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June 23, 2025

VIA ELECTRONIC FILING

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

**Re: *En Banc* Hearing Concerning Interconnection And Tariffs For
Large Load Customers
Docket No. M-2025-3054271**

Dear Secretary Homsher:

Enclosed please find the **Reply Comments of PECO Energy Company** for filing in the above-referenced docket.

If you have any questions regarding this filing, please do not hesitate to contact me at 267-533-1999.

Very truly yours,

Jack R. Garfinkle

Enclosures

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

EN BANC HEARING CONCERNING :
INTERCONNECTION AND TARIFFS : **DOCKET NO. M-2025-3054271**
FOR LARGE LOAD CUSTOMERS :

PECO ENERGY COMPANY’S REPLY TO COMMENTS

On April 12, 2025, the Pennsylvania Public Utility Commission (“Commission”) issued a Secretarial Letter in the above-captioned docket initiating this proceeding to review and seek comments on the prudent design of a large load customer model tariff. The Commission convened an *en banc* hearing on April 24, 2025, during which the Commission received testimony. Richard G. Webster, Jr., Vice President of Regulatory Policy and Strategy for PECO Energy Company (“PECO” or the “Company”), provided written and oral testimony on behalf of the Company.¹ The Commission also opened a comment period for interested parties to file comments with the Commission, directing parties to file comments by May 27, 2025 and reply comments by June 11, 2025. On May 1, 2025, Vice Commissioner Barrow issued additional questions for consideration. On May 15, 2025, the Commission granted a request of the Energy Association of Pennsylvania (“EAP”) to extend the due date for comments to June 6, 2025 and the due date for reply comments to June 23, 2025.

PECO filed its comments (“Initial Comments”) on June 6, 2025. PECO expressed support for the Commission’s efforts through this proceeding to better understand the challenges and opportunities associated with connecting large load customers to the electric distribution companies’ (“EDCs”) respective distribution systems and to develop a model tariff that will serve as a guide to EDCs. The Company also emphasized the need to preserve flexibility for

¹ See *En Banc Hearing Concerning Interconnection and Tariffs for Large Load Customers*, Docket No. M-2025-3054271, Exhibit Webster-1, Testimony of Richard J. Webster, Jr. On Behalf of PECO Energy Company, p. 5 (April 23, 2025).

EDCs to propose individual tariff terms to best meet the needs of their respective systems, operations, and customers.

Forty-two other interested parties filed comments in response to the Secretarial Letter, including statutory advocates,² low-income advocates,³ environmental groups,⁴ customers and customer representatives,⁵ other EDCs,⁶ energy suppliers and developers,⁷ and other stakeholders.⁸ Parties submitted comments regarding proposed model tariff terms, many of which were addressed in the *en banc* hearing testimony of Mr. Webster and in PECO's Initial Comments. Parties also submitted comments on certain issues that are beyond the scope of model tariff terms, such as siting, health, and environmental concerns related to data centers, and forecasting and reporting requirements for EDCs. While these are important issues that stakeholders should discuss, the Secretarial Letter noted that the intent of the April 24, 2025 *en banc* hearing and comments filed in this docket "are to educate and inform the Commission on the prudent design of a large load customer model tariff."⁹ This proceeding should, therefore, remain focused on proposed model tariff provisions.

² The Office of Consumer Advocate ("OCA") and Office of Small Business Advocate ("OSBA").

³ The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania and the Tenant Union Representative Network (collectively, "CAUSE-PA/TURN").

⁴ Alliance to Stop the Line, Better Path Coalition, Delaware Riverkeeper Network ("DRN"), Earthjustice, Evergreen Collaborative, Mountain Watershed Association, Natural Resources Defense Council ("NRDC"), PennFuture, Protect PT, and Sierra Club.

⁵ Eric Epstein, Hannah Wiseman, Industrial Energy Consumers of Pennsylvania ("IECPA"), Sara Majorsky et. al, State Senator Katie J. Muth, Stephen Parker, Walmart Inc. ("Walmart"), Erik Pedersen, and Carol L. Armstrong, Ph.D.

⁶ Duquesne Light Company ("DLC"), FirstEnergy Pennsylvania Electric Company et al. ("FE-PA"), and PPL Electric Utilities Corp. ("PPL").

