

**Pennsylvania Public Utility Commission v. FirstEnergy Pennsylvania Electric Company
Docket Nos. R-2024-3047068, et al.**

What is a settlement?

A settlement is an agreement between participants in a case before the Pennsylvania Public Utility Commission (PUC) to stop litigating and propose a negotiated outcome of the case to the PUC. Once participants agree to settle, the parties to the settlement submit the terms of their agreement to the Administrative Law Judges (ALJs) assigned to the case.

Other participants in the case who are not party to the settlement may provide support or objections to the settlement once it has been submitted to the ALJs. The ALJs, after receiving the comments, then decide whether they should recommend that the PUC adopt the settlement because it is in the public interest or reject the settlement if it is not. The PUC, based on the recommendation from the ALJs and any exceptions to the ALJs' recommendation filed by any party, then either approves the settlement, which ends the proceeding, or rejects the settlement and reopens the case. A settlement agreement can only be approved by the PUC if it finds that the settlement is in the public interest.

Why did the OCA agree to settle this case?

In deciding whether to settle a case or fully litigate a case, the OCA weighs the potential benefits gained for consumers against the risk of higher rates if the case were fully litigated. The OCA believes that if this case had been litigated, the result would likely have been worse for consumers than what was negotiated in the Settlement. However, even if the PUC had granted FirstEnergy's rate increase request at the lowest possible amount, the PUC's decision would likely not also have contained other protections and improvements for customers. This includes FirstEnergy's agreement not to request another rate increase for new electric distribution rates to be effective prior to January 1, 2027, at the earliest.

In recent years, the PUC has often approved rate increases higher than the OCA has recommended and less often required the utility to respond to concerns that the OCA raises about customer billing, low-income customer assistance, and quality of service issues. When a case is fully litigated, there is no guarantee that the PUC will adopt the OCA's positions, particularly where the utility and other parties disagree. On the other hand, when the OCA settles a case, we have greater control over the outcome (although even with a settlement, the PUC could decide to reject or modify the settlement) because we are offering the PUC one position agreed to by all the parties. By settling the case, we have tried to limit the amount of rate increase, while ensuring that the Company must provide positive benefits to its customers.

What would have happened if the OCA did not settle the case?

The ALJs assigned to this case would hear the OCA and other parties' arguments and issue a Recommended Decision detailing their findings and recommendations to the PUC. The parties would have a chance to respond by filing "exceptions" that argue for or against the Recommended Decision. Next, the PUC would evaluate the parties' arguments and the ALJs' recommendations, and issue an Order approving, denying, or modifying the Recommended Decision. That final Order is what dictates the rate increase that will be allowed and any conditions required.

What consumer benefits are contained in the settlement?

If fully accepted by the PUC, the Settlement provides that:

- FirstEnergy will be allowed to increase its total annual revenue by \$225 million. If approved, the rate increase would take effect on January 1, 2025. This is less than the \$502 million requested by FirstEnergy and the OCA believes that it is likely less than would have been given if the case were fully litigated.
 - The overall electric distribution revenue increase is broken down by each of FirstEnergy's Rate Districts as follows:
 - Met-Ed Rate District -- \$39,600,000
 - Penelec Rate District -- \$57,690,000
 - Penn Power Rate District -- \$24,980,000
 - West Penn Rate District -- \$102,730,000
- FirstEnergy's existing monthly customer charges for residential customers in Met-Ed, Penelec and Penn Power Rate Districts will be maintained at the current amounts without modification. FirstEnergy's monthly customer charge for residential customers in the West Penn Rate District will be increased to \$9.00 per month.
- FirstEnergy will not be permitted to file for another electric distribution rate increase for new rates to be effective prior to January 1, 2027, at the earliest.
- FirstEnergy removed the expense of its Streetlighting Conversion Program from the overall annual electric distribution revenue increase contemplated by this Settlement and instead will create a Rider for the costs of this program to be allocated among customer classes by Network System Peak Load.
- FirstEnergy will increase its annual shareholder hardship matching contribution for grant assistance to \$500,000 annually.
- FirstEnergy will also make an annual shareholder hardship contribution for grant assistance over routine funding levels in the amount of \$2,000,000 annually for a three-year period beginning in 2025.
- FirstEnergy withdrew its proposal to change its depreciation methodology from the Average Service Life ("ASL") method to the Equal Life Group ("ELG") method.
- The annual funding for the storm reserve starting January 1, 2025 will be based on the five-year historical average of actual storm costs totaling \$52,802,000, broken down among the Rate Districts as follows: Met-Ed Rate District - \$25,319,000; Penelec Rate

District - \$10,954,000; Penn Power Rate District - \$3,215,000; and West Penn Rate District - \$13,315,000.

