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September 26, 2025

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

**RE: Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, PA;
Docket No. R-2025-3054394**

Dear Secretary Homsher:

Attached for filing with the Pennsylvania Public Utility Commission is the Main Brief of Citizens' Electric Company of Lewisburg, PA, in the above-referenced docket.

If you have any questions regarding the attached document, please feel free to contact the undersigned. As shown by the attached Certificate of Service, the parties to this proceeding are being duly served with a copy of this filing. Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Adeolu A. Bakare', written over a white background.

Adeolu A. Bakare
MCNEES WALLACE & NURICK LLC

Counsel to Citizens' Electric Company of Lewisburg, PA,

c: Mary D. Long, Administrative Law Judge (via e-mail)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants, listed below, in accordance with the requirements of Section 1.54 (relating to service by a participant).

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Dated this 26th day of September, 2025, in Harrisburg, Pennsylvania.

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Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service, Docket No. I-2011-2237952, Order entered February 15, 2013 ("End State Order") at 30.

Joint Petition of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for their Default Service Program for the Period June 1, 2015 through May 31, 2018, Docket Nos. P-2014-2425024 and P-2014-2425245 (Order entered Feb. 27, 2015) ("DSP IV Order").

Joint Petition of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for Approval of Default Service Plan and Waiver of Commission Regulations for the Period June 1, 2025 Through May 31, 2029, Docket No. P-2024-3049357, et al., Recommended Decision, December 23, 2024 ("DSP VII Recommended Decision") at 4.

Norfolk and Western Railway Co. v. Pa. Pub. Util. Comm'n, 489 Pa. 109, 413 A.2d 1037 (1980)

Pa. PUC v. Metro. Edison Co., et al., Docket Nos. R-00061366, et al., 2007 Pa. PUC LEXIS 5, at *111-12 (Order entered Jan. 11, 2007)

Pa. PUC v. Philadelphia Electric Company, Docket No. R-891364, et al., 1990 Pa. PUC LEXIS 155 (Order dated May 16, 1990); *see also Pa. PUC v. Breezewood Tel. Co.*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45, at *10 (Order dated Jan 31, 1991)

PECO Energy Company Electric Service Tariff, Supplement No. 13 to Electric Pa. P.U.C. No. 8. (Pa. P.U.C.), https://www.peco.com/cdn/assets/v3/assets/blt1b5616c79bacadb4/blt9448ea371fcf175a/68b0cc75b3827834f7c7c272/Current_Electric_tariff_eff_Sept_1_2025.pdf (last visited Sept. 24, 2025).

Petition of UGI Utilities, Inc-Electric Division for Approval of a Default Service Plan for the Period of June 1, 2025 though May 31, 2029, Docket No. P-2004-3049343, et al. Recommended Decision and Order, December 3, 2024 ("UGI Order")

Phila. Suburban Transp. Co. v. Pa. Pub. Util. Com., 3 Pa. Commw. 184, 192, 281 A.2d 179, 184 (1971).

Philadelphia Suburban Water Co. v. Pennsylvania Pub. Util. Comm'n, 808 A.2d 1044, 1059–60 (Pa. Commw. Ct. 2002) (citing *Philadelphia Suburban Transportation Co. v. Pennsylvania Public Utility Commission*, 3 Pa.Cmwlth. 184, 281 A.2d 179 (1971)).

Schmukler v. Pennsylvania Pub. Util. Comm'n, 302 A.3d 247, 253 (Pa. Commw. Ct. 2023).

Se-Ling Hosiery v. Margulies, 364 Pa. 45, 70 A.2d 854 (1950).

Univ. of Pa. v. Pa. PUC, 485 A.2d 1217, 1226 (Pa. Cmwlth. 1984).

Statutes

52 Pa. Code § 54.181

52 Pa. Code § 75.13(d)

52 Pa. Code § 75.13(e)

66 Pa. C.S. § 1301(a)

66 Pa. C.S. § 1304

66 Pa. C.S. § 1304

66 Pa. C.S. § 1304

66 Pa. C.S. § 1304; 66 Pa. C.S. § 2807(e)(7)

66 Pa. C.S. § 2807(e)(3.4); 66 Pa. C.S. § 1304

66 Pa. C.S. § 2807(e)(7)

66 Pa. C.S. § 2807(e)

66 Pa. C.S. §§ 315(a), 1301(a), 1304

73 P.S. § 1648.2

73 P.S. § 1648.5

Act of November 30, 2004, P.L. 1672, *as amended*, [73 P.S. §§ 1648.1-1648.8](#).

I. INTRODUCTION

Citizens' is a Pennsylvania corporation with its principal office located in Lewisburg, Union County, Pennsylvania. Citizens' is an investor-owned, for-profit electric utility, wholly owned by C&T Enterprises, Inc. ("C&T"). C&T is a holding and management services company that also owns Wellsboro Electric Company ("Wellsboro") and Valley Energy, Inc. ("Valley").

Citizens' service territory is a 55-square-mile territory in and around Lewisburg, Pennsylvania. As stated in the original filing, at the end of December 2024, Citizens' served an average of 7,176 customers, of which approximately 5,964 customers were residential and approximately 1,212 were commercial, industrial, or lighting.¹ Citizens' received its authorization to operate as a public utility in the Commonwealth of Pennsylvania in Docket No. A-110050.

Through the instant proceeding, Citizens' requests Commission approval of an increase in annual distribution revenues. Citizens' conducted an analysis of whether the rates for its unbundled distribution service are sufficient to compensate the Company for the costs that it incurs to provide electric distribution service, plus a reasonable return. As part of this analysis, Citizens' segregated its revenues received from distribution service by deducting from total revenues the revenues and expenses for generation supply service. As a result of that study, the Company determined that the as-filed distribution rate increase of \$1,794,525 per year would be needed to produce an appropriate rate of return. This

¹ See Citizens' Statement No. 1 – Direct Testimony and Exhibits of Howard S. Gorman ("Citizens' Statement No. 1"), Exhibit __ (HSG-1), Schedule B5.

analysis was conducted using 2026 as a Fully Projected Future Test Year ("FPFTY"), as authorized by the Public Utility Code. As noted above, the request was adjusted to approximately \$1,641,472 in the Company's Rebuttal Testimony.²

Under current rates, Citizens' earned a rate of return on its distribution assets in 2024 of only 5.56%, a low return that will not support the long-term health of the Company.³ At current rates, by 2026, the Company's FPFTY, Citizens' return is projected to decrease to 1.93%, a level far too low under the *Hope* and *Bluefield* Standards.⁴ If the full request is granted, the Company would be able to earn a return of approximately 8.49%.⁵ Citizens' believes these proposed rates, as modified by settlement, provide an appropriate return for its regulated distribution service and are in line with the current expectations of investors in the marketplace. This is especially true for Citizens' investors because smaller utilities are generally viewed as carrying more risk because of their susceptibility to larger revenue fluctuations due to weather-related usage variations, loss of customer load, and other factors.

Since its last distribution rate increase filed in 2022, Citizens' has continued to provide high quality, reliable service to customers; at the same time, the costs of operating the distribution system have continued to grow. Citizens' has been systematically replacing its aging distribution infrastructure, including replacing aged poles, increasing conductor

² See Citizens' Statement No. 1R – Rebuttal Testimony and Exhibit of Howard S. Gorman ("Citizens' Statement No. 1R").

³ See Citizens' Statement No. 1R, Exhibit __ (HSG-1R), Schedule C1 (R).

