at 36-44.

Taken as a whole, the record in this case reveals a clear and undeniable need for reform to FE PA's current DSP and related programs, rules, and terms and conditions of service. As explained below, the provisions of the proposed Settlement are appropriately designed to address and remediate existing harm and ensure full compliance with all applicable laws and policies. As such, CAUSE-PA submits that the proposed Settlement is squarely in the public interest and should be approved without delay or modification.

C. Legal Standards

"It is the policy of the Commission to encourage settlements,"[20] as the results achieved through full or partial settlement "are often preferable to those achieved at the conclusion of a fully litigated proceeding."[21] "Partial or full, as well as non-unanimous or unanimous, settlements allow the parties to avoid substantial costs of fully litigating a proceeding before the Commission, yielding significant expense savings for the company's customers."[22] To approve a proposed settlement, the Commission must determine whether the proposed terms and conditions are in the public interest, as supported by substantial record evidence.[23] "The focus of the inquiry for determining whether a proposed settlement should be approved by the Commission is whether the proposed terms and conditions

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[20] 52 Pa. Code § 5.231.

[21] 52 Pa. Code § 69.401.

[22] See Pa. PUC v. PPL Electric Utilities Corp., Opinion and Order, Docket No. R-2025-3057164, at 17 (order entered June 4, 2026).

[23] Id.

foster, promote, and serve the public interest."[24] The settling parties bear the burden of proving the terms and conditions meet this public interest threshold.[25]

CAUSE-PA notes that its Statement in Support addresses the ways in which the proposed Settlement will further the public interest in accordance with applicable law and policy, and as supported by substantial record evidence in this case. To the extent necessary, CAUSE-PA intends to address additional legal and policy arguments regarding disputed issues raised by the non-settling parties through its Main and Reply Briefs, and reserves its rights with respect thereto.

II. DEFAULT SERVICE PROCUREMENT AND IMPLEMENTATION PLANS

CAUSE-PA did not sponsor testimony regarding FE PA's default service procurement and implementation plans. Nevertheless, CAUSE-PA actively monitored procurement and implementation issues raised by other parties in this proceeding, and engaged in settlement discussions to ensure adoption of a default service procurement and implementation plan designed to produce adequate and reliable service at the least cost over time.[26] CAUSE-PA submits that FE PA's default service procurement and implementation plans, as modified by the proposed Settlement, are reasonably designed to

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[24] Id. (quoting Pa. PUC v. City of Lancaster – Bureau of Water, Opinion and Order, Docket No. R-2010-2179103 (order entered July 14, 2011); Warner v. GTE North, Inc., Opinion and Order, Docket No. C-00902815 (order entered April 1, 1996)).

[25] 66 Pa. C.S. § 332(a).

[26] 66 Pa. C.S. § 2807(e).

provide reliable service and produce default service rates at the least cost over time. As such, the Settlement is in the public interest and should be approved.

III. CLASSIFICATION OF NON-RESIDENTIAL DEFAULT SERVICE CUSTOMERS

CAUSE-PA did not sponsor witness testimony regarding FE PA's proposal to classify non-residential customers based on Maximum Registered Peak Load (MRPL). Nevertheless, CAUSE-PA actively monitored the MRPL issue in this proceeding, and believes the provisions in the proposed Settlement are in the public interest and appropriately balance the interests in this case.

IV. RATE DESIGN AND COST RECOVERY

A. Price to Compare Default Service Rate Rider

The terms of the proposed Settlement would continue to recover the cost of default service through the Price to Compare (PTC) Default Service Rate Rider (PTC Rider) separately for each FE PA division, and provides that default service rates will be established as a single per kWh energy charge that will change on a semi-annual basis and will be subject to an amortized reconciliation for any under or over collections during the prior 12-month period.[27]

While CAUSE-PA did not take an explicit position on this issue through testimony, it nevertheless supports these provisions of the Settlement as a just and reasonable resolution of the issues in this case. CAUSE-PA specifically supports the continued

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[27] Joint Petition at 11-12, para. 39-40.

recognition of FE PA's separate rate divisions in calculating the applicable default service price, as the unification of rate divisions would create unique challenges and require substantial additional planning to prevent rate shock and customer confusion.

B. Hourly Pricing Default Service Rider

CAUSE-PA has not taken a position on the Hourly Pricing Default Service Rider (HP Rider) in this proceeding, though it asserts the provisions of the Settlement as a whole – inclusive of the HP Rider provisions – reasonably balance the interests in this case in furtherance of the public interest and should be approved.[28]

C. Time-of-Use Rates

In its initial filing, FE PA proposed to continue implementation of TOU rates that differentiate pricing across three periods (on-peak, super off-peak, and off-peak), and proposed to reduce the number of on-peak hours from its current TOU rate design.[29] FE PA proposed to continue its current exclusion of customers actively enrolled in FE PA's Customer Assistance Program (CAP) from its TOU rate.[30]

Time varying pricing can be costly for households with fixed or inflexible usage patterns.[31] As Mr. Cicero explained: "TOU rates are designed to incentivize customers to shift discretionary usage to off-peak hours – which inherently requires that participants

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[28] Joint Petition at 12-13, para. 42-43.