- FirstEnergy’s revenue increase provided in this Settlement is reflective of the removal of COVID-19 deferral amounts incurred with respect to waived late payment charges and reconnection fees.
- FirstEnergy will increase its Low Income Usage Reduction Program (LIURP) annual budget by a percentage equal to any approved increase in residential base distribution rates in this proceeding, allocated proportionally amongst FE PA’s Rate Districts.
- FirstEnergy will eliminate any prohibitions against Pennsylvania Customer Assistance Program (PCAP) customers receiving a hardship fund grant.
- FirstEnergy will provide a one-time bill credit to customers totaling \$13.6 million.
- FirstEnergy will use plain language notice to low-income customers with a past due bill during the winter heating season to let them know that they have a past due bill and outline the assistance that is available to help pay their bill, including but not necessarily limited to the Hardship Fund, CAP, and LIHEAP.
- FirstEnergy withdrew all elements of its Electric Vehicle (EV) proposal to spend ratepayer money on developing incentive rebate programs that would provide ratepayer funds to individual residential customers and businesses to install Level 2 EV chargers.
- FirstEnergy committed to a cumulative improvement in reliability that results in a reduction of the weighted average System Average Interruption Duration Index (“SAIDI”) by 3.5% and System Average Interruption Frequency Index (“SAIFI”) by 2.5% after three years following the effective date of rates implementing the base electric distribution revenue increase provided for in this Settlement.

Because the rate increase in the Settlement is close to the best possible scenario of what we would have expected after litigation, and because the above benefits would likely not have been required by the PUC after litigation, the OCA agreed to the Settlement.

What happens now with the Settlement?

At this time, a Joint Petition for Settlement has been submitted to the Administrative Law Judges who have been overseeing this proceeding from its beginning. The Joint Petition for Settlement contains the Settlement itself and Statements in Support of the Settlement from each of the active parties in this proceeding. The ALJs will review the Settlement and the Statements in Support from each party and release a Recommended Decision (RD) that either: (1) approves the Settlement in full, (2) modifies the Settlement, or (3) rejects the Settlement. Once the RD is issued, all active parties to this proceeding will have a chance to comment on the RD by filing exceptions. Parties will typically only do this if they disagree with something in the RD. Finally, the PUC will review the RD and any exceptions and publish an Opinion and final Order in this proceeding.

While we stand by the litigation positions set forth in our testimony in this proceeding, settling this case allowed us to ensure that certain customer benefits would be implemented at a rate increase that is within the range of what we expect the PUC would have approved anyways. Now, we await the ALJs' RD.

I filed a Formal Complaint and want to Object to or Support the Settlement. How do I do that?

Customers who filed Formal Complaints had until 4:00 p.m. on September 26, 2024, to file a letter objecting to or supporting the proposed Settlement. Those letters will be considered by the ALJs and PUC. If customers have questions about how to do this, they can contact the OCA at consumer@paoca.org or 1-800-684-6560.

Whether or not a customer files a letter, they will have an additional opportunity to provide input. When the RD is released, it will be emailed to customers who filed a Formal Complaint and they can file Exceptions to all or part of the ALJ's recommendations. Customers can contact the OCA with questions about the RD or how to file Exceptions.

When will we know if the PUC accepts, modifies, or rejects the Settlement?

The PUC will likely rule on the settlement at its Public Meeting on December 19, 2024.

When will these rate increases go into effect?

If approved by the PUC, the new rates would go into effect on January 1, 2025.

What can I do now to begin preparing for these rate increases?

You can act now to monitor and conserve electric usage in and around your home. For example, replace incandescent light bulbs with compact fluorescent bulbs or LED lamps. In the summer, raise your thermostat by one degree, and in the winter, lower your thermostat by one degree.

Check your home for air leaks. In a typical home, air leaks can be responsible for 25 to 40 percent of the energy used for heating and cooling. The faster you notice a problem and address it, the faster it can be fixed.

What can I do if I cannot afford the rate increases?

FirstEnergy has a hardship fund for electric customers who qualify. You can contact FirstEnergy online at https://www.firstenergycorp.com/help/billingpayments/assistance_serviceprogram/low-income-program-availability.html.

You may also enter into a payment arrangement with FirstEnergy. Under the Public Utility Code, all customers with an unpaid balance are able to enter into a payment arrangement with their utility service provider, which prevents the utility from terminating the customer's utility service for a past due balance as long as the customer is able to meet their monthly billing requirement under the payment arrangement. If you believe that you may not be able to pay your bill by the due date,

contact FirstEnergy at the numbers listed below by Rate District before the due date to discuss a potential payment arrangement.

Met-Ed	1-800-545-7741
Penelec	1-800-545-7741
Penn Power	1-800-720-3600
West Penn Power	1-800-686-0021

If you are facing termination of service and someone in your household has a medical condition that would be made worse without electric service, you may provide FirstEnergy with a Medical Certification. A Medical Certification signed by a physician, physician’s assistant, or nurse practitioner can stop FirstEnergy from terminating your electric service for up to 30 days at a time and can be renewed as long as you remain current on your monthly bills. You will not be responsible for paying towards your past due balance for as long as your termination is suspended under a Medical Certification, though the balance will remain until it is paid off. The Medical Certification Form is available on the PUC’s website at: https://www.puc.pa.gov/media/1779/standard_medical_certificate_form.docx. For more information on preventing disconnection or restoring service with a medical certificate, the PUC’s Medical Certificate Guidance factsheet is available on the PUC’s website at https://www.puc.pa.gov/media/1778/medical_certificate_guidance.docx.