

FirstEnergy Pennsylvania

Joanne Savage, Director Rates and Regulatory Affairs, FirstEnergy Pennsylvania Electric Company Testimony before the Senate Consumer Protection and Professional Licensure Committee

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(Introduction)

Chairman Stefano, Chairwoman Boscola, and members of the committee, good morning and thank you for the opportunity to testify today regarding cost shifting, specifically about net metering. I am Joanne Savage, Director of Rates and Regulatory Affairs for FirstEnergy Pennsylvania Electric Company (or “FE PA”). I am honored to testify today before you.

By way of explanation, our former operating companies, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power, consolidated in January 2024 to form FE PA and now operate as separate rate districts of FE PA. Altogether, FE PA serves approximately 2.1 million customers in 56 of the 67 counties throughout the Commonwealth of Pennsylvania. We at FE PA understand the economic challenges that our customers face every day. We also understand the potential confusion our customers may experience when reading their bills and understanding the various charges contained in them.

To provide some clarity today, I will be testifying specifically about the Price to Compare (“PTC”), which is the generation portion of an electric bill, and I will explain what the PTC charge is and how it is applied to customers’ bills. I will also discuss how the costs of net metering credits are passed onto other customers and demonstrate how this will affect the PTC by sharing FE PA’s forecast regarding the growing number of large-scale customer-generators and the cost shifting that will occur as a result.

(Price to Compare)

Pennsylvania ratepayers have the right to switch, or shop, for their electric supplier - the company that generates the electricity which then travels through our infrastructure and is delivered to the customer. Generation supply costs typically make up most of a customer’s electric bill and they are dependent on the customer’s choice of supplier. The other parts of the bill, the distribution and transmission service, remain with the local electric utility regardless of whether a customer shops. If a customer elects not to shop, they will receive the PTC as required by the Public Utility Code (“the code”).

The PTC is essentially the cost of generation paid by those FE PA customers who do not choose another electric supplier. Electric distribution companies (“EDCs”) must procure generation for those customers who do not shop, which is done with zero mark-up as also required in by the code.

FE PA, along with the other EDCs in Pennsylvania, purchase generation for their customers from suppliers with various lengths of contracts to attempt to offset temporary pricing volatility. The winning prices from the auction are converted to a flat retail price, which is the PTC rate. As mentioned above, the PTC is a pass-through charge; the EDCs do not generate profit on the generation or PTC portion of the bill and this entire process is examined and approved by the Pennsylvania Public Utility Commission. It is worth noting that when generation costs increase in the market, it will eventually lead to PTC costs increasing, too.

(Net Metering)

Customer-generators, as the name implies, are customers who generate all or a portion of their own energy, such as through solar panels. Customer-generators who produce more total electricity than they take from the system receive a credit for the net production amount for the year. The credits are paid out on an annual basis in the form of a check to the net metering customer at the applicable PTC rate over the last twelve months. It is important to note that the cost to pay these credits to the customer generators/net metering customers is paid for by other customers in their rate class.

When looking at average wholesale prices in 2024, PTC prices were seven cents higher per kilowatt-hour (“kWh”) than the wholesale price. While seven cents may seem insignificant, each large customer generator could easily receive \$350K per year more by being reimbursed at the PTC, rather than at wholesale prices.

As required under current law and regulation, the inclusion of large-scale customer generators under 3 MW are treated as a “normal” customer and categorized based on the amount of usage they would have without generation. By treating these generators this way, instead of treating them as generators who participate in the PJM Interconnection markets, it allows for the possibility of massive net metering credits. This is largely due to the credits being paid out at PTC rates rather than wholesale prices. These large generators do not take much power from the system and have no minimum usage requirements. Most are currently classified as medium commercial accounts. Examples of other medium commercial customers would be a restaurant, laundromat, a bowling alley or even a fire station or police station.

Many of these generators do not pull any energy from the grid and are simply generating electricity. The cost of the credits for what they generate comes only from the other

customers in their class. As these credits begin to grow as more projects come online, there are increasing impacts particularly on the Commercial PTC rates. In recent years, the number of applications has been substantially increasing year-over-year across our service territory. In 2022, there were 52 applications; in 2023, 510 applications; and in 2024, 972 applications.

Example of Net Metering Impact on PTC

I am discussing this as the resulting impact to all of FE PA’s rate districts, but let me use the Met-Ed rate district to illustrate the financial impact in this narrative:

Met-Ed has 125 current applications pending. If we assume that they will come online equally over 5 years, the impact on the Met-Ed Commercial PTC is estimated to grow around 32% every year, year over year. This will result in costs increasing sevenfold by 2030. As demonstrated in the chart below, Met-Ed is not even likely to be the most impacted of our rate districts, with Penelec’s Commercial class PTC reflecting an increase from its 2024 \$0.10/kWH to a projected \$89.06 kWH by 2030, strictly based upon projected net metering load increases. It is worth noting that the numbers below can be considered conservative as we are only modeling from the current list of known applications and not forecasting growth and the likelihood of more generator applications.

Also, as PTCs begin to increase as shown below, more Commercial customers would be incentivized to switch to a competitive supplier, leaving fewer non-shopping customers to pay for these costs. Therefore, these large cost increases would be spread to fewer and fewer customers, leading to rates increasing further than what is shown below. This could necessitate other forms of cost recovery, as the customer-generators must be compensated by law.

\$ / KWH

Commercial PTC		Met-Ed	Penelec	Penn Power	West Penn
Actual	2024	\$ 0.11	\$ 0.10	\$ 0.12	\$ 0.10
Projected	2025	\$ 0.20	\$ 0.49	\$ 0.15	\$ 0.29
Projected	2026	\$ 0.26	\$ 1.15	\$ 0.17	\$ 0.52
Projected	2027	\$ 0.36	\$ 3.08	\$ 0.19	\$ 0.99
Projected	2028	\$ 0.52	\$ 9.65	\$ 0.22	\$ 2.11
Projected	2029	\$ 0.65	\$ 29.44	\$ 0.23	\$ 4.21
Projected	2030	\$ 0.77	\$ 89.06	\$ 0.23	\$ 8.15

Conclusion

Thank you again for the opportunity to testify today. I am happy to take any questions.