[29] DSP Petition at 44-45; FE PA St. 1 at 11-12; Joint Petition at 15-16, para. 53-57.

[30] FE PA St. 1 at 10; Joint Petition at 16, para. 58.

[31] CAUSE-PA St. 1 at 34-35.

have discretionary usage they can shift to off-peak hours."[32] Lower income households are less likely to have discretionary energy usage, such as washing machines and dish washers, and are more likely to live in smaller, less efficient homes – "all factors which make it difficult to shift load during peak periods."[33] TOU rates raise unique concerns for consumers who are home-bound or who rely on electric-powered medical devices, as these households are often unable to shift load to off-peak hours and usage curtailment during peak hours can have uniquely negative impacts on their health and safety.

Time-varying usage rates are particularly risky for low income customers enrolled in CAP. If a CAP participant is unable to shift usage during peak hours, the additional costs can increase the pace that a CAP customer exceeds the maximum CAP credit limit or may otherwise increase the cost of CAP recovered from other residential customers.[34]

The proposed Settlement contains appropriate consumer safeguards,[35] including the ongoing exclusion of CAP customers from TOU rates, as well as reasonable measurement and reporting provisions and ongoing stakeholder engagement to assess the effectiveness of FE PA's TOU rate and whether further changes to the TOU rate design are necessary.[36]

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[32] CAUSE-PA St. 1 at 34.

[33] CAUSE-PA St. 1 at 35.

[34] CAUSE-PA St. 1 at 35-36.

[35] Joint Petition at 14, para. 48-49.

[36] Joint Petition at 14, para. 50-52.

CAUSE-PA asserts that the terms of the proposed Settlement are therefore appropriately balanced in furtherance of the public interest, and should be approved.

V. CUSTOMER REFERRAL PROGRAM

FE PA's Customer Referral Program (CRP) is a voluntary "retail market enhancement program" which offers residential consumers a 12-month fixed price contract at 7% off the applicable default service price at the time they enter the program. At the end of the initial CRP program period, if a participant does not affirmatively select a new supplier or request to return to default service, the CRP supplier may charge a new rate.[37] Pursuant to the settlement terms in FE PA's last DSP proceeding, the CRP will terminate on May 31, 2027.[38] Following a collaborative process established to review and analyze relevant CRP data, FE PA chose not propose to implement a new CRP in its current DSP.

The proposed Settlement affirms this decision, providing explicitly that FE PA's CRP will terminate on May 31, 2027, and will not be replaced by a successor CRP for its DSP VII.[39] CAUSE-PA submits that it is firmly in the public interest to allow the CRP to terminate as planned on May 31, 2027, as supported by substantial record evidence.

First, "the record reflects limited supplier participation and low customer uptake" – evidencing a clear lack of interest in the program. As of March 2026, there was just one

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[37] CAUSE-PA St. 1 at 27.

[38] CAUSE-PA St. 1 at 28.

[39] Joint Petition at 17, para. 63-63.

active supplier participant, and just 3% of eligible customers were enrolled.[40] None of the participants in FE PA's CRP collaborative – which included representation from the Retail Energy Supply Association (RESA) – recommended continuation of the program.[41] This collaborative process has held in advance of FE PA's DSP, with the express intent of determining whether data supported a proposal to continue the CRP or to advance a successor program.

FE PA's CRP was originally initiated as an optional market enhancement program following the Commission's 2011 Retail Market Investigation.[42] At the time, the Commission concluded that a utility-administered referral program *may* be a "viable means to educate consumers about the retail electric market [that] may allow customers to achieve savings on their bills."[43] This sentiment was incorporated in a formal Commission policy statement, which provides: "The public interest would be served by *consideration* of customer referral programs in which retail customers are referred to EGSs."[44] The CRP was intended to provide consumers with an "easy, low-risk on-ramp to the competitive

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[40] CAUSE-PA St. 1 at 28; OCA St. 2 at 6; FE PA St. 3 at 11.

[41] CAUSE-PA St. 1 at 28; FE PA St. 4 at 11-12.

[42] CAUSE-PA St. 1 at 27;

[43] Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan, Final Order, Docket No. I-2011-2237952, at 30-33 (order entered March 2, 2012).

[44] 52 Pa. Code § 69.1815 (emphasis added).

market that would teach consumers how to effectively engage in the market to achieve the promise of savings envisioned by the Choice Act."[45]

In short, the CRP has run its course and is no longer necessary or prudent. Well over a decade has passed since the Commission's 2011 Retail Market Investigation, over which time the Commission, utilities, and consumers have gained substantial experience with the program and with the market itself. In that time, the Commission has spent considerable resources on education and marketing, and has developed a robust statewide website – papowerswitch.com – that "provides a clear and concise means for customers to compare offers and to shop for retail electric service if they wish to do so."[46] It is no longer appropriate for FE PA, the incumbent default service provider, to serve as a direct conduit for consumers to access the retail market – "[p]articularly when this market has resulted in materially adverse harm to consumers."[47]

As detailed above, residential retail shopping customers are charged substantially higher rates compared to the applicable default service price – especially among confirmed low income customers not enrolled in CAP – amounting to $888 million in higher charges over a 100-month period.[48] These persistently higher charges are driving substantially higher rates of involuntary termination. In 2025, residential shopping termination rates

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[45] CAUSE-PA St. 1 at 27.