⁷ Calibrant Energy, Cogentrix Energy Power Management, LLC, Constellation Energy Generation, LLC ("Constellation"), Exus Renewables North America ("Exus Renewables"), Mainspring Energy, Inc., NRG Energy, Inc., ProtoGen, Inc., and Vistra Corp ("Vistra").

⁸ Amazon Data Services, Inc., Asset Leadership Network, EAP, Electrification Coalition, Emerald AI, MCR Performance Solutions, Pennsylvania-American Water Company, Vote Solar, and The Data Center Coalition ("TDCC").

⁹ Secretarial Letter, p. 1.

Overall, the best way for the Commission to address the diverse, and sometimes competing, interests of stakeholders is to issue a model tariff that serves as a flexible guide to EDCs when seeking Commission approval for their own large load tariffs. Each EDC can then propose its own tariff provisions that it believes will enable it to best serve large load customers in its service territory, adequately protect its existing customers, allocate costs fairly and in accordance with well-established ratemaking principles, and provide clarity and certainty to large load applicants.

I. REPLY TO COMMENTS

A. A Dedicated, Flexible Interconnection Process Is Appropriate For Large Loads

A wide range of proposals were presented in the comments concerning the interconnection process for large loads, including establishing rigid timeframes and creating expedited pathways where a customer brings their own generation, has co-located generation, or pays for infrastructure or system upgrades.¹⁰ PECO supports the Commission's efforts to improve the transparency, efficiency, and predictability of the interconnection process for large load customers. We agree with stakeholders that speed to market is critical but caution that rigid timelines may not be realistic as they do not account for the complexity and variability of large load projects.¹¹

¹⁰ See, e.g., Calibrant Energy Comments, pp. 3-4 (proposing the addition of a "flexible interconnection" application); Constellation Comments, pp. 2-3 (supporting established interconnection timelines of not to exceed six months); Evergreen Collaborative Comments, p. 2 (supporting expedited interconnection in certain circumstances, such as when a data center provides its own onsite clean energy); Exus Renewables Comments, pp. 4-5 (model tariff should prioritize faster interconnection for large loads with co-located generation); IECPA Comments, pp. 6-8 (model tariff should provide an expedited process for projects that bring their own generation); Vistra Comments, pp. 5-6 (supporting expedited interconnection timelines for customer that pay for all or a portion of necessary infrastructure or system upgrades).

¹¹ See, e.g., FE-PA Comments, pp. 5-7, 13-14 (opposing PUC adoption of universal maximum times for large-load interconnection studies); OSBA Comments, p. 9 (supporting flexibility for the timing of feasibility studies); EAP Comments, pp. 13-14 (cautioning against special interconnection queues or rigid timeframes).

Any interconnection terms included in the model tariff should be transparent and serve as a guide to the EDCs, rather than mandate prescriptive provisions. Each EDC must have the flexibility to propose interconnection requirements tailored to its specific distribution system, project size and complexity, and prevailing system conditions. As noted in PECO's Initial Comments, EDCs should continue to maintain autonomy and control over operational efficiencies and should have the ability to utilize cluster studies to assess the net effects of multiple large load projects.¹² EDCs must also be permitted to propose other terms such as readiness criteria and financial security requirements that could enable EDCs to evaluate projects based on viability, potentially increasing speed to market for the projects that are most likely to proceed to completion and operate consistent with expectations.

PECO remains open to exploring non-discriminatory expedited pathways for customers. However, as noted in its Initial Comments, PECO is opposed to model tariff provisions that would require EDCs to allow customers to self-construct interconnection infrastructure. The maintenance of the distribution system and the obligation to provide safe, reliable service to all customers are core responsibilities of each EDC. Allowing customers to install or modify such facilities could compromise system performance, safety, and reliability and, therefore, should only be permitted in the EDC's sole discretion.

B. The Model Tariff Should Accommodate A Range Of Generation Options, Including Customer Generation And Co-Located Resources In A Non-Discriminatory Manner Applying Traditional Cost Causation Principles

Several parties commented on the need for large load customers to develop their own generation and/or co-locate next to new or existing generation resources.¹³ PECO is generally

¹² PECO Initial Comments, pp. 3-4, *see also* EAP Comments, pp. 13-14 (supporting use of cluster studies for interconnection management).

¹³ *See, e.g.*, Constellation Comments, pp. 2-3 (co-location can reduce stress on the transmission system), 7-8 (the model tariff should promote co-location) 12-13 (requiring large load customers to bring their own generation would

supportive of customer-developed generation and co-location as long as traditional cost causation principles are applied to the services provided by EDCs.