⁴ See *id.*

⁵ See *id.*

size to provide greater operating flexibility and reliability, replacing underground cable, reconductoring to increase capacity and reliability, and relocating lines for reliability improvement. Additionally, Citizens' has completed numerous small line extensions and upgrades over the last three years. From the end of 2023 through the end of the FPFTY, the Company will have invested over \$4 million in utility plant in service.⁶

Citizens' investments in reliability and infrastructure are occurring as Citizens' faces declining sales – a projected reduction in kWh of approximately 2.8%.⁷ Additionally, Citizens' expects its customers to continue improving energy efficiency through continued proliferation and use of efficiency measures such as solar generation, LED lighting, higher-efficiency appliances, and variable-speed heat pumps. Due primarily to inflation, Citizens' Operations and Maintenance ("O&M") costs are approximately \$1.4 million higher for the FPFTY when compared to the 2022 rate case.⁸ The Company has experienced cost increases for most major components that are required to operate and maintain its distribution system.⁹ Even though Citizens' has taken steps to offset these increases, including adjusting the rates for revenue from telecommunications, cable, and other entities that attach to its poles, this benefit is minor, and a distribution rate increase is also needed.

In addition to the distribution revenue requirement increase, Supplement No. 172 proposed to modify the definition of "Billing Demand" in Citizens' tariff to reflect each

⁶ See Citizens' Statement No. 1R, Exhibit __ (HSG-1R), Schedule C1-5 (R).

⁷ See *id.*; see also Citizens' Statement No. 4 – Direct Testimony and Exhibits of Nathan Johnson ("Citizens' Statement No. 4") at 8.

⁸ See Citizens' Statement No. 1R, Exhibit __ (HSG-1R), Schedule C5-1 (R).

⁹ See *id.*

non-residential account's power flow regardless of direction, rather than restricting it to measurement of power flowing from the grid to the end user. This proposal does not impact residential customers. This change is proposed to better reflect customer-generators' actual use of the distribution system and to align with cost-causation principles and recent Commission precedent.¹⁰ Customer-generators will pay a fair, just and reasonable charge for distribution service while receiving net metering in accordance with the Alternative Energy Portfolio Standards ("AEPS") Act for their exported supply.¹¹ No changes are being proposed to the threshold amounts for placing customers in classes or default service rates or to the availability qualifications for Citizens' distribution rate schedules.

Above all, the proposed distribution rates, as modified by settlement, will promote the continued provision of safe and reliable service by providing Citizens' with the opportunity to earn a fair and reasonable return on the resources invested in the distribution system. Citizens' will be able to continue its capital investment in system improvements, as well as the current maintenance and replacement policies that have consistently resulted in safe, adequate, and reliable service for customers. The new rates will also enhance

¹⁰ A "customer-generator" is defined as:

A nonutility owner or operator of a net metered distributed generation system with a nameplate capacity of not greater than 50 kilowatts if installed at a residential service or not larger than 3,000 kilowatts at other customer service locations, except for customers whose systems are above 3 megawatts and up to 5 megawatts who make their systems available to operate in parallel with the electric utility during grid emergencies [with certain conditions met]. . . .

73 P.S. § 1648.2.

¹¹ Act of November 30, 2004, P.L. 1672, *as amended*, [73 P.S. §§ 1648.1-1648.8](#).

Citizens' ability to obtain capital, when needed, to fund major system improvement projects that may be necessary in the future. Approval of the revised Billing Demand definition using bi-directional demand will ensure that customer-generators bear a fair share of the distribution system costs and are grouped with similar customers for default service pricing, net metering administration, and annual cashouts. Otherwise, residential and small commercial customers on the Generation Supply Service Rate – 1 ("GSSR-1") would pay generation rates that are unnecessarily and unreasonably inflated to compensate large customer-generators.

A. PROCEDURAL HISTORY

This proceeding was initiated on April 30, 2025, when Citizens' Electric Company of Lewisburg, Pennsylvania ("Citizens" or "Company") filed Supplement No. 172 to Tariff Electric – Pa. P.U.C. No. 14 ("Supplement No. 172") with the Pennsylvania Public Utility Commission ("PUC" or "Commission"). Supplement 172 proposes to increase annual revenues by \$1,794,525 per year, with a proposed effective date of June 29, 2025.¹² The as-filed rate case would result in an approximately 11% increase to Citizens' annual distribution revenues under current rates.¹³ When considering the Company's total annual revenues (distribution and generation supply), the overall as-filed increase is approximately 8.49%.¹⁴

¹² See Citizens' Statement No. 1, Exhibit __ (HSG-1), Schedule C1.

¹³ See *id.*

¹⁴ See *id.*

The Office of Consumer Advocate ("OCA") filed a Formal Complaint against Citizens' rate increase on May 12, 2025, and the Office of Small Business Advocate ("OSBA") filed a Formal Complaint on May 14, 2025. The Bureau of Investigation and Enforcement ("I&E"), thereafter, submitted a Notice of Appearance in this proceeding. On May 22, 2025, a Petition to Intervene was filed by Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC, and Twilight Renewables, LLC ("Solar Projects"). Pursuant to 52 Pa. Code § 5.61(d), Citizens' elected not to file answers to the Complaints.

At its Public Meeting of May 22, 2025, the Commission suspended Citizens' proposed tariff supplement by operation of law until January 29, 2026, and instituted an investigation into this proceeding. On June 2, 2025, Citizens' filed a tariff supplement extending the suspension period through January 29, 2026. The Commission assigned Administrative Law Judge ("ALJ") Mary D. Long to this case.

The ALJ held a Prehearing Conference on June 3, 2025, at which time a litigation schedule was developed. The Prehearing Conference was held jointly with rate cases filed by Wellsboro and Valley at Docket Nos. R-2025-3054392 and R-2025-3054393, respectively.

Citizens' provided the parties with its prepared Direct Testimony as part of its April 30 filing. In accordance with the schedule established at the Prehearing Conference, Citizens' received Direct Testimony from OCA, I&E, OSBA, and the Solar Projects on July 15, 2025. On August 13, 2025, Citizens' submitted Rebuttal Testimony and received

Rebuttal Testimony from OCA, I&E, OSBA, and the Solar Projects on that same date.¹⁵ Citizens' presented Surrebuttal Testimony on August 28, 2025, and received Surrebuttal Testimony from OCA, I&E, OSBA, and the Solar Projects on the same date. The Company provided Rejoinder Testimony on September 3 and Supplemental Rejoinder Testimony on September 9, 2025.

On June 2, 2025, the Solar Energy Industries Association ("SEIA") and the Coalition for Community Solar Access ("CCSA") filed a Joint Petition to Intervene. On June 23, 2025, Citizens' and Wellsboro filed a Joint Answer opposing the Joint Petition to Intervene of SEIA and CCSA. On July 7, 2025, ALJ Long issued an Initial Decision denying SEIA and CCSA's Petition to Intervene.

Four consolidated public input hearings were conducted on August 20, 2025 (telephonic) and August 21, 2025 (in Wellsboro, PA) for the Citizens', Wellsboro, and Valley rate cases. No witnesses offered public comment for the Citizens' rate case.

Evidentiary hearings were held on September 4, 5, and 10, 2025, to establish the record and to make witnesses available for cross-examination. As with the Prehearing Conference, the evidentiary hearings were held jointly for the Citizens', Wellsboro, and Valley rate proceedings. All prepared Statements and Exhibits were entered into the record by verification or by witness authentication. Company witnesses Howard S. Gorman and Nathan Johnson were sworn in and submitted to cross-examination. Solar Projects

¹⁵ In its Rebuttal Testimony, Citizens' revised its proposed revenue increase to approximately \$1,641,472, reflecting revenue requirement adjustments to the as-filed request. Citizens' Statement No. 1R, Exhibit __ (HSG-1R), Schedule C1 (R).

witnesses Brett Nolt and Kevin Lucas were also sworn in and submitted to cross-examination. The testimony of all other witnesses was entered into the record without cross-examination.