[46] CAUSE-PA St. 1 at 28-29; CAUSE-PA St. 1-R at 28.

[47] CAUSE-PA St. 1 at 29.

[48] CAUSE-PA St. 1 at 15-25 & Exhibits 1-3; CAUSE-PA 1-R at 17-18 & Exhibit 1-R.

were as much as 10 times higher than default service termination rates.[49] Uncollectible expenses are also substantially higher. In 2025, on a per customer basis, uncollectible expenses associated with shopping accounts were between 25-49% higher than uncollectible expenses associated with default service accounts.[50] These high termination rates and uncollectible expenses are adding substantially to collections costs recovered from other ratepayers.[51]

While the CRP may afford participants a short-term discount, this fact alone "does not overcome the larger reality that the residential shopping market overall and in aggregate has not delivered net benefits to FE PA's residential customers."[52] The CRP provides a passive on-ramp to the competitive market, but does not promote the active engagement necessary to set up consumers for success in the market. Short-term savings achieved at the outset of the CRP give way to higher prices – either during or at the end of the contract term.[53] The data in this case shows clearly that hundreds of CRP participants are rolled onto a higher price contract at the end of the CRP term,[54] placing participants at greater risk of termination and exposing other ratepayers to higher uncollectible expenses.

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[49] CAUSE-PA St. 1 at 24.

[50] CAUSE-PA St. 1-R at 17-18 & Exhibit 1-R.

[51] CAUSE-PA St. 1 at 15-25; CAUSE-PA St. 1-R at 17-18; CAUSE-PA Exhibits 1, 2, 3, & 1-R.

[52] CAUSE-PA St. 1-R at 29.

[53] OCA St. 2 at 6.

[54] OCA St. 2 at 7-8 & Exhibit BA-3.

It is questionable whether consumers could find a lower rate in the residential retail market at the end of the initial CRP term, even if they are actively engaged. In direct testimony, Town Square Energy East (TSE) attempted to analyze offers available in FE PA's service territory.[55] While a few offers highlighted by TSE touted prices lower than the default service rate on a per kWh basis, a closer examination of the terms revealed that none of the offers would have produced a bill that is at or below the PTC for an average residential customer after application of monthly fees and other charges.[56] Of note, the Commission recently approved the discontinuation of similar referral programs in PPL Electric and Duquesne Light service territories.[57]

For the reasons outlined above, CAUSE-PA submits that the terms of the proposed Settlement allowing the CRP to terminate on May 31, 2027, consistent with the terms of settlement in FE PA's last DSP proceeding will further the public interest and are supported by substantial record evidence in this case. As such, the proposed Settlement should be approved by the Commission without delay or modification.

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[55] TSE St. 1 at 11; TSE Exhibit RM-3.

[56] CAUSE-PA St. 1-R at 13.

[57] See CAUSE-PA St. 1-R at 29 (citing Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period from June 1, 2025 through May 31, 2029, Final Order, Docket No. P-2024-3047290 (order dated Nov. 7, 2024); Petition of Duquesne Light Company for Approval of its Default Service Plan for the Period from June 1, 2025 through May 31, 2029, Final Order, Docket No. P-2024-3048592 (order dated Jan. 14, 2025).

VI. SUPPLIER COORDINATION TARIFF CHANGES AND RETAIL SHOPPING ISSUES

FE PA's proposed supplier coordination tariff amendments and related procedural reforms are supported by substantial, unrebutted evidence of harm to all ratepayers. Namely, excessive charges for residential and low income shopping customers are driving substantially higher rates of involuntary terminations and excessive levels of uncollectible expenses – driving up the rates for all residential ratepayers. Specifically, in addition to allowing its CRP to terminate as planned on May 31, 2027, discussed above, FE PA proposed the following reforms, which are incorporated into the terms of the proposed Settlement[58]:

- To require suppliers enrolling customers on fixed term contracts after June 1, 2027, to return those customers to default service at the end of the contract unless the customer affirmatively chooses to remain with the EGS in response to notices sent by the EGS as required by the Commission's regulations. To facilitate this change, FE PA is seeking formal waiver of 52 Pa. Code § 54.10(3).[59]
- To require EGSs offering variable rate contracts after June 1, 2027, to provide an attestation of affirmative consent to remain in the variable rate contract on a quarterly basis.[60]
- To modify its Purchase of Receivables (POR) Program to require all suppliers that wish to use the POR to offer rate ready billing and charge a rate that is at or below the FE PA default service price at the time of the customer's enrollment or rate change transaction.[61]

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[58] Joint Petition at 17-18, para. 65-68.

[59] DSP VII Petition at para. 48-52; Joint Petition at 18, para. 66.

[60] DSP VII Petition at para. 51; Joint Petition at 18, para. 66.

[61] DSP VII Petition at para. 55; Joint Petition at 18, para. 67.

As discussed in turn below, CAUSE-PA believes these proposed terms are just, reasonable, and firmly in the public interest, as they will help to stem certain and ongoing harm to residential and low income customers in accordance with the Public Utility Code.[62] As such, these provisions of the Settlement should be approved without delay or modification.

