

April 27, 2020

VIA EFILE

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

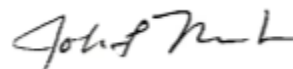
**Re: Phase IV Tentative Implementation Order;
Docket No. M-2020-3015228**

Dear Secretary Chiavetta:

Enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company to the Pennsylvania Public Utility Commission's March 12, 2020 Tentative Implementation Order.

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

Very truly yours,



John L Munsch

JLM:dml

Enclosure

cc: Joseph Sherrick, josherrick@pa.gov
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Tentative Implementation Order : **Docket No. M-2020-3015228**

**COMMENTS OF METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY,
PENNSYLVANIA POWER COMPANY AND WEST PENN
POWER COMPANY TO THE
TENTATIVE IMPLEMENTATION ORDER**

Background

Act 129 of 2008, 66 Pa.C.S. § 2806.1 (“Act 129”), required the Commonwealth’s largest electric distribution companies (“EDCs”) to develop Energy Efficiency & Conservation (“EE&C”) programs. From an implementation standpoint, Act 129 required the Pennsylvania Public Utility Commission (“Commission”) to evaluate the costs and benefits of: 1) the Phase I energy consumption program; and 2) the Phase I peak demand reduction program by November 30, 2013. The Commission determined in its Phase II Implementation Order that additional reductions in consumption were cost-effective and prescribed targets to be met by May 31, 2016,¹ however, the Commission did not have enough information to determine the cost-effectiveness of peak demand reduction programs and only permitted EDCs to voluntarily offer cost-effective demand reduction programs.² The Commission determined in its Phase III Implementation Order that additional reductions in the consumption and peak demand were cost-effective and therefore prescribed

¹ See *Energy Efficiency and Conservation Program Implementation Order*, page 24, at Docket Nos. M-2012-2289411 and M-2008-2069887, entered Aug. 2, 2014.

² *Id.* at 32, 33, 42 and 43.

reductions in consumption and peak demand targets to be met by May 31, 2021.³ In accordance with Act 129's directives, the Commission initiated several activities to determine whether additional incremental consumption and peak demand reduction targets for Phase IV, for a period of time after May 31, 2021, should be adopted and, if so, at what levels. The Commission tasked the Phase III Statewide Evaluator ("SWE") with performing an energy efficiency and peak demand reduction ("EEPDR") potential study, as well as a dispatchable demand response ("DDR") potential study to determine the cost-effective consumption and peak demand reduction potential in Pennsylvania. The SWE submitted its final *Pennsylvania Act 129 Phase IV Energy Efficiency and Peak Demand Reduction Market Potential Study* and *Pennsylvania Act 129 Phase IV Demand Response Potential Study* to the Commission on February 28, 2020.⁴ The EEPDR and DDR Potential Studies were released publicly via Secretarial Letter served March 2, 2020.⁵

On March 12, 2020, the Commission entered a Tentative Implementation Order ("Tentative Order") outlining its proposed requirements for Phase IV EE&C Programs beginning June 1, 2021 and requesting that stakeholders submit comments by April 27, 2020. Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn Power") (collectively, the "Companies") offer the following comments for the consideration of the Commission. In addition, the Companies support the comments filed by the Energy Association of Pennsylvania in this matter.

³ See *Phase III Final Implementation Order*, page 12, at Docket No. M-2014-2424864, entered June 19, 2015.

⁴ See *Pennsylvania Act 129 - Phase IV Energy Efficiency and Peak Demand Reduction Market Potential Study Report*, submitted by Optimal Energy, Inc., *et. al.*, February 28, 2020; *Pennsylvania Act 129 - Phase IV Demand Response Potential Study*, submitted by Demand Side Analytics, Inc., *et. al.*, February 2020.

⁵ See *Release of the Act 129 Statewide Evaluator Energy Efficiency and Peak Demand Reduction Market Potential and Demand Response Potential Studies and Stakeholder Meeting Announcement* Secretarial Letter, at Docket No. M-2020-3015229, served March 2, 2020.