After settlement discussions with all parties, the Company consented to a settlement-in-principle of all issues with I&E, OCA, and OSBA (collectively, "Settlement Parties"), pending approval of the Commission. The settlement-in-principle will be filed as a formal settlement agreement ("Non-Unanimous Settlement" or "Joint Petition") on September 26, 2025, pursuant to the schedule adopted in this proceeding.¹⁶ The Non-Unanimous Settlement includes a black box revenue requirement that reduces the proposed revenue increase to \$1,390,000. The Joint Petition also resolves all other issues among the Settling Parties, including: (1) revenue requirement; (2) rate case normalization; (3) state corporate net income tax; (4) evaluation of cost responsibility for credit card bill payments; (5) utility plant balance; (6) General Light and Power Service - 1 ("GLP-1") and General Light and Power Service - 3 ("GLP-3") billing determinants; (7) customer charges; (8) revenue allocation; (9) security deposit policy; (10) payment plan tracking and operating procedures; (11) plant addition and retirement reporting; (12) distribution and posting of OSBA contact information; and (13) the revised billing demand definition.¹⁷ The Solar Projects participated in settlement discussions but did not agree to the Non-Unanimous Settlement. Issues resolved between the Settlement Parties are reviewed in Section III.A of this Main Brief. Citizens' arguments on the Solar Projects'

¹⁶ Non-Unanimous Joint Petition for Settlement (Sept. 26, 2025).

¹⁷ Joint Petition at 5-8.

disputed issues are summarized in Section II of this Main Brief, with the full arguments set forth in Section III.B.

B. STANDARD OF REVIEW / BURDEN OF PROOF

The Public Utility Code requires that a public utility's rates be just, reasonable, and not unduly discriminatory.¹⁸ Where, as here, a public utility seeks a general rate increase, the utility has the burden of proving that each element of the rate increase request is just and reasonable.¹⁹ The Commonwealth Court has explained, however, that public utilities are not required to affirmatively defend claims that have gone unchallenged.²⁰

The ultimate burden of proof does not shift from the utility seeking a rate increase; however, where a party proposes an adjustment to the utility's rate making claim, that party must present evidence or analysis that demonstrates the reasonableness of its proposed adjustment.²¹ The utility must then respond to support its proposal. The Commission uses a "preponderance of the evidence" standard to weigh the parties' evidence. As per Commission precedent, to "establish a fact or claim by a preponderance of the evidence means to offer the greater weight of the evidence, or evidence that outweighs, or is more

¹⁸ 66 Pa. C.S. §§ 315(a), 1301(a), 1304.

¹⁹ *Univ. of Pa. v. Pa. PUC*, 485 A.2d 1217, 1226 (Pa. Cmwlth. 1984).

²⁰ *See Allegheny Ctr. Assoc.'s v. Pa. PUC*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990) (stating "[w]hile it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.").

²¹ *See e.g., Pa. PUC v. Philadelphia Electric Company*, Docket No. R-891364, *et al.*, 1990 Pa. PUC LEXIS 155 (Order dated May 16, 1990); *see also Pa. PUC v. Breezewood Tel. Co.*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45, at *10 (Order dated Jan 31, 1991) (stating "the Commission has indicated that where a party proposes an adjustment to a ratemaking claim of a utility, the proposing party does bear the burden of presenting some evidence or analysis tending to demonstrate the reasonableness [sic] of the adjustment.").

convincing than, by even the smallest amount, the probative value of the evidence presented by the other party."²² In addition, the Commission's decision must be supported by "substantial evidence," which is evidence that a reasonable mind might accept as adequate to support a conclusion.²³ A mere "trace of evidence or a suspicion of the existence of a fact" is insufficient.²⁴

Further, a party that raises an issue that is not included in a public utility's general rate case filing bears the burden of proof as to such issue.²⁵

II. SUMMARY OF ARGUMENT

As noted above, the Company has entered into a Non-Unanimous Settlement of all issues with the Settlement Parties, which will be filed simultaneously with this Main Brief on September 26, 2025. The Solar Projects have not agreed to the Non-Unanimous Settlement and are the only party opposing it. Therefore, Citizens' is briefing the issues raised by the Solar Projects in its testimony.

Citizens' believes that the Non-Unanimous Settlement balances the interests of the parties and comprehensively addresses the revenue requirement, revenue allocation, rate design, cost of equity, customer service, and other matters raised by I&E, OCA,

²² *Schmukler v. Pennsylvania Pub. Util. Comm'n*, 302 A.3d 247, 253 (Pa. Commw. Ct. 2023).

²³ *Id.* at 255.

²⁴ *Norfolk and Western Railway Co. v. Pa. Pub. Util. Comm'n*, 489 Pa. 109, 413 A.2d 1037 (1980); *Se-Ling Hosiery v. Margulies*, 364 Pa. 45, 70 A.2d 854 (1950).

²⁵ *See, e.g., Pa. PUC v. Metro. Edison Co., et al.*, Docket Nos. R-00061366, *et al.*, 2007 Pa. PUC LEXIS 5, at *111-12 (Order entered Jan. 11, 2007) (holding that Section 315(a) of the Public Utility Code cannot reasonably be read to place the burden of proof on utility with respect to issues the utility did not include in its general rate case filing and which, frequently, utility would oppose).

and OSBA in testimony. With regards to the settlement term modifying the Company's definition of "billing demand" and updating tariff language to apply the new definition for purposes of classifying default service customers and calculating the demand portion of distribution rates, the Non-Unanimous Settlement ensures that residential and small commercial customers do not pay unduly discriminatory and inflated rates for services provided to large customer-generators.

By way of background, the power grid serving Citizens' and other distribution utilities' customers originally was developed to deliver power generated by large, centralized generation facilities in a unilateral direction through transmission lines, then through Citizens' distribution system, and ultimately to the end-use customer. Consistent with this assumption, the Company has historically measured billing demand for non-residential customers on Rates GLP-1 and GLP-3 based solely on the inflow of power to an end user. However, in recent years, with the continued proliferation of distributed energy generation resources ("DER"), net metering, battery storage, and other emerging technology, the distribution grid is expected to serve additional functions. The assumption that power primarily moves unidirectionally from bulk generation facilities to the end use customer no longer holds. This has been particularly clear in Citizens' territory, where multiple large customer-generator projects are in various stages of development. These projects are designed to produce power that substantially exceeds the account's instantaneous on-site usage. At the extreme, the customer-generator can produce 3,000 kW of power while it has only minimal onsite consumption.

In light of these developments, the Company determined that if large customer-generators (that is, those at or exceeding the 400 kW demand threshold) remain classified based solely on their power *intake* from the grid, there was significant potential for ongoing and increasing cost shifts to residential and small commercial customers, in both default service and distribution pricing. Distribution system planning is not based solely on the unidirectional delivery of power to customers; it also must account for the receipt of power from customer-generators. Chapter 13 of the Public Utility Code and cost-of-service principles support treating a customer that exports 400 kW of power to the Citizens' distribution system similar to a customer that consumes 400 kW of power from the Citizens' distribution system.