A. Return of Customers to Default Service at Contract Expiration

The proposed Settlement adopts FirstEnergy's proposal to amend the current procedure at the expiration of a fixed price contract. Rather than passively roll into a new rate chosen by a supplier, customers would revert to default service if they do not affirmatively consent to a new contract term during the renewal period. To the extent necessary, FE PA is seeking formal waiver of Section 54.10(3) of the Commission's regulations to effectuate this procedural change.[63]

It is just, reasonable, and squarely in the public interest to ensure that shopping customers are only charged rates that they knowingly and intentionally agree to accept.

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[62] The Choice Act does not demand "unbridled competition" – to the contrary, the Act itself contains a multitude of priorities that sometimes conflict. See CAUSE-PA v. Pa. PUC, 120 A.3d 1087 (Pa. Commw. Ct. 2015). Beyond the Choice Act, the Public Utility Code likewise contains competing priorities that must be balanced to advance the public interest.

[63] Joint Petition at 20, para. 73. Section 54.10 (3) currently allows suppliers to roll customers into a new fixed or variable rate of the suppliers' choosing, so long as the supplier does not assess a cancellation fee. 52 Pa. Code § 54.10(3).

Under FE PA's proposal and pursuant to the terms of the proposed Settlement, consumers will retain direct access to the market and will have the ability to choose any product they wish, at any time, without added fees or restrictions. If a customer does not make an affirmative choice, they "would literally 'default' to default service."[64] This intuitive procedure at the end of the contract term would prevent the well-documented harm in the retail market without restraint on consumer choice.[65] Quite the opposite of restraint, this procedure would restore choice – empowering consumers to explore the market without worrying whether a missed deadline could result in economic disaster.[66] Electricity to a home is not the same as a gym membership, and should not be subject to auto-renewal at a new price without affirmative, informed consent.[67]

The current paradigm, allowing suppliers to charge a different rate at the end of a contract term without obtaining informed consent, has proven to be unjust and unreasonable and is undeniably driving higher rates of termination and uncollectible expenses among residential shopping customers.[68] These stark disparities in termination rates and uncollectible expenses are not the result of a conscious choice by consumers. Indeed, nobody chooses involuntary termination. Rather, these outcomes are the result of

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[64] CAUSE-PA St. 1-R at 24.

[65] CAUSE-PA St. 1-R at 24-26.

[66] CAUSE-PA St. 1-R at 25-26.

[67] CAUSE-PA St. 1-R at 25-26.

[68] CAUSE-PA St. 1 at 23-24; CAUSE-PA Exhibits 1-3; CAUSE-PA St. 1-R at 17-18; CAUSE-PA Exhibit 1-R.

a process that allows suppliers to roll passive customers onto a rate of the suppliers' choosing without their explicit informed consent.[69]

By returning customers to default service at contract expiration unless they affirmatively consent to remain with a supplier, FE PA's proposal, as memorialized in the proposed Settlement, will help alleviate the well-documented harm that excessive retail market rates cause residential and low income customers. CAUSE-PA submits that this revised procedure will further the public interest, is supported by substantial record evidence, and should be approved without delay or modification. To the extent necessary, FE PA's request for regulatory waiver should likewise be approved, as it squarely meets the requirements for regulatory waiver.

B. Quarterly Affirmation for Variable Rate Contracts

In addition to improving choice at the end of a fixed term contract, the proposed Settlement adopts FE PA's proposal to require suppliers to provide an attestation of affirmative consent from consumers enrolled in a month-to-month variable rate contract.[70] As explained above, the prolonged patterns of excessive pricing in the residential retail market are deeply troubling – costing residential ratepayers in excess of $888 million over a 100-month period, disproportionately impacting low income households.[71] These

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[69] CAUSE-PA St. 1-R at 26.

[70] Joint Petition at 18, para. 66.

[71] CAUSE-PA St. 1 at 16-20.

excessive charges in the competitive market are having a direct impact on the rate of payment troubled accounts and involuntary termination rates for shopping customers.[72]

Consistent with the arguments advanced above regarding the critical need for affirmative consent to a new product at the end of a fixed rate contract, it is just, reasonable, and firmly in the public interest to require that suppliers charging a month-to-month variable rate attest to whether the consumer provided affirmative consent to be charged in this manner.

C. Changes to Purchase of Receivables (POR) Program

Under its current POR Program, FE PA will purchase the receivables of suppliers participating in utility consolidated billing. This is a tremendous benefit to suppliers because it eliminates any risk that suppliers have if their customers are unable to pay and, in doing so, eliminates any incentive for suppliers to charge affordable rates.[73] The existing POR allows participating suppliers to avoid incurring any collections costs incurred by normal businesses, while any additional costs are borne exclusively by consumers through higher collections costs, higher uncollectible expenses, higher involuntary termination rates, and the associated negative consequences to health, safety, and wellbeing of residential consumers.[74]

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[72] CAUSE-PA St. 1 at 9, 22-24; CAUSE-PA St. 1-R at 25-26; CAUSE-PA Exhibits 1-3, 1-R.

[73] CAUSE-PA St. 1 at 31-32.