Summary of Comments

The Phase IV Tentative Order takes numerous steps that the Companies believe will be beneficial for Pennsylvania’s Energy Efficiency (“EE”) future. However, the Companies offer the following recommendations that would enhance outcomes as outlined in the Phase IV Tentative Order.

1. Proposed Peak Demand Reduction Targets

While the Companies agree with the determination to rely on coincident peak demand reductions for EE measures as the basis for setting the proposed peak demand reduction targets, the Commission unreasonably set the targets at the full projected amount of coincident peak demand savings from the mix of measures used to set the EE consumption reduction targets according to the Market Potential Study (“MPS”). This relies on the measure mix as modeled in the MPS, and the Companies recommend that the target be reduced to 70% of the amounts proposed in the Order so as to recognize the inherent uncertainty in both the MPS and mix of measures implemented by customers.

2. Savings in Excess of Reduction Requirements Including Coincident Peak

The Companies agree with the Commission in continuing the process associated with carryover savings established for Phase III, “recognizing the value of the reductions achieved by and paid for by rate payers,” where the Tentative Order allows EDCs to count savings attained in Phase III in excess of their targets and apply them towards their Phase IV targets. For the same reasons, the Commission should also allow coincident peak demand reductions associated with EE savings in excess of the Phase III targets to carryover and apply towards the Phase IV peak demand reduction targets.

3. Bidding Peak Demand from Energy Efficiency Resources into the PJM Capacity Market

The Companies fully support the Commission’s proposal that proceeds from PJM Interconnection, LLC (“PJM”) participation should be used to reduce collections from customers and not as a mechanism to increase the EE&C budgets, and not as a mechanism to increase the EE&C budgets beyond the budget caps established in Act 129. Also, while the Companies agree that a description of the strategy and approach to offering resources into the PJM capacity market can be included in the EE&C Plans, the Companies recommend against requiring specific annual megawatt (“MW”) projections and details in the EE&C plan filing given that it is nearly impossible to develop reasonable estimates of what will be offered in this filing with the accuracy envisioned in the Tentative Order. Furthermore, in order to encourage and optimize PJM participation in the most prudent manner and create a “win-win” opportunity for customers, stakeholders, and EDCs, the Companies recommend that the Commission adopt a PJM revenue sharing mechanism, whereby customers and utilities each receive a portion of the revenues from PJM participation for qualified EE resources.

4. Equitable EDC Acquisition Costs

Recognizing the broad range of acquisition cost among EDCs, as well as West Penn Power having a significantly lower acquisition cost as compared to all other EDCs and the statewide average, the level of uncertainty and amount of assumptions included in the MPS, customer rates and the Commission’s stated interests in EDCs focusing on and implementing more comprehensive programs and measures, the Companies recommend that West Penn Power’s acquisition cost be increased by 15%. Doing so

provides West Penn Power with the opportunity to provide greater incentives to motivate customers as equitably as other EDCs to participate in its Act 129 EE&C programs as well as the opportunity to design its Phase IV EE&C plan with an equitable focus on comprehensive programs and measures.

5. Commission’s Ability to Revise EDC EE Targets

Given the Commission’s inability to waive penalties under the current legislation, the Commission should incorporate a provision in the Tentative Order and establish a process to allow for EDC targets to be revised during Phase IV should circumstances develop beyond the utilities’ control that may negatively impact their ability to achieve the initially established targets.

6. Prescription of Low-Income Measures and Carve-Out

The Companies have been successfully harmonizing, coordinating and leveraging their Low-Income Usage Reduction Program (“LIURP”) and Act 129 low-income offerings and funding. As such, they recommend that the Commission not change requirements and continue to support the opportunity to continue these efforts and flexibility during Phase IV.

7. Government, Nonprofit and Institutional (“GNI”) Entities

The Companies fully support the Commission proposal to not specify a carve-out for the GNI sector for Phase IV of Act 129, recognizing that the GNI sector customers will be equitably and more efficiently served under the small and large commercial/industrial sector programs.

Proposed Peak Demand Reduction Targets

The Companies concur with the Commission's proposal to use coincident peak demand reductions from EE measures to establish peak demand reduction targets versus utilizing dispatchable demand response ("DDR") programs. The SWE's analysis of the reduced DDR avoided cost benefits, the risks and complexities of PJM's PSA DDR program, and the Commission's preference for lasting peak demand reductions from EE measures versus single-year reductions from DDR programs justify such an approach for Phase IV of Act 129.

