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January 16, 2024

VIA ELECTRONIC FILING

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

**Re: Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1 – 58.18;
Docket No. L-2016-2557886**

Dear Secretary Chiavetta:

Pursuant to the Notice of Proposed Rulemaking published on December 2, 2023 in the *Pennsylvania Bulletin* in the above-referenced proceeding, enclosed herewith for filing are the Comments of FirstEnergy Pennsylvania Electric Company.

Please contact me with any questions regarding this matter.

Very truly yours,

Angelina Umstead

AU/dml

Enclosures

c: As Per Certificate of Service
Louise Fink Smith, Law Bureau (finksmith@pa.gov)
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Initiative to Review and Revise the Existing :
Low-Income Usage Reduction Program : Docket No. L-2016-2557886
(LIURP) Regulations at 52 Pa. Code §§ :
58.1-58.18**

COMMENTS OF FIRSTENERGY PENNSYLVANIA ELECTRIC COMPANY

I. INTRODUCTION

On May 18, 2023, the Pennsylvania Public Utility Commission (“PaPUC” or “Commission” or “PUC”) issued a Notice of Proposed Rulemaking (“NOPR”) summarizing the stakeholder comments to the 2016 Secretarial Letter on the Low-Income Usage Reduction Program (“LIURP”) regulations, proposing amendments to the existing LIURP regulations, and seeking comments on the proposed amendments.

As directed by the NOPR published on December 2, 2023 in the *Pennsylvania Bulletin*, FirstEnergy Pennsylvania Electric Company (hereinafter referred to as “FE PA” or the “Company”) respectfully submits the following comments.

II. BACKGROUND

The Company appreciates the Commission’s continuing concerns and interest surrounding the LIURP program. On December 16, 2016, the Commission issued a Secretarial Letter to gather information from stakeholders on the scope of proposed rulemaking regarding LIURP (“2016 Secretarial Letter”). The 2016 Secretarial Letter posed specific questions geared toward revising the LIURP regulations to reflect changes and updates to LIURP practices in energy efficiency technology. The Commission was also interested in leveraging the knowledge and experience of

the public utility companies, consumers, advocates, and other stakeholders to identify any improvements that may maximize ratepayer benefits.

By way of brief background, LIURP was designed to provide low-income customers with usage reduction and weatherization measures that conserve energy, reduce demand, and decrease customers' utility bills. Both electric distribution companies ("EDCs") and natural gas distribution companies ("NGDCs") are charged with administering LIURP for their respective customer bases. EDCs and NGDCs work with other agencies and contractors to implement LIURP and install measures that offer the highest energy and cost savings. They are also required to provide energy education to low-income customers regarding energy conservation and installed measures to facilitate greater energy savings among customers. The costs of LIURP programs are then recovered by all residential customers.

In its 2016 Secretarial Letter, the Commission highlighted the importance of reviewing the LIURP regulations to keep pace with the evolving energy landscape and technology improvements, and to ensure coordination among Commonwealth energy reduction programs. The current proceeding is a review of existing LIURP regulations and the proposed amendments to those regulations to further that goal.

III. COMMENTS

A. Additional Input on Questions 13 and 14.

In its 2016 Secretarial Letter, the Commission asked for specific "best practices" that would better serve the LIURP objectives that could be standardized across all utilities. In 2016, the Company (by way of its predecessor EDCs) emphasized that appropriate measures, budget level, outreach efforts, and agency coordination are largely dependent on the demographics, location, housing stock, and weather conditions of a particular utility. Accordingly, it may be

challenging to develop standardized best practices with respect to utility-specific issues. However, the Company agrees with Duquesne Light Company's recommendation that the PUC convene a collaborative of interested stakeholders to discuss where coordination between programs could result in better outcomes for customers and for the programs. The Company also agrees as a general matter, that more flexibility in existing regulations allows each public utility to address its service territory and ongoing change in the weatherization industry, as stated by Philadelphia Gas Works.

B. Cost Compliance with the Proposed Amendments and Timelines

In the instant NOPR, stakeholders were asked to address the benefits and adverse effects of the proposed amendments to the regulations and to quantify the specific costs or savings anticipated to be associated with the compliance of the proposed amendments. In addition, the stakeholders were asked to explain any additional legal, accounting, consulting, reporting, recordkeeping, or other work that would be involved in complying with the proposed amendments to the regulations.

In response to this, the Company notes at the outset that several of the proposed amendments to LIURP regulations would not change the Company's current practices and procedures. Additionally, a number of the proposed amendments would not result in increased costs to the Company. Accordingly, the Company's comments to follow will focus only on those proposed amendments that are anticipated to introduce new challenges that would impact the Company and its customers.

Section 58.10 Program Announcement

The revisions to section 58.10 propose an amendment to include Customer Assistance Program (“CAP”) shortfall as one of the factors that a public utility is required to consider when prioritizing eligible customers by usage level, and to incorporate a new prioritization factor based on the number of consecutive service months a customer resided at a dwelling. In addition, 58.10(a)(2)(i)-(ii) gives first priority to CAP customers with the largest pre-program arrearages (“PPA”) and in-program arrearage balances and then to non-CAP customers with the largest unpaid balances.