[74] CAUSE-PA St. 1 at 10-14, 31-32.

In its last DSP, FE PA implemented a "clawback" provision, which attempted to prevent pass-through of excessive uncollectible charges.[75] The "clawback" provision has blunted the harm but has not eliminated it. Residential ratepayers are still carrying the burden of higher uncollectible expenses associated with residential shopping accounts.[76] Having proven ineffective, FE PA sought to advance further POR reforms in this case.

The proposed Settlement would add additional parameters to the POR program, requiring suppliers to utilize "rate-ready" billing and limiting participation to suppliers charging rates that do not exceed the applicable default service rate. These new parameters are critically important to restrain excessive uncollectible costs passed on to residential consumers, unnecessarily inflating residential customer bills.

As discussed, residential shopping customers have faced excessive charges, on net exceeding $888 million since August 2017, and low income customers have been subjected to even higher rates – despite their well-documented inability to pay. On a per customer basis, residential customers were charged well over $1,000 more than the applicable default service price since 2022 – while low income shopping customers were charged several hundred dollars more.[77] These higher prices have served to exacerbate rising energy insecurity for low income families.[78] Evidence in this case is clear: Uncollectible expenses

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[75] CAUSE-PA St. 1 at 32.

[76] CAUSE-PA St. 1-R at 17-18.

[77] CAUSE-PA St. 1 at 22-23, T.5 & 6.

[78] CAUSE-PA St. 1 at 10-14.

associated with residential shopping accounts are substantially higher than the uncollectible expenses associated with default service accounts. From 2022 through 2025, POR-related uncollectible rates ranged between 22-56% higher than default service uncollectible rates, and in 2025 on a per customer basis, POR uncollectibles ranged between $23-$38, compared $8-$15 for default service uncollectibles.[79]

The requirement that suppliers utilize rate ready billing is an important safeguard not only to prevent the pass-through of excessive costs to other ratepayers, but also to ensure that non-commodity charges are properly excluded from POR. Commission regulation expressly prohibits termination of service for nonpayment of non-basic service charges, in whole or in part.[80] But as Mr. Cicero explained, "Bill ready billing does not allow FE PA to differentiate between basic and non-basic charges, so a utility may not terminate service unless it can verify that the charges included in the bill include only nonbasic charges."[81]

Of note, there are no legal requirements for FE PA to operate a POR. In fact, the Public Utility Code expressly *prohibits* the Commission from *requiring* an EDC to operate a POR.[82] While Commission policy finds it is in the public interest to *consider* the availability of rate and bill ready billing, and to *consider* POR programs, this is not the

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[79] CAUSE-PA Exhibit 1-R.

[80] 52 Pa. Code § 56.83.

[81] CAUSE-PA St. 1-R at 23-24.

[82] 66 Pa C.S. § 2807(c)(3).

same as a finding that these conventions *are* in the public interest.[83] When POR was first advanced in the 2011 Retail Market Investigation as a potential voluntary market enhancement program, the Commission had no data to assess how it would impact uncollectible expenses – "the mechanism was advanced as a policy preference, with the hope of supporting healthy retail market growth."[84] Data collected since 2011 suggests POR "allows suppliers to act with impunity, charging excessive rates without regard to whether the customer is ultimately able to pay" – at other ratepayers' expense.[85]

The provisions of the proposed Settlement are appropriately measured and would allow POR to remain available to suppliers that want the substantial benefit of guaranteed collections while at the same time protecting residential consumers from excessive collections costs. CAUSE-PA submits that the proposed POR reforms within the proposed Settlement are supported by substantial evidence, will further the public interest, and should be approved without modification or delay.

VII. CUSTOMER ASSISTANCE PROGRAM MAXIMUM BILL CREDITS

To help alleviate the impact of rising default service rates on CAP participants, the proposed Settlement requires FE PA to increase the static maximum credit threshold for electric heating customers and to report on credit exceedance levels at its quarterly

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[83] 52 Pa. Code §§ 69.1813-1814.

[84] CAUSE-PA St. 1-R at 21.

[85] CAUSE-PA St. 1-R at 21.

Universal Service Advisory Committee (USAC) meetings.[86] CAUSE-PA submits that these provisions of the proposed Settlement are critically important to prevent an anticipated spike in CAP termination rates, and help fulfill the universal service obligations embedded in the Choice Act requiring programs to be appropriately funded and available in each service territory to ensure low income and other vulnerable customers can connect and maintain service, and prohibiting the erosion of assistance over time.[87]

As a large electric distribution company subject to the requirements of the Public Utility Code, FE PA is required to offer an integrated package of universal service programs designed to help low income, payment troubled ratepayers to maintain and afford essential utility services to their home.[88] The universal service provisions of the Choice Act tie the affordability of electric service to a household's ability to pay, and vest the responsibility with the Commission to ensure universal service programs and services are appropriately funded to assist low income households to maintain service to their home.[89]

CAP is part of the required suite of universal service programs, and provides low income participants with a discounted rate based on a percentage of income, known as the CAP rate, and provides an opportunity for participants to earn forgiveness over time on

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[86] Joint Petition at 19, para. 70.

[87] 66 Pa. C.S. §§ 2802(10), (17); 2803; 2804(9).