While the Companies agree with the determination to rely on coincident peak demand reductions from EE measures as the basis in setting the peak demand reduction targets, the Commission inappropriately set the targets at the full projected amount of coincident peak demand savings of the exact mix of measures used to set the consumption reduction targets. This is inappropriate for several reasons.

First, in regards to ensuring that each EDC's EE&C plan includes a variety of measures and that each plan will provide the measures equitably to all customer classes, the Commission acknowledges that "[t]here is no single set of measures that will fit all EDCs and the myriad mix of customer classes."⁶ However, in setting the peak demand reduction targets, the Commission set the target at 100% of the coincident peak demand savings from the mix of measures used to set the EE consumption reduction targets according to the MPS. The mix of EE measures are particularly important when considering and setting coincident peak demand reduction goals. While two different measures may have similar kilowatt hour ("kWh") reductions and can easily be substituted based on customer preference or market conditions, the load shape, or usage

⁶ Tentative Order, p. 44.

patterns, of those same measures can have significant differences in their peak demand reduction contribution, thus not allowing for that same flexibility. This lack of flexibility effectively ties the EDCs to the mix of measures assumed in the MPS for both the consumption reduction and peak demand reduction targets and limits EDC flexibility in implementing programs across all customer classes to meet the targets. The Companies recommend that, similar to the Commission's approach in setting the low-income savings targets, the targets should be a portion of the full potential and not 100% of the full potential. Doing so would appropriately recognize the inherent uncertainty in the MPS as well as recognition that there is no perfect mix of measures for each EDC and that the actual measures implemented by customers will vary from the MPS for many reasons.

Second, the proposed peak demand reduction targets are significantly greater than the EE peak demand reductions achieved through the Phase III programs to date, underscoring the above concerns related to setting the targets at 100% of the coincident peak demand savings from the mix of measures used to set the EE consumption reduction targets, effectively tying the EDCs to a mix of measures and exposing them to the inherent uncertainty in the MPS. As detailed in the chart below, the results of the coincident peak demand reduction savings from the current Phase III programs to date, on a kilowatt ("kW")/megawatt hour ("MWh") basis, are significantly less than the ratios based on the peak demand reduction and consumption reduction targets for Phase IV for all EDCs.

| EDC | Phase IV Consumption Reduction Target (MWh) (a) | Phase IV Peak Demand Reduction Target (MW) (b) ¹ | Phase IV KW/MWh Ratio (c) = (b x 1000)/a | Phase III VTD KW/MWh Ratio (d) ^{2,3} | Phase IV / Phase III VTD KW/MWH Ratio (c / d) | Phase III VTD / Phase IV KW/MWH Ratio (d / c) |
|--|---|---|--|---|--|--|
| Duquesne Light | 347,084 | 67 | 0.193 | 0.127 | 151% | 66% |
| PECO | 1,380,837 | 276 | 0.200 | 0.138 | 145% | 69% |
| PPL | 1,250,157 | 244 | 0.195 | 0.145 | 135% | 74% |
| FE: Met-Ed | 463,215 | 85 | 0.184 | 0.139 | 132% | 76% |
| FE: Penelec | 437,676 | 91 | 0.208 | 0.121 | 172% | 58% |
| FE: Penn Power | 128,909 | 22 | 0.171 | 0.140 | 122% | 82% |
| FE: West Penn Power | 504,951 | 95 | 0.188 | 0.127 | 148% | 68% |
| Statewide | 4,512,829 | 878 | 0.195 | 0.136 | 143% | 70% |
| Notes: | | | | | | |
| 1. Statewide values do not sum due to rounding | | | | | | |
| 2. Per each EDC's Semi-annual Report to the Pennsylvania Public Utility Commission, Phase III of Act 129, Program Year 11, dated 1/15/2020. See Tables 5-1 and 6-1 for Met-Ed, Penelec, Penn Power, West Penn Power and PECO. See Tables 7 and 8 for DQE and Tables 6 and 7 for PPL. | | | | | | |
| 3. Results are Phase III Verified to Date, and for all EDCs exclude Residential Behavioral/Home Energy Reports. Results for all EDCs except PECO excludes Residential Lighting (point of sale). | | | | | | |