The Company agrees that focusing on customers with the highest electric usage provides the optimal opportunity for savings and that customers participating in CAP should be prioritized. However, prioritizing customers with the highest PPA is not always an indicator that their home has the most opportunity for savings, as the arrearage may have been carried forward from a prior residence. In addition, including the CAP shortfall when prioritizing customers would not be effective for the Company because the dollar value changes monthly and would vary depending on the time of year. Rather, taking the total annual usage and the customer’s income level into consideration is a more effective way to prioritize customers.

The Company does not carry a large surplus of applications across its territory and has received zero complaints regarding the length of time a customer has had to wait for LIURP services. Furthermore, there is concern that documenting specific criteria in a rulemaking, or universal service energy and conservation programs at a detailed level would create rules that the Company may not be able to adhere to. Coordinated jobs are typically not pre-planned and are usually already in progress when a WARM application is received. If such a change were

prescribed in this manner, most of the customers who benefit today – who do not have high annual electric usage will not independently meet the proposed prioritization criteria.

Section 58.11 Energy Survey

The proposed revisions to section 58.11 prohibit a public utility from using the same energy service provider (“ESP”) to conduct an energy audit at a dwelling and to install follow-up program measures determined necessary during that energy audit. It further states that ESPs should conduct energy audits impartially without a motivation to benefit financially from the installation of follow-up measures proposed in that energy audit.

The Company has not historically identified any concerns of this nature. To the contrary, it has identified several inefficiencies as a result of this revision expected to produce negative impacts for its LIURP program. Specifically, utilizing two ESPs to complete each job is expected to lead to reduced ESP accountability for energy saving results, customer inconvenience, reduced program coordination, and additional administrative costs. Energy savings achieved within a customer's home is a performance metric for ESPs. Both the energy auditor and crew are equally responsible for the overall outcome achieved based on the actions they take and administer in a customer's home. This includes providing customer education, determining the appropriate measures to install that are expected to achieve energy savings, and completing quality work. Splitting these responsibilities will reduce accountability for results.

Moreover, utilizing two ESPs for every job will require a minimum of two visits for all customer jobs, which may be burdensome for many customers. Customers would likely prefer to have one set of contractors in their homes to maintain a sense of privacy, security, and familiarity. This contributes to a positive customer experience fostering improved communication and increased accountability.

Currently, an energy auditor will install baseload measures (*e.g.*, smoke and CO alarms, lightbulbs, smart power strips etc.) after providing energy education and completing applicable appliance and safety tests. If the job is identified as a baseload job, it is considered complete. The proposed change would require another ESP to schedule an appointment to install those measures. The customer may perceive this task as complex or time-consuming and may choose to forgo scheduling the second visit altogether. This, in turn, leads to zero measures being installed.

Over many years, the Company has established effective coordination procedures with other programs. The requirement to use two different ESPs for every job will create obstacles that will weaken program coordination. The ESP typically submits a completed WARM application after the initial energy audit has been completed and the scope of work has been determined. The proposed solution would require significant planning and management for utilities. The Company estimates the additional administrative work would require four additional full-time equivalent employees to manage and coordinate work between the two ESPs across its territory. Assignment and completion of energy audits will require close monitoring to ensure a backlog of crew work is not created, which could lead to customer complaints.

In addition, the Company's current LIURP management system would require significant reprogramming to accommodate new processes for job assignment, job management, invoicing, and reporting. The estimated cost for system enhancements is expected to be upward of \$500k, considering resources, technical development, testing, and training. As such, if such a change is determined to be appropriate in any final rules adopted, these costs must be permitted full and timely rate recovery.

The Company respectfully disagrees that using two different ESPs will eliminate the opportunity to gain financial benefits from the installation of follow-up measures proposed in an

energy audit. It is common for crews to install additional measures not documented at the time of an initial audit. For example, materials may be underestimated by an auditor because a crawl space was not accounted for when calculating insulation. If utilities are experiencing an issue with ESPs benefitting financially by installing measures that are not warranted, checks and balances can be put in place to address the problem. For example, WARM requires ESPs to utilize a priority list when determining the appropriate energy saving measures to install, ensuring the focus is on items that are expected to achieve the most savings. In addition, a third-party Quality Assurance vendor inspects 35% of ESPs completed jobs.

Section 58.15 Program Evaluation

From a practical standpoint, further clarification is needed to define 58.15(3) reporting requirements to separate health and safety and incidental spending into separate categories, because some of the weatherization measures that may be completed to resolve barriers to weatherization can overlap. There are additional reporting requirements proposed that will require programming, and in some cases, the development of new processes and procedures to capture the data will also be required. For example, the Company does not currently have a mechanism in place to capture the number of previously deferred dwellings that received program services during the program year. Clarity is needed for utilities to ensure they report information that is consistent and valuable as the costs of collecting this additional data would increase administrative costs of the programs which are recovered from customers.