[88] See 66 Pa. C.S. §§ 2802(9)-(10), (17); 2803; 2804(9); 52 Pa. Code 54.71 et seq.

[89] 66 Pa. C.S. §§ 2803, 2804(9).

debt accrued prior to enrolling in CAP.[90] Together, these benefits provide participants with a more affordable bill and offer an alternative path to traditional collections, while also driving a host of other far-ranging benefits - including reduced collections costs, termination rates, and uncollectible expenses.[91]

The difference between the customer's CAP rate and the full tariff bill is known as the CAP revenue shortfall or CAP credit, which is subject to a fixed maximum credit based on usage type (electric heating or electric non-heating) and federal poverty level. Maximum credit limits are imposed on an annual, calendar-year basis (January through December).[92] If a CAP participant reaches their maximum credit threshold before the end of a calendar year, they will remain in CAP but will receive a full tariff bill until the credits reset at the end of the calendar year.[93]

As Mr. Cicero explained, FE PA's static maximum CAP credit thresholds are already inadequate to meet increased need following the significant leap in wholesale energy prices, driven primarily by data center load growth.[94] In 2025, 14,040 CAP

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[90] CAUSE-PA St. 1 at 36.

[91] See id.; 66 Pa. C.S. § 2803; 52 Pa. Code § 54.72.

[92] CAUSE-PA St. 1 at 36-37.

[93] CAUSE-PA St. 1 at 36-37. Unused credits do not carry over to the following year.

[94] CAUSE-PA St. 1 at 38-42. Since December 2024, default service rates have increased between 18-27% across FE PA's service territory and are projected to increase even further, falling hardest on low income consumers.

participants exceeded the CAP credit threshold.[95] In the first three months of 2026, 2,412 CAP participants had already exhausted their annual maximum CAP credits, and this number is expected to rise dramatically as the extraordinarily cold winter collides with extreme summer temperatures – driving increased usage at high rates.[96] The greatest concern of increased exceedance is for CAP participants that heat with electricity, as the maximum CAP credit threshold for electric heating customers falls woefully short of projected need even at average usage rates, with average credit deficiencies at current default rates ranging between $296 and $1,380.[97] Further projected increases in FE PA's default service price without a corresponding increase in FE PA's maximum CAP credits will necessarily increase credit exceedance levels, undermining the effectiveness of CAP at reducing energy insecurity, improving bill coverage and payment frequency, and reducing termination rates and collections costs.[98]

To address these documented deficiencies and prevent further harm to CAP participants, Mr. Cicero recommended that FE PA increase its maximum CAP credit limits for heating customers by 60% for each income tier.[99] In turn, he recommended that FE PA

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[95] CAUSE-PA St. 1 at 39, T.7.

[96] Id.

[97] CAUSE-PA St. 1 at 43, T.9.

[98] CAUSE-PA St. 1 at 38.

[99] CAUSE-PA St. 1 at 40.

periodically update its CAP credit limit with any future default service or base rate increase to ensure the credit threshold is sufficient to provide an affordable rate on a total bill basis.

While the proposed Settlement does not adopt Mr. Cicero's recommendation that FE PA make ongoing adjustments to the maximum CAP credit threshold when rates increase, the terms of the agreement will meaningfully increase the static maximum CAP credit threshold for heating customers at each income tier. This critical adjustment will help to protect economically vulnerable households from termination, ensuring the program will continue to drive holistic benefits to participants and other ratepayers. In turn, ongoing reporting requirements included in the proposed Settlement through FE PA's USAC will help to ensure the Commission and stakeholders are able to assess whether further adjustments are necessary as costs increase.

Of note, this issue was not contested by any of the non-settling parties – punctuating the fact that these provisions are just, reasonable, and in furtherance of strong public interest to maintain life-essential electricity service to economically vulnerable households in FE PA's service territory. In fact, FE PA's witness shared CAUSE-PA's concern that an increasing number of CAP customers are exceeding the maximum CAP credit level before the end of the program year.[100]

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[100] FE PA St. 1-R at 15. The only aspect of this issue subject to any dispute among the parties was whether the issue should be addressed in this proceeding FE PA St. 1-R at 15. As Mr. Cicero explained, "the substantial increase in CAP customers exceeding their maximum CAP credits is a direct result of the substantial increase in FE PA's default

For these reasons, CAUSE-PA submits that the maximum CAP credit terms will advance the public interest and, thus, should be approved by the Commission without modification or delay.

VIII. ADDITIONAL SETTLEMENT TERMS

The additional terms included in the proposed Settlement preserve the settling parties' rights if any terms of the well-balanced agreement are disrupted.[101] The additional terms also provide that the proposed Settlement does not constrain the settling parties from taking a different position in another case, and that the agreement is without prejudice to the parties' positions in this case or any other cases.[102] These provisions help reduce the burden of litigation by encouraging settlement while ensuring the parties' respective rights are preserved.

IX. CONCLUSION

CAUSE-PA submits that the proposed Settlement is firmly in the public interest, supported by the overwhelming (and substantial) weight of the evidence. As such, and for the reasons explained more thoroughly above, we urge DCALJ Hoyer and ALJ Gannon to approve the proposed Settlement in its entirety and without modification or delay.