Third, as discussed above, setting the peak demand reduction targets at 100% of the coincident peak demand savings from the mix of measures used to set the EE consumption reduction targets effectively limits the EDCs to the mix of measures assumed in the MPS for both the consumption reduction and peak demand reduction targets, which effectively doubles the potential for penalties to EDCs for implementing the same EE programs. In addition, this will likely increase program cost and the cost of compliance given that this prescribes the mix of measures and limits EDC flexibility in implementing programs across all customer classes to meet both consumption reduction and demand reduction targets. EDCs may not be able to leverage successful programs to make up for underperforming programs and will otherwise be limited with implementing measures to customers driving up the cost of compliance and undermining achieving the benefits of programs for customers.

The Companies recommend that the Commission consider all of these factors and set the peak demand reduction targets at 70% of the proposed targets based on the Phase III results to date. This will provide EDCs with the necessary flexibility to design and implement cost-effective programs, as well as the ability to leverage successful programs and measures. This provides equitable flexibility with implementation of programs and measures across all

customer classes to meet both the consumption reduction and peak demand reduction targets. This also balances the inherent uncertainty in the MPS and the fact that there is no perfect mix of measures for all EDCs with the results to date to set reasonable and achievable targets for Phase IV and avoids driving up the cost of compliance and undermining the benefits of the programs to customers.

Savings in Excess of Reduction Requirements Including Coincident Peak

Per its Phase III Implementation Order, the Commission directed EDCs to continue their programs through the end of each phase even if consumption reduction targets had been met to avoid letting programs going dark. The Companies agree with continuing the process associated with carryover savings established for Phase III, “recognizing the value of the reductions achieved by and paid for by rate payers,” for Phase IV where the Tentative Order allows EDCs to count savings attained in Phase III in excess of their targets and apply them towards their Phase IV targets.

Furthermore, the Commission appropriately concludes in the Tentative Order that “Coincident peak demand reductions from EE measures are longer lasting than DDR programming and will persist for years after Phase IV has ended.”⁷ Based on this determination, the Commission should allow coincident peak demand reductions associated with EE measures that were implemented in excess of the Phase III targets to also be allowed to carryover and apply towards the Phase IV peak demand reduction targets. This treatment would be consistent with how the Commission treats Phase III reductions in excess of the reduction targets. Allowing carryover of coincident peak demand reductions from associated

⁷ Tentative Order, p.34.

Phase III carryover EE savings further encourages the EDCs to maximize the savings from all programs for the remainder of Phase III, including those that provide coincident peak demand reductions, fully aligning with the Commission's positions in its Tentative Order regarding the value of coincident peak demand reductions and maximizing and recognizing the value of both consumption and coincident peak demand reductions achieved by and paid for by ratepayers.

Furthermore, maintaining EE only carryover without coincident peak demand reduction carryover may distort the overall EE&C program design whereby the program designs may need to prioritize achieving coincident peak demand reduction savings over EE savings. For the reasons above, the Companies recommend that the Commission base the carryover coincident peak demand reduction carryover on the Phase III EE&C verified EE and coincident peak demand reduction savings values to determine the average kW/kWh ratio and to apply this ratio to the Phase III EE carryover savings to determine the coincident peak demand reduction carryover that can be applied towards the Phase IV targets.

Bidding Peak Demand from Energy Efficiency Resources into the PJM Capacity Market

The Tentative Order proposes that for Phase IV the EDCs be required to offer at least a portion of the expected peak demand reductions from their EE&C plans into the PJM capacity market. In prior Phases this was not a requirement of EDCs, but rather they had the option to voluntarily offer resources from their EE&C programs into the PJM capacity market. The Companies and their affiliate utilities in other jurisdictions have considerable experience offering EE resources into PJM's capacity market. While the Companies do not have an objection to offering these resources into the market and agree with the Tentative Order that proceeds should be used to reduce collections from customers and not to increase EE&C

budgets, the Companies offer comments to improve the Tentative Order requirements to ensure that they are reasonable and that offering these resources are appropriately managed.