As to default service, measuring billing demand solely by power inflow allows large customer-generators to be classified with residential and small commercial customers for default procurement purposes in the GSSR-1 rate, which presents several significant concerns. First, customers exporting 400 kW of power or more to the Citizens' distribution system are not like the residential and small commercial customers consuming power on the GSSR-1 and should not be grouped with those customers for default service categorization. Customers exporting 400 kW of power or more to the Citizens' distribution system are sophisticated and similar to the commercial and industrial customers consuming power on the Generation Supply Service Rate – 2 ("GSSR-2"). Second, including large customer-generators as GSSR-1 customers requires the other GSSR-1 customers to pay for the annual cashout of any exported power, rather than having the costs for those payments allocated to GSSR-2 customers

that are more similarly situated to those large customer-generators. This places upward pressure on the GSSR-1 rates at a time when other market-based pressures are also increasing the generation cost burden on residential and small commercial customers. Third, grouping large customer-generators into the GSSR-1 rate shifts responsibility for capacity and transmission costs (which are included in the GSSR-1 retail rate) while doing little to nothing to actually offset the total capacity and transmission charges for the Company's default customers. The legal concern with these factors is the likelihood of higher prices for GSSR-1 residential and small commercial customers, resulting in default service rates that conflict with the "least cost over time" and that are non-discriminatory requirements of Chapters 13 and 28 of the Public Utility Code.²⁶

Further, in Pennsylvania, customer-generators are eligible to supply up to 3,000 kW onto the distribution grid. The Company is obligated to provide, maintain, and manage the distribution facilities that accommodate the flow of power from any customer-generator. This means that transformers, substations, feeders, poles, lines, and services all must be sized, supplied, and supported to meet the maximum anticipated usage—regardless of the direction of power flow. Although a customer-generator may be required to pay for certain system upgrades to interconnect to the system, the Company must provide ongoing support for those facilities, as well as for all portions of the distribution operations that are necessary to serve customers.²⁷ Pursuant to the Public

²⁶ 66 Pa. C.S. § 2807(e)(3.4); 66 Pa. C.S. § 1304.

²⁷ Citizens' Statement No. 1R at 16; Citizens' Statement No. 4R – Rebuttal Testimony and Exhibits of Nathan Johnson ("Citizens' Statement No. 4R") at 23.

Utility Code, utilities must not maintain unreasonable differences between customer rates.²⁸ It is incumbent on the Company and the Commission to ensure customers pay just and reasonable rates.²⁹

To comport with cost-causation principles and to align with recent Commission precedent, the Company has proposed in the Non-Unanimous Settlement to define "Billing Demand" in the tariff to be based on measurements of power flow regardless of direction, rather than restricting it to measurement of power flowing from the grid to the customer-generator. Net metering benefits remain intact for all customer-generators, and no changes are being proposed to the threshold amounts for placing customers in classes or default service rates; only the bi-directional measurement of power flow is being proposed to reflect actual use of the distribution system by a customer-generator. However, the effect of the Company's proposal is that some customer-generators whose exported load far exceeds their usage load will be classified pursuant to their true use of the distribution system, which may result in a GSSR-2 classification for default service purposes and/or higher demand charges for distribution purposes.

The Solar Projects oppose this proposal because they desire to be compensated for net metered output at the GSSR-1 Price-To-Compare ("PTC"). The Solar Projects argue that the proposed tariff changes will make their projects uneconomic and will halt large customer-generator development in Citizens' territory. However, the Solar Projects' position would increase costs and risk of the GSSR-1 to the detriment of

²⁸ 66 Pa. C.S. § 1304; 66 Pa. C.S. § 2807(e)(7).

²⁹ 66 Pa. C.S. § 1301(a).

residential and small commercial customers, and would result in cost shifts in distribution rates, as well.

Therefore, Citizens' respectfully requests that the ALJ and the Commission deny the arguments of the Solar Projects and accept the Non-Unanimous Settlement.

III. ARGUMENT

A. ISSUES RESOLVED AMONG ALL PARTIES

1. RATE BASE (NOT CONTESTED)

The Non-Unanimous Settlement resolves all contested issues concerning rate base between the Settlement Parties. Company witnesses presented the Company's proposals for this topic in Direct Testimony, and some of the Company's proposals were contested in litigation. The Settlement Parties agreed to resolve these issues by way of the black box revenue requirement in the Non-Unanimous Settlement.³⁰

2. REVENUES (NOT CONTESTED)³¹

The Non-Unanimous Settlement resolves all contested revenue issues between the Settlement Parties. Company witnesses presented the Company's proposals for this topic in Direct Testimony, and some of the Company's proposals were contested in litigation. The Settlement Parties agreed to resolve these issues by way of the black box revenue requirement in the Non-Unanimous Settlement.³²

³⁰ See Non-Unanimous Settlement at 5.

³¹ As the settlement revenue requirement is not contested, the rate case tables are appended to the Non-Unanimous Settlement filed contemporaneously with this Main Brief.

³² See *id.*

3. EXPENSES (NOT CONTESTED)

The Non-Unanimous Settlement resolves all contested issues concerning Company expenses between the Settlement Parties. Company witnesses presented the Company's proposals for this topic in Direct Testimony, and some of the Company's proposals were contested in litigation. The Settlement Parties agreed to resolve these issues by way of the black box revenue requirement in the Non-Unanimous Settlement.³³

4. FAIR RATE OF RETURN (NOT CONTESTED)

The Non-Unanimous Settlement resolves all contested issues concerning the Company's rate of return between the Settlement Parties. Company witnesses presented the Company's proposals for this topic in Direct Testimony, and some of the Company's proposals were contested in litigation. The Settlement Parties agreed to resolve these issues by way of the black box revenue requirement in the Non-Unanimous Settlement.³⁴

5. TAXES (NOT CONTESTED)

The Non-Unanimous Settlement resolves all contested tax issues between the Settlement Parties. Company witnesses presented the Company's proposals for this topic in Direct Testimony, and some of the Company's proposals were contested in litigation.

³³ *See id.*

³⁴ *See id.*

The Settlement Parties agreed to a resolution on these issues and documented them in the Non-Unanimous Settlement.³⁵

6. CUSTOMER RATE STRUCTURE (NOT CONTESTED, EXCEPT FOR CUSTOMER-GENERATOR ISSUES – ADDRESSED IN SECTION III.B)

The Non-Unanimous Settlement resolves all contested customer rate structure issues between the Settlement Parties. Company witnesses presented the Company's proposals for this topic in Direct Testimony, and some of the Company's proposals were contested in litigation. The Settlement Parties agreed to a resolution on these issues and documented them in the Non-Unanimous Settlement.³⁶ The contested customer-generator issues regarding demand charges are addressed below.

B. CUSTOMER-GENERATOR ISSUES

The primary contested issue in this case boils down to one basic question: Should large customer-generators, who rely on the Company's distribution system to export substantial amounts of power from their facilities, be treated similarly to other customers that rely on the distribution system to deliver equivalent amounts of power for consumption at their facilities? The Company, in its rate case proposal and in supporting testimony, provided ample support to answer that question in the affirmative—that all customers should be classified based on their use of the distribution system, including customer-generators who use the distribution system to export power to the grid.

³⁵ *See id.*

³⁶ *See id.*

As demonstrated below, recent Commission precedent supports the proposition that distribution costs are incurred regardless of the direction power flows, and that classifying customer-generators in a consistent manner with other customers is not only appropriate, but necessary to avoid substantial and unfair cost-shifts now and in the future. As explained further below, the Company is not creating any new classifications of users; it is not proposing to treat customer-generators in a discriminatory fashion; and it is not changing how net metering is calculated, credited, or repaid. Rather, the Company is proposing to remove a potentially unreasonable difference between the current treatment available to customer-generators and its treatment of other customers, consistent with recent Commission precedent.