Large load customers should be permitted to bring their own generation resources, subject to EDC system requirements. PECO agrees that this will mitigate the grid impacts of that new load and help avoid displacing service to existing customers. New generation resources may also assist with resource adequacy by increasing supply, which may also help stabilize capacity prices. However, PECO also agrees with other commenters that large load customers should not be required to bring their own generation – such a requirement would be inconsistent with the statutory structure of Pennsylvania’s electricity market and require new legislation, which is outside the scope of this proceeding.¹⁴

In addition, customers that develop their own on-site generation will still be connected to the grid and enjoy the benefits of reliability services, such as ancillary services, including black start, and the ability to draw real or reactive power from the grid at any time, and EDCs will still be obligated to serve the customer’s entire load. The same would be true for large loads co-located alongside new or existing generation resources, which would similarly rely on the grid for reliability services, the ability to draw power from the grid at any time, and the benefits from their connection to the transmission system. EDCs would need to continue to study the impacts of such projects in a holistic manner and perform any necessary infrastructure upgrades to

be unduly discriminatory); DRN Comments, pp. 4, 9-10 (PUC should require large load customers to bring new generation and capacity to offset their retail load), Exus Renewables Comments, pp. 2-3 (expressing support for the concept of “bring your own generation”), pp. 4-5 (the PUC policy and the model tariff should prioritize interconnection for co-located large loads); IECPA Comments, pp. 9-10 (the model tariff should provide an expedited process for projects that bring their own generation); NRDC Comments, pp. 5-6 (energy self-supply can benefit customers and the system); OSBA Comments, p. 9 (support tools, such as co-location, to prioritize projects to solve grid challenges, as long as utilities provide fair non-discriminatory access to the grid); Vistra Comments, p. 5 (model tariff should not discriminate against or prohibit co-location), p. 6 (customers should have the flexibility to bring generation, but it should not be a requirement to receive electric service).

¹⁴ See, e.g., Constellation Comments, pp. 12-13, Vistra Comments, p. 6.

accommodate such new large load customers. Large load customers must pay their fair share so that existing customers are not required to subsidize the large load's use of the electric system and should be treated as retail loads receiving EDC service at applicable retail rates.¹⁵ PECO agrees with FE-PA and PPL that such customers will need to pay for standby generation or contract with their EDC for minimum demand.¹⁶ PECO also maintains that large load customers that bring their own generation should not receive expedited treatment in the interconnection queue solely on that basis, as this could result in discriminatory treatment.

While beyond the scope of the model tariff, parties also addressed the potential of utility-owned generation.¹⁷ Utility-owned generation could offer resource adequacy benefits similar to customers who bring their generation to help meet the load demand of EDC large load and other retail customers. However, utility-owned regulated generation is currently not permitted under Pennsylvania law. If a change in law permits Pennsylvania EDCs to own generation, PECO encourages the Commission to fully explore the benefits that such generation could bring to the Commonwealth. When placed strategically and sized appropriately, regulated generation can serve as a complement or an alternative to transmission investment to address reliability concerns. Regulated generation could take such forms as solar, community solar, and dispatchable generation. Similar to other generation, regulated generation will require the study of economic impacts as well as operational implications. PECO is willing to support and

¹⁵ See, e.g., *Baltimore Gas & Electric Company and PECO Energy Company Petition for Declaratory Order*, FERC Docket No. EL24-149-000, pp. 10-12 (Sept. 30, 2024) (explaining that the interconnection of end-use load is a matter of state, not federal, jurisdiction, and that such interconnections constitute retail end-use load subject to state public utility jurisdiction); *Comments of the Pennsylvania Public Utility Commission*, FERC Docket No. EL24-149-000, pp. 1-4 (Oct. 30, 2024) (supporting a declaration that sales of energy to load co-located with generation is a direct sale of energy subject to state jurisdiction and confirmation that co-located load must follow standard procedures for becoming a retail customer and paying applicable rates).

¹⁶ See FE-PA Comments, p. 6; PPL Comments, pp. 21-22.