The Tentative Order proposes that the EDCs “detail the measures, programs, and customer classes from which peak demand reductions will be nominated to PJM, along with the projected MW totals” to be offered by year.⁸ While the Companies agree that a description of the strategy and approach of offering resources into the PJM capacity market can be included in the EE&C plans, the Companies recommend against requiring specific annual MW projections and details in the EE&C plan filing given it is nearly impossible to develop reasonable estimates of what will be offered in this filing with the accuracy envisioned in the Tentative Order. The information developed and provided as a result of this requirement would be highly speculative and uncertain and will likely contribute to unnecessary administration and costs as the plans are being developed and reviewed. As mentioned earlier in the Companies’ comments, and as acknowledged by the Commission in other instances in its Tentative Order, the EE resources that are ultimately installed by customers will vary from the measure mix assumed in the EE&C plans, among the sectors, programs, measures and years. As a result of this uncertainty, any projection at the sector, program, measure and yearly basis will be speculative. Compounding this uncertainty is the determination of which measures will be eligible for each future delivery year, recognizing that eligibility requirements can change at any time up to the delivery year. So, while the Companies can make projections at this time based on what is currently eligible and the measure mix and timing assumed in the EE&C Plans, the information provided will be highly speculative and uncertain. Further contributing to the speculative and uncertain nature of the information

⁸ Tentative Order, p. 37.

required to be included in the EE&C plans is that PJM's Minimum Offer Price Rule ("MOPR") compliance filing on March 18, 2020 establishes minimum offer prices for new EE resources being offered into the capacity market which if approved could impact the EDC's ability to offer and clear state subsidized EE resources into PJM's capacity market auctions.

The Companies acknowledge the Commission's underlying interest in offering EE resources into the PJM market and realizing the revenues from this participation to the benefit of Pennsylvania customers. In order to encourage and optimize PJM participation in the most prudent manner and create a "win-win" opportunity for customers, stakeholders, and the utilities, the Companies recommend that the Commission adopt a PJM revenue sharing mechanism, whereby customers and utilities each receive a portion of the revenues from PJM participation for qualified EE resources. Such a mechanism balances the risk and potential benefits of auction participation for the Companies and ratepayers and helps to ensure that the interests of the Companies and their customers are properly aligned. A PJM revenue sharing mechanism has been utilized by the Companies' sister utilities in Ohio. There, the Public Utilities Commission of Ohio found that "[t]he Companies will receive 20 percent of any revenue obtained from offering EE/PDR resources into the PJM auctions, with the remaining 80 percent credited to offset the costs of FirstEnergy's EE/PDR programs."⁹ Twenty percent was determined to be a reasonable share to appropriately incentivize EDCs to offer resources into the PJM capacity market leading to a greater revenue potential for customers to reduce collections for customer classes from which the savings were acquired.

⁹See *In the Matter of the Application for Approval of Energy Efficiency and Peak Demand Reduction Program Portfolio Plans for 2017 to 2019*, Case Nos. 16-0743-EL-POR, November 21, 2017 Opinion and Order, pg. 13.

Finally, as mentioned earlier, the Companies fully support the Commission's determination that proceeds from PJM participation should be used to reduce collections from customers and not to increase the EE&C budgets, and not as a mechanism to increase the EE&C budgets beyond the budget caps established in Act 129. First, Act 129 clearly establishes a 2% budget or spending cap and increasing the EE&C budgets due to PJM revenues would result in exceeding the spending cap. Increasing the EE&C budgets due to PJM revenues would be problematic from a planning perspective under Act 129 because the revenues are not known until the delivery year and vary over time. As such, factoring in any consideration of PJM revenues would not synchronize with the orderly and timely Act 129 planning construct that the Commission has established.