1. DEFINITION OF BILLING DEMAND

- a. **Billing demand is a well-established concept that aligns with cost-causation principles.**

In utility ratemaking, utilities must propose (and the Commission must authorize) a means for ensuring each rate class pays for its proportionate cost of the assets dedicated to the provision of public utility service. The utility and the Commission must also establish an appropriate rate structure for each rate class to collect the allocated amount from the customers in that class. To that end, rate classes are grouped according to similar characteristics and their usage is analyzed as a class to establish a just, reasonable and non-discriminatory rate structure. For non-residential rate classes, particularly classes including larger power users, a utility's distribution service pricing often includes three elements: a monthly customer charge; a consumption-based (kWh) charge; and a demand-based (kW)

charge.³⁷ The tariff must explain how the demand-based charge will be measured. In Citizens' tariff, this concept is implemented as "billing demand." Billing demand has been a part of Citizens' tariff for many years.³⁸ It measures a user's peak usage during any 15-minute period of the month.

Up until this rate case, Citizens' definition of billing demand for the GLP-1 and GLP-3 rate classes has been based solely on power flow flowing *to* the end user. However, to comport with recent Commission precedent and with cost-causation principles, the Company, in its rate filing, proposed to update the tariff definition of "Billing Demand" to include power flowing in *either direction*, not just to the end user. The Company proposed this modification and related changes to ensure customer-generators pay a fair share of distribution system costs for their use of the system. The concept of billing demand is not being disputed in this proceeding; rather, the core dispute is over how billing demand should be measured and whether a customer's power deliveries onto the distribution grid should count when measuring a customer's "peak" use of the distribution system.

³⁷ Citizens' Statement No. 1 at 6. *See also* PECO Energy Company Electric Service Tariff, Supplement No. 13 to Electric Pa. P.U.C. No. 8. (Pa. P.U.C.), https://www.peco.com/cdn/assets/v3/assets/blt1b5616c79bacadb4/blt9448ea371fcf175a/68b0cc75b3827834f7c7c272/Current_Electric_tariff_eff_Sept_1_2025.pdf (last visited Sept. 24, 2025).

³⁸ *See Joint Petition of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for their Default Service Program for the Period June 1, 2015 through May 31, 2018*, Docket Nos. P-2014-2425024 and P-2014-2425245 (Order entered Feb. 27, 2015) ("DSP IV Order").

b. Regulatory guidance from the PUC and cost-causation principles prompted the Company's tariff update.

Until recently, Company management assumed that classifications for distribution and generation purposes had to be based on amount of peak electricity that the electric distribution company ("EDC") delivers to the customer-generator's account.³⁹ However, a recent decision by the Commission in UGI Utilities, Inc.—Electric Division's ("UGI") default service proceeding⁴⁰ ("UGI Order") indicated that customer-generators can and should be classified for generation purposes according to their peak electricity received from *or* exported to the EDC's distribution system when that produces just, reasonable, and non-discriminatory rates for all impacted customers.⁴¹

In the UGI proceeding, parties argued over similar cost-causation and classification issues. In the Commission's UGI Order, the Commission summarized UGI's proposal as follows:

UGI proposed to determine a customer's SPLI [supply peak load impact] based upon the customer's net demand contribution impact to the Company's default service procurement activity, as determined upon the net power flow from, or into, the Company's distribution system. UGI stated that customers with an SPLI below 100kW will be classified as GSR-1 customers while

³⁹ Citizens' Statement No. 4 at 17.

⁴⁰ *Petition of UGI Utilities, Inc-Electric Division for Approval of a Default Service Plan for the Period of June 1, 2025 though May 31, 2029*, Docket No. P-2004-3049343, et al. Recommended Decision and Order, December 3, 2024 ("UGI Order"); On March 18, 2025, Penn Renewables filed a Petition for Review in the Nature of an Appeal with the Commonwealth Court of Pennsylvania at Docket No. 337 CD 2025.

⁴¹ Citizens' Statement No. 4 at 18. "In the recent *UGI Electric Order*, the Commission determined that is appropriate to treat these customers similarly for generation supply services. For Citizens', this will ensure that we apply a uniform definition of 'billing demand', which is used in our distribution rate schedules and the GSSR-1 and GSSR-2 Riders."

customers with a SPLI greater than or equal to 100 kW will be classified as GSR-2 customers.

Penn Renewables, a solar developer active in UGI's service territory, contested the proposal to classify GSR-1 and GSR-2 customers based on SPLI (which approximates the meaning of Gross Generator Rating used in the Company's revised tariff), advancing many of the same arguments presented by the Solar Projects in this proceeding.⁴² The Commission, in approving UGI's proposal to reclassify GSR-1 and GSR-2 customers based on their SPLI, found the arguments presented by Penn Renewables to be "without merit."⁴³ The Commission concurred with UGI and found it appropriate to consider both imports from and exports to the distribution system in establishing the appropriate default service classification and rate treatment for customer-generators.⁴⁴ In short, the Commission recognized that UGI's measurement of bi-directional demand was consistent with cost-of-service principles. In fact, as stated by the Commission in its Order, "...UGI's proposal avoids rate discrimination against residential and small commercial customers because without it, these customers will pay higher default service rates caused by and for the benefit of larger customer-generators."⁴⁵

⁴² UGI Order at 24-25.

⁴³ *Id.* at 54.

⁴⁴ *Id.*

⁴⁵ *Id.*

c. **Under Citizens' revised Tariff Rule, Billing Demand will be defined to measure bi-directional peaks, consistent with the UGI Order.**

Similar to the introduction of SPLI as the mechanism to measure billing demand in the UGI Order, Citizens' proposes to modify its Tariff Rule 26 (Determination of Billing Demand) to incorporate bi-directional demand measurement. Initially, the Company's proposed tariff changes incorporated the concept of Gross Generator Rating (the nameplate generation capacity, as stated in the generator interconnection application). The Company provided testimony explaining the reasonableness of relying on Gross Generator Rating to measure demand for exported load, while acknowledging that measuring bi-directional demand would also be reasonable if such metering capability is available.⁴⁶

The Company's initial proposal was explained in detail by Company witness Johnson in Direct Testimony as follows:

First, we are proposing to add an explanation in Rule 26—Determination of Billing Demand stating:

(a) **Billing Demand:** Billing Demand shall reflect the Customer's use of the distribution system, which will be the greater of Gross Generator Rating (kW(AC)) as stated in the generator interconnection application or the maximum demand of the customer during any 15-minute period during the current month.

Second, for GLP-1 and GLP-3, we would modify the "Billing Demand" sections of each as follows:

"Billing Demand" is defined in Rule 26(a), but not less than 50% of the highest Billing Demand during the preceding eleven months.

⁴⁶ See Citizens' Statement No. 1R at 19 (explaining that either "nameplate maximum capacity" or "actual data" are both reasonable approaches).

Third, in the "Generation Supply Rates" portion of GLP-1 and GLP-3, we propose to capitalize the two occurrences of "Billing Demand". We would make the same capitalization changes in the GSSR-1 and GSSR-2 Riders, where "monthly billing demand" occurs in the first paragraph of each rider.⁴⁷

These changes collectively modified the Billing Demand definition to reflect the higher of the customer's monthly demand or Gross Generator Rating and applied confirming changes to ensure the revised definition applies consistently across the relevant tariff rules.