¹⁷ See, e.g., PPL Comments, pp. 12-14 (PUC should consider EDC investment in generation (including ownership) as a tool to support reliability and reduce price volatility); Constellation Comments, pp. 9-11 (PUC should reject proposals for utilities to build and own generation).

consider owning regulated generation, provided certain key regulatory attributes are developed to ensure protection of EDCs' financial profiles, including credit ratings, and cost recovery for EDCs, including their cost of capital.

C. EDC Load Forecasting Is Important And Should Be Explored In A Dedicated Proceeding

Several commenters made proposed enhancements to utility load forecasting, including increasing forecast frequency and establishing criteria for when a proposed large load project should be included in a forecast.¹⁸ PECO agrees that EDC load forecasting is important, alongside more regional load forecasting,¹⁹ to enable market participants to knowledgeably respond to market signals and to inform the Commission and key stakeholders on resource adequacy issues. However, the Company does not support additional rigid annual reporting requirements that may not reflect the dynamic and often unpredictable nature of large load development.

In addition, while forecasting is critical, forecasting requirements fall outside the scope of the contemplated large load model tariff. Issues related to forecasting, including the appropriate frequency and methodology for utility forecasting, confidentiality of commercial data and the protection of Critical Energy/Electric Infrastructure Information, the usefulness and currentness

¹⁸ See, e.g., CAUSE-PA/TURN Comments, pp. 8-9 (PUC should require prospective large load customers to put up substantial collateral to be included in large load forecasts); Constellation Comments, p. 4 (PUC can require EDCs to provide more frequent demand forecasting with an enhanced level of detail); DLC Comments, pp. 13-14 (demand forecasting should not be limited to load that is under contract); FE-PA Comments, pp. 12-13 (limiting forecasts to load under contract would provide more certainty but would also limit the market's ability to respond to future signals); Hannah Wiseman Comments, p. 2 (EDCs should only use firm, committed large loads in their forecasting); PennFuture Comments, p. 3 (EDCs should be required to provide more frequent demand forecasts and should not be able to withhold potential location and demand information to gain economic advantage); TDCC Comments, pp. 2-4, 8-10 (PUC should require EDCs to use standardized methodologies for forecasting, share underlying assumptions and reconcile near-term customer demand with long-term infrastructure planning models); Vistra Comments, pp. 11-12 (EDCs should be directed to file annual forecasts identifying amount of load with signed electric service agreements and when load is expected to come online).

¹⁹ See *Technical Conference on Resource Adequacy in Pennsylvania*, Docket No. M-2024-3051988, PECO Comments dated January 9, 2025 (explaining the relevance of conditions in the broader PJM footprint and the importance of engaging at the PJM level when considering resource adequacy).

of projections given the dynamic nature of prospective loads, and the feasibility of a standardized methodology should be addressed in a separate proceeding or technical conference.

D. EDCs Should Have The Flexibility To Utilize Customized Contracts Under Appropriate Circumstances

Several stakeholders proposed that the Commission prohibit or restrict the use of customized contracts for large load customers, expressing concern that such contracts are less transparent than tariff rates and could potentially shift costs to other ratepayers.²⁰ While the Company agrees that tariff-based service should be the default for large load customers, the use of customized contracts is a valuable tool to accommodate unique operational or locational characteristics. PECO recommends that large load contracts should include appropriate customer safeguards including: (1) cost-based and non-discriminatory terms that do not result in cost-shifting to other customer classes; and (2) appropriate financial assurances, such as collateral, minimum demand charges, and exit fees.

E. Large Load Customers Do Not Present Unique Utility Plant Or Rate Of Return Issues

A few commenters argued that utilities should not be permitted to earn a rate of return on infrastructure investments where the utility plant is built from funds that come from large load customers.²¹ PECO believes that issues concerning prudent investment in utility plant and recovery thereof are not unique to large loads, do not require special treatment as part of any large load model tariff, and should continue to be considered as part of base rate proceedings or other Commission proceedings impacting utility plant recovery.

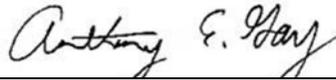
²⁰ See, e.g., CAUSE-PA/TURN Comments, pp. 5-6, PennFuture Comments, pp. 2-4.

²¹ See CAUSE-PA/TURN Comments, pp. 7-8; NRDC Comments, p. 5.

II. CONCLUSION

PECO appreciates the opportunity to provide these Reply Comments and remains committed to ongoing constructive engagement with the Commission and interested stakeholders regarding these important issues.

Respectfully submitted,



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