Equitable EDC Acquisition Cost

Table 6 of the Tentative Order provides the proposed consumption reduction targets and underlying acquisition cost for all EDCs. The Companies appreciate the efforts of the SWE in performing the MPS upon which the targets and acquisition costs were determined. However, the Companies recommend that the Commission also consider the level of uncertainty and amount of assumptions included in the MPS, especially given the study timeframe, as well as customer rates and its desire for EDCs to have a greater focus on comprehensive programs and measures, in setting the targets and acquisition costs for West Penn Power.

Table 6 of the MPS illustrates a broad range of acquisition costs, with the acquisition costs for West Penn Power being significantly lower than all other EDCs and approximately \$40/MWh lower than the statewide average. By comparison, the range of acquisition costs for Phase III were much narrower and resulted in West Penn Power having an acquisition cost mid-range among all EDCs. The Companies recognize that the underlying potential and acquisition cost will vary

among EDCs and over time for many reasons; however, West Penn Power is extremely concerned that the broad range and significantly lower acquisition costs than all other EDCs and the statewide average, as well as having the lowest rates in Pennsylvania, will inhibit West Penn Power’s ability to incent customers to participate in EE&C programs and to focus on comprehensive programs and measures.

The following chart depicts the average retail electric rates of the EDCs according to two sources, the U.S. Energy Information Administration (“EIA”) and the Edison Electric Institute (“EEI”). As shown in this chart, West Penn Power has rates that are over 15% lower than the statewide average rates.

| Average Retail Rates | | |
|--|---------------------------------|---------------------------------|
| EDC | EIA ¹ (cents/kWh) | EEI ² (cents/kWh) |
| Duquesne Light | 14.47 | 11.42 |
| PECO | 12.11 | 12.03 |
| PPL | 12.93 | 10.41 |
| FE: Met-Ed | 12.43 | 10.04 |
| FE: Penelec | 14.06 | 10.70 |
| FE: Penn Power | 12.40 | 9.89 |
| FE: West Penn Power | 10.58 | 8.74 |
| Statewide | 12.51 | 10.50 |
| Notes: | | |
| 1. U.S. Energy Information Administration, 2018 Utility Bundled Retail Sales - Total www.eia.gov/electricity/sales_revenue_price/pdf/table_10.pdf | | |
| 2. EEI, Edison Electric Institute, Typical Bills and Average Rates Report, Winter 2019, Total Retail Average Rates, pages 167-168 | | |

Customers with lower rates have less economic motivation to invest in energy efficiency technologies, or to adopt conservation behaviors. To overcome that barrier, EDCs with lower rates

may need to provide higher incentives, involving higher acquisition costs than those EDCs with higher rates.

The Companies also acknowledge the Commission's observation in the Tentative Order at page 8 where it states "[w]e note that the EE&C Programs have matured enough so that EDCs can increase their focus on more comprehensive measures..." and at page 15 where it states "[a]s in Phase III, the Commission believes more comprehensive programs are beneficial to customers, therefore, for Phase IV, the EDCs should consider implementing a comprehensive mix of measures." Recognizing the level of uncertainty and amount of assumptions included in the MPS, customer rates and the Commission's stated interests in EDCs focusing on and implementing more comprehensive programs and measures, West Penn Power recommends that its acquisition cost be increased by 15%. Doing so provides West Penn Power with the opportunity to provide greater incentives to motivate customers as equitably as other EDCs to participate in its Act 129 EE&C programs as well as the opportunity to design its Phase IV EE&C plan with a focus on comprehensive programs and measures. Notwithstanding, in addition to the aforementioned reasons, the increase in the acquisition cost for West Penn Power is even more critical now given how dramatically the COVID-19 pandemic may impact the economy and customer interest in participating in energy efficiency programs or willingness to provide access to homes and businesses in the future.

Commission Ability to Revise EDC EE Targets

Given the difficulty to waive penalties under the current legislation, the Commission should incorporate a provision and set up a clear process that EDC targets can be revised should circumstances develop beyond the utilities control that negatively impact the ability to achieve the initially established targets. Just a few months ago, examples would have been the extreme

disruption at the local level from weather events such as Hurricane Sandy and “Snowtober,” but unfortunately, we now have a new example with the COVID-19 pandemic situation that may have crippling effects on the economy and customers for an unknown period of time. Thus, the Companies recommend that the Commission include a provision and process in its Tentative Order to amend the Phase IV EDC targets to ensure penalties are not applied to the extent that factors beyond the utilities control are the basis for under-performance. For example, many companies have been required to shut down during the COVID-19 pandemic, so these same companies may be less willing to participate in demand response programs once they begin full operation again.