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service rates." CAUSE-PA St. 1-R at 12. FE PA's next USECP is not scheduled to be filed until 2029. CAUSE-PA St. 1-R at 12; CAUSE-PA St. 1 at 12-14. The Commission cannot wait for another future proceeding to address harm that is occurring now.

[101] Joint Petition at page 21-22, para. 78.

[102] Joint Petition at page 21, para. 77.

CAUSE-PA intends to file Main and Reply Briefs, as necessary, to further elaborate on the legal and policy basis in support of the proposed Settlement and in response to the objecting parties and reserves its rights with respect thereto.

Respectfully submitted,
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July 2, 2026

STATEMENT E

Statement in Support of Joint Petition for Non-Unanimous Settlement of Walmart, Inc.

Statement E

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of FirstEnergy Pennsylvania :
Electric Company for Approval of Its : Docket No. P-2026-3060298
Default Service Program for the Period :
June 1, 2027 to May 31, 20231 :

WALMART INC.'S
STATEMENT IN SUPPORT OF
THE JOINT PETITION FOR NON-UNANIMOUS SETTLEMENT

Walmart Inc. ("Walmart"), by counsel, hereby submits this Statement in Support of the Joint Petition for Non-Unanimous Settlement ("Joint Petition" or "Settlement") filed with the Pennsylvania Public Utility Commission ("Commission") by parties in the above-referenced proceeding, and asserts that the terms of the Settlement are just and reasonable and that approval of the Settlement is in the public interest.

I. INTRODUCTION

A. Procedural History

On February 3, 2026, FirstEnergy Pennsylvania Electric Company ("FE PA" or "Company") filed with the Commission its Petition for Approval of Its Default Service Program for the Period June 1, 2027, to May 31, 2031 ("DSP VII"). The DSP VII included proposed changes to non-residential Price to Compare ("PTC") assignment based on maximum registered peak loads ("MRPL") that would cause certain customer-generator customers to transition from the Company's PTC Rider to the Company's Hourly Pricing Default Service Rider ("HP Rider").

On March 17, 2026, Walmart filed a Petition to Intervene to participate in this proceeding. As indicated in its Petition to Intervene, Walmart is a national retailer with 116 Supercenters, 19 Discount Stores, 24 Sam's Clubs, and 11 Supply Chain Facilities in the Commonwealth of Pennsylvania. Walmart has 83 retail units, 5 distribution centers, and related facilities served by the Company and purchases more than 295.5 million kWh annually from FE PA's operating entities, primarily pursuant to Rate Schedule General Service-Large Demand. Walmart also has long had aggressive and significant company-wide renewable energy goals that include the goal of bringing 10 GW of new clean energy projects online by the end of 2030, including 1 GW of new onsite solar plus storage, and enabling 2 GW of new community solar projects. Due to these renewable energy goals, Walmart intervened in this proceeding to address its concerns with the potential impact of the Company's proposed changes to non-residential customer classification based on MRPL.

To that end, on April 29, 2026, Walmart submitted the Direct Testimony of Steve W. Chriss, Group Director, Utility Partnerships, addressing the customer classification proposal based on MRPL.[1]

C. Legal Standards

As stated in 52 Pa. Code § 5.231, "[i]t is the policy of the Commission to encourage settlements." In keeping with this policy, the parties in this case, including Walmart, engaged in discussions on the issues presented in the course of litigation. These negotiations ultimately produced the Settlement presented in this proceeding. The settling parties agree that this Settlement is in their best interests and in the best interests of the Pennsylvania public.

III. CLASSIFICATION OF NON-RESIDENTIAL DEFAULT SERVICE CUSTOMERS

A. Classification of Customers Based on Maximum Registered Peak Load

The Settlement includes a term amending the Company's MRPL proposal that provides some assurances to potential customer-generators that may take service under the HP Rider. Specifically, the Settlement provides a commitment that FE PA will maintain certain structural components, including capacity and line losses, of customer-generator

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[1] *See generally* Walmart Statement No. 1.

compensation under the HP Rider until May 31, 2041, absent a material change in the capacity markets operated by PJM Interconnection, L.L.C. ("PJM").[2] In the event that a material change occurs that warrants the Company changing the structural components of the HP Rider, the Settlement term further requires notice and meeting with parties to the Settlement thirty days in advance of any Commission filing proposing changes to the structural components of the HP Rider.[3]

Because Walmart intends to develop solar generation projects in FE PA's service territory, the Settlement term providing the Company's commitment not to change certain structural components of the HP Rider for a period of fifteen years provides some stability for prospective customer-generators like Walmart to move forward with solar projects. As such, Walmart believes that the MRPL provision set forth in the Settlement, while not perfect and not without risk to future planned developments, is a reasonable compromise that may encourage solar generation in the Commonwealth.

IX. CONCLUSION

The Settlement achieved by the parties in this case, while non-unanimous, is the result of amicable negotiations and compromise. Accordingly, Walmart believes that the Settlement produces a non-discriminatory result that is in the public interest and advances the Commission's policy favoring settlements.

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[2] Settlement, ¶ 38.