As settlement discussions ensued, the Company agreed with other Settlement Parties to replace the Gross Generator Rating portion of the definition with the peak bi-directional demand. The Joint Petition states that "[t]he Company's proposals for the distribution charges and net metering of customer-generators are modified as follows:"

- i. The Company shall use the **peak bi-directional demand** in place of the originally-proposed Gross Generator Capacity.
- ii. The Company shall establish the placement of the account on the GSSR-1 or GSSR-2 in June of each year based on the peak bi-directional demand for the prior June to May period, with the account classified as GSSR-2 if the 400 kW demand threshold was achieved in any of the months during the period.
- iii. The net metering compensation for accounts on GSSR-2 shall be as stated in Citizens' Statement No. 4R.⁴⁸

As explained further below, the proposed update to the Billing Demand definition does not create any new category of customer. Nor does it change the amounts or thresholds of demand of classifying Generation Supply Service Rate customers. However, it ensures that the demand is measured bi-directionally, which comports with customers' use of the distribution system.

⁴⁷ Citizens' Statement No. 4 at 18.

⁴⁸ Non-Unanimous Settlement at 7 (emphasis added).

2. APPLICATION TO GENERATION SUPPLY SERVICE RATE CLASSIFICATION

Citizens' current default service plan ("DSP") was approved by the Commission on January 23, 2025 ("DSP VII"), as part of a joint petition by Citizens' and Wellsboro. As part of its default service offering, and consistent with previous DSPs, Citizens' maintains two Generation Supply Service Rates: GSSR-1 and GSSR-2. GSSR-1 is a fixed price option for residential and small commercial customers, and GSSR-2 is an hourly priced option for large customers. Currently, customer-generators exporting large amounts of power due to low offsetting usage are classified as GSSR-1 customers. This harms the Company's other GSSR-1 customers by allowing large exporters to shift costs to smaller customers within the GSSR-1 classification. Citizens' proposal to modify its Billing Demand definition would appropriately classify large customer-generators as GSSR-2 customers and mitigate the existing cost shifts.⁴⁹

a. **The Company's proposal would maintain existing default service classifications and demand thresholds previously established by the Commission.**

While Citizens' is proposing to modify the definition of Billing Demand to capture exported load, it is not introducing any changes to the actual demand thresholds or default service rates previously approved by the Commission. In testimony, Mr. Johnson outlines the Company's DSP procurement and retail pricing approach. Mr. Johnson explains that wholesale costs are applicable to both GSSR rates, but the retail pricing for each rate is

⁴⁹ *Joint Petition of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for Approval of Default Service Plan and Waiver of Commission Regulations for the Period June 1, 2025 Through May 31, 2029*, Docket No. P-2024-3049357, et al., Recommended Decision, December 23, 2024 ("DSP VII Recommended Decision") at 4.

structured somewhat differently. The GSSR-1 includes the following components, as described in Mr. Johnson's Surrebuttal Testimony:

The GSSR-1 consists of: (1) projected Purchased Power Costs (the fixed energy rate (adjusted for distribution losses) + the Supplier Adder + (Projected NITS + Projected RTEP/TEC + Projected Capacity) Costs for the GSSR-1 class + Company Administrative Costs); plus or minus (2) the Reconciliation Period E-factor; divided by (3) projected metered sales to GSSR-1 default service customers; times (4) a Gross Receipts Tax ("GRT") gross-up.⁵⁰

As further detailed in Mr. Johnson's testimony, during each six-month rate period, the GSSR-1 "assigns a fixed per-kWh charge for NITS, Capacity, and RTEP/TEC based on projected kWh load."⁵¹ The wholesale supplier selected by Citizens' at the outset of each DSP proceeding is responsible for locking in the wholesale energy pricing that is used to set the fixed retail default service charge for each six-month period during the DSP VII.⁵² The wholesale supplier is paid both the calculated energy monthly price and the per-kWh Supplier Adder, while transmission, capacity, and RTEP/TEC costs are paid by the Company directly to PJM.⁵³

In contrast, the GSSR-2 includes hourly priced energy and "passes through NITS, Capacity, and RTEP/TEC costs on a per-kW basis, reflecting the individual PJM

⁵⁰ Citizens' Statement No. 4SR – Surrebuttal Testimony of Nathan Johnson ("Citizens' Statement No. 4SR") at 4. NITS refers to "Network Integration Transmission Service," RTEP refers to "Regional Transmission Expansion Plan," and TEC refers to "Transmission Enhancement Charges". *See id.*

⁵¹ *Id.* at 5.

⁵² Citizens' Statement No. 4SR at 2-3.

⁵³ *Id.*

allocations for each customer."⁵⁴ As part of the DSP VII Order, both Citizens' and Wellsboro received a waiver allowing them to offer Hourly Priced Service ("HPS") "only to large commercial and industrial (C&I) customers with a registered peak demand at or above 400kW," which differs from the standard 100 kW demarcation provided in guidance by the Commission.⁵⁵ Consequently, as outlined in testimony, the GSSR-2 pricing is determined as follows:

- Energy Charge per kWh: The customer will be charged for each hour of net consumption at the real-time LMP for that hour.
- Capacity Charge: The customer will be charged for capacity each month based on their prior-year peak load contribution.
- Transmission Charge: The customer will be charged for transmission each month based on their prior-year Network Service Peak Load ("NSPL") contribution.
- Regional Transmission Expansion Plan/Transmission Enhancement Charge: The customer will be charged for RTEP/TEC each month based on their prior-year NSPL contribution.
- GSSR-2 E-Factor: The GSSR-2 E-Factor is applied to all hours of net consumption by the customer-generator. The E-Factor is per-kWh rate based on under- or over-collected GSSR-2 revenues from the prior reconciliation period, divided across projected kWh consumption by the GSSR-2 rate class for the current reconciliation period.

⁵⁴ *Id.* at 6.

⁵⁵ DSP VII Recommended Decision at 18. As stated by the ALJ in that proceeding, "though different from the guidance set forth in the End State Order, [the 400 kW threshold] is still in line with the Commission's observation therein that smaller EDCs may furnish evidence showing why the 100 kW demarcation . . . would not be appropriate for their territories."

- GSSR-2 Administrative Charge: The GSSR-2 Administrative Charge is applied to all hours of net consumption by the customer-generator.⁵⁶

Significantly, the peak load contribution and NSPL contribution is calculated specifically for each GSSR-2 account. It is a passthrough of the account's behavior on the distribution service territory peaks.⁵⁷ As Mr. Johnson explains, "[e]ach GSSR-2 account is assigned an obligation based on its individual average contribution to system demand for each of the five capacity or transmission peak hours, adjusted for losses and PJM scaling/reconciliation"⁵⁸ This results in more variable costs than the GSSR-1, where the capacity and transmission costs are calculated based on projections and collected through a fixed charge applicable uniformly across all GSSR-1 customers.

Offering variable HPS for larger default service customers is a well-established method among Pennsylvania utilities.⁵⁹ Citizens' has been offering hourly priced retail default services for GSSR-2 customers at or above 400 kW since 2015.⁶⁰ The proposed tariff changes do not introduce HPS for larger default service customers; they only serve to ensure customer-generators exporting large amounts of power are properly classified according to their use of the distribution system to avoid discriminatory impacts on smaller customers.

⁵⁶ Citizens' Statement No. 4SR at 7.

⁵⁷ *Id* at 8.

⁵⁸ *See id.*

⁵⁹ *See, e.g., Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, Order entered February 15, 2013 ("End State Order") at 30.

⁶⁰ *See* DSP IV Order.

b. **Placing large customer-generators on the GSSR-1 rate imposes cost shifts and cost increases on other GSSR-1 customers, primarily residential and small commercial customers.**

As mentioned above, the grid continues to change, and distribution utilities must evolve with it. Citizens' recognizes that it must adapt to changing realities of the grid. Particularly as an electric distribution utility with a small customer base susceptible to outside impacts from cost shifts, the Company would be shirking its duty as a public utility if it failed to evaluate trends such as the development of large customer-generator installations in its territory and the impacts on smaller customers. As the UGI Order highlighted one manner in which large customer-generators can shift costs to smaller customers when classified among the smaller customers for default service purposes, Citizens' felt compelled to evaluate the treatment of large customer-generators in its territory to ensure that all its customer classes are receiving just, reasonable, and non-discriminatory treatment.