Prescription of Low-Income Measures and Carve-Out

The Tentative Order states that the Commission invites stakeholders to propose a different approach that would harmonize the management and spending of Act 129 low-income funds with LIURP funds that are also overseen by the Commission. The Companies have been harmonizing, coordinating and leveraging their LIURP and Act 129 low-income offerings and funding and intend to continue those efforts during Phase IV as follows:

1. The Companies’ Act 129 low-income direct install programs fully harmonize with their LIURP by using the same website for both programs and conducting joint marketing; and,
2. The Companies’ LIURP contractors are engaged to install additional measures funded by the Act 129 low-income programs in every income-qualifying home during the LIURP audit. This allows both programs to coordinate funding sources and more comprehensively serve the low-income customers’ homes than would have occurred if each program worked independently.

In addition, the Companies' Act 129 low-income programs further harmonize and coordinate with its LIURP offerings by:

1. Referring customers whose incomes are above 150% of Federal Poverty Income Guidelines (FPIG) (and do not qualify for Act 129 low-income programs) to LIURP;
2. Referring customers with high electric use to LIURP to leverage LIURP funding; and,
3. Referring customers with low electric use (who do not qualify for the LIURP program) to the Companies' Act 129 low-income programs for service.

As such, the Companies believe that their efforts to harmonize, coordinate and leverage both its Act 129 low-income and LIURP offerings and funding as discussed above have been successful and serve the needs of their unique income-qualifying customers comprehensively and efficiently. Based on this, the Companies recommend that the Commission not require different approaches towards harmonizing the Companies' Act 129 low-income and LIURP offerings. To the extent that the Commission desires a different approach, the Companies recommend that the approach be voluntary to allow each utility the flexibility to design and implement their collective low-income programs based on their unique service territories and customers.

Government, Nonprofit and Institutional Entities

The Companies support the Commission in its decision to propose no specific carve-out for the GNI sector for Phase IV of Act 129. Based on the Companies' experience in providing programs to GNI customers to date, the GNI sector can produce a significant share in Phase IV consumption reductions at a comparable acquisition cost to the broader small and large commercial

and industrial customer classes without a specific compliance target. In fact, not having a specific compliance target supports administrative efficiencies versus requiring duplicative, overlapping or unnecessary administrative and programmatic structures and provides the EDCs with greater flexibility to design and implement programs to meet the needs of their unique customers.

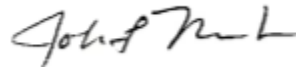
The Companies' current Phase III program offerings include a Commercial/Industrial Energy Solutions for Business Program, that includes both prescriptive and custom measures that are available to its non-residential customers including GNI customers. There has been strong participation of GNI customers in these programs over the current and prior phases of Act 129, and the Companies anticipate strong participation to continue into Phase IV. GNI customer participation has ranged from small projects (e.g. traffic signals) for local municipalities, to large projects (e.g. combined heat and power projects) for hospitals and universities. The current Commercial/Industrial Energy Solutions for Business Program structure has been successful in achieving and supporting participation among its GNI customers, as well as all other non-residential customers in Phase III, in a cost-effective manner, and the SWE's findings and the Commission's proposal to not require a sector carve out fully aligns with the Companies' experience in providing programs to these customers. Accordingly, the Companies support the Tentative Order proposal to not require a GNI sector carve out and for the EDCs to continue to report savings achieved from GNI customers in Phase IV. This approach best balances the Companies' experience to date supporting administrative efficiencies and program flexibility, with ensuring that this important customer sector is participating in and benefitting from the Act 129 EE&C programs.

Conclusion

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company appreciate the opportunity to provide comments on the Commission's Tentative Order regarding Phase IV EE&C implementation. The Companies look forward to working with the Commission and the other parties on this matter.

Dated: April 27, 2020

Respectfully submitted,



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