C. Additional Questions

In addition to requesting specific feedback on the proposed amendments to the regulations, the instant NOPR also recognizes the impact that LIURP has on ratepayers, as these costs are

recoverable and non-bypassable. Consequently, the NOPR also seeks feedback on the following additional questions A through E. The Company has addressed each question below.

Question A: Has LIURP proven to be an effective means to help customers with extremely high arrearage balances (*e.g.*, \$10,000 or more) maintain utility service and pay down this debt?

Comments: No. The CAP program is the most effective way for customers to address high arrearages and provide a more affordable monthly payment based on their income. While reducing current and future electric consumption is important for long-term sustainability and cost-effectiveness, addressing past arrearages through CAP is a more immediate and targeted approach to support customers with high balances. LIURP can be utilized to help to reduce future bills. Making future bills more affordable helps customers to continue to pay their bills moving forward and reduce past debt.

Coordination between CAP and LIURP can offer more comprehensive support to customers with high arrearages. For customers with substantial debt, participation in CAP not only prevents immediate service disconnection but also introduces flexible payment plans to accommodate individual financial needs. LIURP programs help to reduce future bills by reducing future electric consumption. Coordination with CAP ensures that eligible customers are aware of and can seamlessly access both programs. This creates a holistic approach that comprehensively addresses both the financial and energy needs of customers with high arrearages. Joint educational efforts on both energy-saving practices and financial management can address current arrearages as well as equip the customer with tools necessary for future sustainability.

Question B: Would offering LIURP to customers with high utility account balances and unusually high monthly average bills result in a decrease in the cost of collection efforts and a decrease in uncollectible write-offs? If so, what eligibility criteria may apply?

Comments: No. Please see the Company's response to Question A.

Question C: At what arrearage accumulation point or points should a public utility intervene to assist a customer reduce the household's monthly bill to make the bills more affordable before the customer accumulates a balance of \$10,000 or greater? What criteria could the public utility use to identify customers who could benefit from LIURP treatment to minimize extremely high balances (*e.g.*, amount of arrearage accumulating, age of housing and ability to provide conservation treatment, amount of average monthly bill compared to ability to pay, history of good faith payments, and the like)? Should the accumulation point be based on household income level or FPIG tier? What should the point or points be?

Comments. The optimal opportunity to prevent a customer from accumulating high arrearages is to provide them with options as soon as they are past due. The Company currently utilizes multiple forms of outreach to educate customers on payment arrangements and assistance programs that are available to them. Customers are made aware of payment options as soon as they become past due or contact the utility and communicate they are unable to make payment. When a customer's balance becomes past due, Company notices are sent which include customer assistance information and encourage the customer to contact the Company to make arrangements for payment. The federal poverty income guidelines for household income are the most effective way to streamline eligibility and coordinate with other programs using the same method. Utilizing different eligibility criteria would make coordination with other assistance programs more

difficult. The regulations currently support prioritizing customers with the highest usage, lowest income, and highest arrears. The LIURP program should not be expanded to include additional income levels. Instead, customers should be referred to additional programs and services available, such as a utility's Act 129 programs, or potentially available grants for home improvement.

Question D: How can coordination with other programs (*e.g.*, Act 129) help customers with high arrearage balances who are income-ineligible for LIURP?

Comments: Customers that do not meet LIURP eligibility are referred to the Company's Act 129 Residential Energy Audit Program. Customers can receive a free full energy audit, visual inspection for any health and safety concerns, a customer energy report with low-cost ways to save energy, air leak testing and energy-saving products valued up to \$300 at no cost. Rebates are also offered for air and duct sealing, insulation and more. These programs can help identify where the customer can make improvement to help them lower their energy costs and make their bills more affordable.

Question E: What other avenues should be considered, in combination with or separate from LIURP, to help public utility customers maintain service if they have arrearage balances near or exceeding \$10,000? What programs exist or could be recommended to address the existing arrearage for customers income-eligible for CAPs so as not to burden ratepayers with write-offs of accumulated arrearages in the future?

Comments: The Company has approximately 700 out of 1.8 million residential customers that carry arrears greater than \$10,000. Customers eligible for LIURP should be encouraged to apply for the Company's CAP program. In addition, customers may be directed to other programs

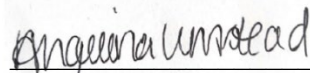
by contacting 211. They may qualify for hardship grants or other programs such as the Emergency Rental Assistance Programs which may help them maintain service. Coordinating with other programs helps to share expenses for weatherization. By working together, entities can share the financial burden associated with projects by leveraging collective resources and achieving common objectives more cost-effectively.

IV. CONCLUSION

FirstEnergy Pennsylvania Electric Company appreciates the opportunity to provide comments in response to the NOPR, and the advancement of this proceeding. The Company looks forward to further collaboration and discussion with the Commission and interested stakeholders on this important topic.

Respectfully submitted,

Dated: January 16, 2024



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by electronic mail as follows:

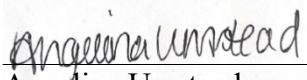
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