As Mr. Johnson explains in Rebuttal Testimony, "There is an increasing expectation that the distribution utility will accommodate DERs, electric vehicles and other advancements."⁶¹ As Mr. Johnson further testifies, "it is important to evaluate how distribution costs will be collected among ratepayers who adopt those technologies and ratepayers that do not adopt those technologies."⁶² The UGI Order confirmed that utilities should consider whether "including customers with large on-site generators

⁶¹ Citizens' Statement No. 4R at 24.

⁶² *Id.*

attached to their loads in the same default service procurement and rate group as residential customers would also result in unreasonable subsidization by the residential customers."⁶³ As with UGI, Citizens' is concerned that its status quo operations would permit a customer-generator to generate peak outflow of up to 3,000 kW and remain on GSSR-1. Although, as Mr. Johnson explained, the mechanics of Citizens' default service procurement differ from UGI's procurement approach, residential and small commercial customers on Citizens' system will be unfairly and unreasonably subsidizing the large customer-generators that are currently misclassified as GSSR-1 customers.

Misclassifying large customer-generators creates two distinct cost subsidization problems. First, allowing large customer-generators to remain on GSSR-1 means the annual excess output cashout for net metering will continue to be paid out at the higher PTC rate of GSSR-1, rather than the hourly PTC that is part of GSSR-2. The GSSR-1 default service customers pay for this annual excess output cashout, rather than the GSSR-2 default service customers, despite the markedly different characteristics between large customer-generators and other GSSR-1 customers. This has the effect of essentially shifting costs to the other GSSR-1 customers. As stated by Mr. Johnson:

[I]t is especially important at this time to ensure that larger customer-generators over 400 kWAC are being credited and compensated under the GSSR-2 rate. Mr. Nolt's testimony discusses the historic difference between the GSSR-1 [PTC] and the average LMP that is relied upon for the GSSR-2. Our GSSR-1 PTC is expected to increase further over the upcoming years due to the rising capacity prices in the PJM markets. Ensuring that the customer-generators with Billing Demands over 400 kW are accounted for as GSSR-2 accounts will ensure that any cashout is reflected in the reconciliation for the GSSR-2 class, rather than the GSSR-1 class. This will

⁶³ UGI Order at 60.

reduce costs paid for by the GSSR-1 class, which includes residential customers.⁶⁴

Large customer-generators are sophisticated customers and should be grouped with similar large customers on the GSSR-2.⁶⁵ This will avoid unnecessary and unreasonable subsidization by residential and small commercial customer rates, in violation of Section 2807(e)(7) of the Public Utility Code.⁶⁶

Second, continuing the netting process on GSSR-1 shifts capacity and transmission costs to smaller customers. When a large customer-generator delivers excess generation onto the grid on a GSSR-1 rate class, it receives credit for the fixed capacity and transmission portions of the retail price, without actually reducing the default service provider's capacity or transmission obligations. Mr. Johnson provides the following explanation:

The GSSR-1 rate is designed to be an energy-only rate, which converts certain wholesale costs that are incurred on a demand (MW) basis into a cents per kWh retail rate. Customer-generators are entitled to net metering, which returns to their account(s) banked excess supply. When the supply is returned to the account, Citizens' does not collect the GSSR-1 rate from the account. As a result, that supply is being provided without contribution to the capacity and transmission costs that are recovered through the retail rate. According to Mr. Nolt, the size of the customer-generator's array will be determined to offset 100% or more of the account(s) consumption. All of that consumption then avoids contributing to the transmission and capacity costs that are recovered through the GSSR-1 rate, even though those accounts rely on and utilize transmission and capacity services similarly to other customers.

⁶⁴ Citizens' Statement No. 4R at 23.

⁶⁵ *Id.* at 38-39 (discussing the sophistication of large customer-generators).

⁶⁶ 66 Pa. C.S. § 2807(e)(7).

This situation can create an overall under-recovery of wholesale capacity and transmission costs for the GSSR-1 customers. When we perform the E-Factor reconciliation, this under-recovery will be added to the calculation, thus increasing the costs that will be recovered from the GSSR-1 customers. In addition, as fewer MWh of energy are purchased through the GSSR-1 rate, the fixed transmission and capacity costs are divided across fewer units, increasing the price for non-exporting customers. So, the "avoided costs" are really just shifted to the other GSSR-1 customers.⁶⁷

In contrast, on GSSR-2, capacity and transmission charges are passed through based on each GSSR-2 customer's actual costs. On GSSR-2, large customer-generators are only credited for actual avoided costs, meaning GSSR-2 is only avoiding costs that it actually reduces for the default service provider. GSSR-2, therefore, avoids some of the cost shifts that would be inherent in large customer-generators using the GSSR-1 default service rate.

The Company's proposed tariff changes will mitigate these existing cost shifts and protect residential and small commercial customers from subsidizing customer-generators. It is critically important for the Company to implement these changes now in light of the escalating adoption of DER across its service territory.

c. **Pursuant to the UGI Order, the hourly-priced service rates under GSSR-2 are fully within the ambit of the net metering statute and process.**

In the UGI proceeding, there was significant contention over the question of whether UGI's GSR-2 rate, which offers HPS to large customers in a similar manner as Citizens' GSSR-2, constitutes a retail rate under the AEPS Act and the Commission's

⁶⁷ Citizens' Statement No. 4SRJ – Supplemental Rejoinder Testimony of Nathan Johnson ("Citizens' Statement No. 4SRJ") at 4.

Regulations. The Commission's UGI Order definitively addressed this issue, finding that nothing in the AEPS Act or the Commission's Regulations excludes UGI's GSR-2 from the retail rate designation. Notwithstanding the Solar Projects' arguments to the contrary, the Commission must reach the same conclusion and confirm that Citizens' GSSR-2 is a retail rate for net metering purposes. As testified by Mr. Johnson:

The GSSR-2 is a retail rate charged to retail customers. The GSSR-2 contains a passthrough of several wholesale cost elements, including the LMP, the PJM capacity charge and the PPL transmission charge; however, it is a retail rate that has been approved by the Commission.⁶⁸

Consistent with Mr. Johnson's observations, the AEPS Act does not delineate any restrictions on how electric distribution utilities classify large customer-generators within default service programs. Customer-generators must receive, for excess generation, "full retail value for all energy produced on an annual basis."⁶⁹ The AEPS Act does not, however, define "full retail value" and thus empowers the Commission to define the calculation of "full retail value" through its regulations.

The Commission acted on such authority and defined the method for calculating "full retail value" as follows:

An EDC and DSP shall credit a customer-generator at the full retail kilowatt-hour rate, which shall include generation, transmission and distribution charges, for each kilowatt-hour produced by a Tier I or Tier II resource installed on the customer-generator's side of the electric revenue meter, up to the total amount of electricity used by that customer during the billing period. If a customer-generator supplies more electricity to the electric distribution system than the EDC and DSP deliver to the customer-generator in a given billing period, the excess kilowatt hours shall be carried forward and credited against the customer-generator's kilowatt-hour usage in subsequent billing

⁶⁸ Citizens' Statement No. 4R at 31.