[3] *Id.*

WHEREFORE, Walmart Inc. respectfully requests that Deputy Chief Administrative Law Judge Mark Hoyer, Administrative Law Judge Erin Gannon, and the Pennsylvania Public Utility Commission approve the Joint Petition for Non-Unanimous Settlement filed in this proceeding, without modification.

Respectfully submitted,

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Dated: July 2, 2026

STATEMENT F

Statement in Support of Joint Petition for Non-Unanimous Settlement of Duquesne Light Company

Statement F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of FirstEnergy Pennsylvania Electric Company for Approval of Its Default Service Program for the Period June 1, 2027 to May 31, 2031	: : : :	Docket No. P-2026-3060298

DUQUESNE LIGHT COMPANY
STATEMENT IN SUPPORT OF NON-UNANIMOUS SETTLEMENT

I. INTRODUCTION

The Duquesne Light Company ("Duquesne Light") filed a Petition to Intervene in this proceeding on March 16, 2026. On March 19, 2026, Duquesne Light's Petition to Intervene was granted by Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Erin L. Gannon at the Prehearing Conference. As stated in the Petition to Intervene, Duquesne Light recognized several affordability initiatives proposed by FirstEnergy PA that had the potential to impact the statewide retail choice market.

Duquesne Light provides default service to over 440,000 residential customers. FirstEnergy PA's proposed affordability provisions have applicability throughout the state, as all customers in Pennsylvania are subject to recent increases in wholesale energy costs. Specifically recent price increases in the wholesale market have placed heightened awareness of customer affordability. The Joint Petition for Non-Unanimous Settlement ("Settlement") includes several modifications in its DSP that are matters of first impression to the Commission and, Duquesne Light submits, should be accepted by the Commission.[1]

VI. SUPPLIER COORDINATION TARIFF CHANGES AND RETAIL SHOPPING ISSUES[2]

Like FirstEnergy PA, Duquesne Light's customers are experiencing affordability issues for critical electric service. The forces driving the increases in prices have been well documented and are the active topic of political interest at both the State and Federal level. Duquesne Light supports the Non-Unanimous Settlement with regard to the affordability initiatives identified in FirstEnergy's initial DSP Petition and supporting testimony. Namely, section II, subsection I, concerning modifications to shopping consent requirements and modifications to Purchase of Receivable compliance.[3]

The Settlement adopts changes to the supplier tariff that would require EGSs to return residential customers to default service at the conclusion of their fixed duration contracts, unless that customer provides affirmative consent to remain with the EGS.[4] Paragraph 66 states that the Company will implement its proposal to revert EGS customers back to default service absent affirmative consent in response to renewal notices as originally proposed in the Company's filing on February 3, 2026. As the testimony of FirstEnergy PA witness David M. Young explained, requiring affirmative action by residential customers to remain with an EGS after the end of a fixed duration contract and requiring customer consent on a quarterly basis for month-to-month variable

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[1] FirstEnergy PA's default service schedule is on a different four-year cycle from *all other major electric utilities*. As such, issues raised for the first time in this proceeding will not be addressed by other utilities for an additional two years.

[2] This Statement in Support utilizes the Common Outline, and addresses Section VI of that outline.

[3] Duquesne Light supports the Non-Unanimous Settlement customer affordability provisions contained in section II.I (paragraphs 65 through 68) . Duquesne Light does not oppose the remaining terms and conditions of the settlement.

[4] The Settlement shopping consent provisions are fully supported by FirstEnergy PA St. 1 and 1R, as well as the testimony provided by the Office of Consumer Advocate and CAUSE-PA.

rate products, addresses issues arising from residential customers unknowingly paying prices in excess of the price to compare.[5]

Given the evidence presented showing that shopping has resulted in hundreds of millions of dollars of additional costs for ratepayers, the Settlement's requirements that residential shopping customers must provide affirmative consent to remain on supplier contracts is a meaningful affordability provision that should be approved. This provision will positively impact the retail market in Pennsylvania, particularly in the western Pennsylvania market in which Duquesne functions. [6]

Duquesne Light further supports the settlement's Purchase of Receivables ("POR") program modifications. Under the settlement (paragraph 67), FirstEnergy will implement its proposal to disqualify the purchase of receivables billing option for electric generation suppliers charging above the PTC as originally proposed in the DSP filing. FirstEnergy explained that, on average from 2022 to 2025, the uncollectible expense per customer was $7.82 for the residential default service customers and $22.86 per shopping (POR) customer. POR-related uncollectible expense disproportionately contributes to FirstEnergy's overall generation-related uncollectible expense relative to the share of shopping customers.[7]

As supported by FirstEnergy evidence, this provision will incentivize marketers to improve the affordability of offers in the Pennsylvania retail market. While this POR modification will only apply in FirstEnergy at this time, it is likely to reduce the number of EGSs offering uncompetitive prices that operate throughout Pennsylvania.

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[5] FE-PA St. 1R at 7.

[6] The Duquesne Light Service territory is geographically surrounded by the FirstEnergy service territory and shares the Pittsburgh area advertising market.

[7] FE St. 1R at 9-10.

Taken together, Duquesne Light supports these affordability initiatives and submits that the Commission should take this first step toward improving the pricing environment in Pennsylvania at this first opportunity.

Respectfully Submitted,

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