⁶⁹ 73 P.S. § 1648.5.

periods at the full retail rate. Any excess kilowatt hours that are not offset by electricity used by the customer in subsequent billing periods shall continue to accumulate until the end of the year.⁷⁰

The Commission's Regulations further clarify that customer-generators shall be compensated for excess generation at the PTC, which in turn is defined as the "sum of all unbundled generation and transmission related charges to a default service customer for that month of service."⁷¹

The Company's proposal complies fully with these regulations, as the GSSR-2 is the PTC applicable to Citizens' large default service customers.⁷² Mr. Johnson explained the monthly netting as beginning with the company crediting the customer-generator for each hour of net exports during the month at the real-time LMP for that hour and carrying forward any monthly excess between the export credit and the hourly consumption charges.⁷³ At the end of the year, the annual excess export cashout will be equal to any remaining credit following the last bill of the energy year (May).⁷⁴ As Mr. Johnson explains, this process would be used for any GSSR-2 customer with imports exceeding 400 kW under the current tariff provisions.

As Mr. Johnson further explains, the GSSR-2 is a time of use rate as discussed in the regulations.⁷⁵ Using actual hourly usage and export data is the most accurate load

⁷⁰ 52 Pa. Code § 75.13(d).

⁷¹ 52 Pa. Code § 75.13(e); *see also* 52 Pa. Code § 54.181.

⁷² 52 Pa. Code § 75.13(e).

⁷³ Citizens' Statement No. 4SR at 8.

⁷⁴ *Id.*

⁷⁵ *Id.* at 2-3.

profile that is available to the utility, consistent with the Commission's recent guidance recognizing it is appropriate, particularly for small EDCs, to classify customer-generators with similarly-situated customers to protect residential and small commercial customers from paying rates in violation of Section 1304 of the Public Utility Code.⁷⁶

d. Conclusion.

The Company's proposed tariff changes are rooted in the Public Utility Code's non-discrimination principle, which provides that "[n]o public utility shall, as to rates, make or grant any unreasonable preference or advantage to any person, corporation, or municipal corporation, or subject any person, corporation, or municipal corporation to any unreasonable prejudice or disadvantage."⁷⁷ Section 2807(e)(7) also prohibits a utility from charging default service rates to one class that subsidize the costs for other customer classes.⁷⁸ The Commission has broad authority to approve rate classifications that are based upon reasonable facts.⁷⁹ The Commission exercised this authority in its UGI Order to determine that large customer-generators on UGI's system should not be classified as small customers for default service procurements.⁸⁰ The Commission should reach a similar conclusion here to avoid the subsidization of large customer-generators by the GSSR-1 customers. If the Company's proposal as stated in the Joint

⁷⁶ 66 Pa. C.S. § 1304; *see generally* UGI Order

⁷⁷ 66 Pa. C.S. § 1304.

⁷⁸ 66 Pa. C.S. § 2807(e).

⁷⁹ *Phila. Suburban Transp. Co. v. Pa. Pub. Util. Com.*, 3 Pa. Commw. 184, 192, 281 A.2d 179, 184 (1971).

⁸⁰ UGI Order at 60.

Petition is adopted by the Commission, it will be a significant step in preventing significant, ongoing, and increasing cost shifts to residential and small commercial customers in the default service context.

3. APPLICATION TO DISTRIBUTION SERVICE CHARGE CALCULATION

a. The Public Utility Code requires just and reasonable distribution rates free of undue discrimination.

Chapter 13 of the Pennsylvania Public Utility Code states as follows:

§ 1301. Rates to be just and reasonable.

(a) Regulation.--Every rate made, demanded, or received by any public utility, or by any two or more public utilities jointly, shall be just and reasonable, and in conformity with regulations or orders of the commission. Only public utility service being furnished or rendered by a municipal corporation, or by the operating agencies of any municipal corporation, beyond its corporate limits, shall be subject to regulation and control by the commission as to rates, with the same force, and in like manner, as if such service were rendered by a public utility.

...

§ 1304. Discrimination in rates.

No public utility shall, as to rates, make or grant any unreasonable preference or advantage to any person, corporation, or municipal corporation, or subject any person, corporation, or municipal corporation to any unreasonable prejudice or disadvantage. No public utility shall establish or maintain any unreasonable difference as to rates, either as between localities or as between classes of service....

As stated by the Commonwealth Court, "[r]ate classification systems must be designed to furnish the most efficient and satisfactory service at the lowest reasonable price for the greatest number of customers."⁸¹ As a regulated public utility, the Company has a duty to

⁸¹ *Philadelphia Suburban Water Co. v. Pennsylvania Pub. Util. Comm'n*, 808 A.2d 1044, 1059–60 (Pa. Commw. Ct. 2002) (citing *Philadelphia Suburban Transportation Co. v. Pennsylvania Public Utility Commission*, 3 Pa.Cmwlth. 184, 281 A.2d 179 (1971)).

abide by these ratemaking principles in proposing and advocating for rates, terms, and conditions of service.

Further, while the decision in the UGI proceeding addressed a default service proceeding focused on default service rates, the Commission's reasoning in that decision has significant applicability to distribution rates. As articulated by the Commission in its Order relying in part on Section 1304, "UGI is required, by statute, to ensure that its default service rates are the least cost over time, non-discriminatory, and designed so that one group of customers is not subsidizing another group."⁸² While default service programs certainly have specific statutes and regulations under Chapter 28 of the Public Utility Code, the non-discriminatory, non-subsidization standards in Chapter 13 are applicable to both default service rates and distribution rates. The Commission noted that if Penn Renewables' proposals were adopted, "residential customers would unreasonably subsidize customer-generators, which is inconsistent with the Code."⁸³ These factual circumstances from the UGI proceeding remain applicable in the context of distribution rates. As set forth below, the Company's approach is designed to remove undue preferences for any customer or customer-generator and to remain anchored to cost-of-service principles.

b. The evolving landscape of Citizens' customer base, as well as trends observed in other public utility service territories, supports the Company's proposed tariff changes.

The Commission's UGI Order was timely, as it addressed significant changes that are occurring to grid functionality in Citizens' territory and across Pennsylvania. The

⁸² UGI Order at 55.

⁸³ *Id.* at 60.

Company is seeing more projects proposed and come online where the installed generation capacity significantly exceeds the account's expected demand, including the very projects at issue in this proceeding.⁸⁴

Mr. Nolt, owner of the Solar Projects, admits in Direct Testimony that under the current tariff definition (i.e., measuring demand based solely on withdrawals of energy from the system), demand for 5 of his 6 projects is "essentially 0."⁸⁵ Put another way, Mr. Nolt's business model focuses on installing solar generation producing substantial amounts of power with limited operations to consume that power. As discussed further below, these projects impact the Company's distribution system in the same manner as traditional customers with consumptive load similar to the exported load from Mr. Nolt's projects.

Citizens' decision to modify its tariff definition of "Billing Demand" was influenced by the trends observed in its service territory as well as parallel activity in other territories, where the business model is to install large generators with minimal offsetting load. As the Commission observed in its UGI Order, UGI proposed to update its classification method for default service supply after experiencing "'an influx' of net metering applications from large customer-generators."⁸⁶ Mr. Johnson further testifies that he was aware of large projects (potentially in the neighborhood of 1,000 kW of net generation flow) in other

⁸⁴ Direct Testimony of Brett Nolt on Behalf of Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC, and Twilight Renewables, LLC ("Solar Projects Statement No. 1") at 1, 6 (listing 6 existing/future projects with 5 of the 6 having minimal demand).

⁸⁵ *Id.* at 6.

⁸⁶ UGI Order at 22.

territories and sought to be prudent in developing tariff rules to account for both the existing and future customer-generators connecting to Citizens' system.⁸⁷

The Company's proactive approach towards adopting the Commission's guidance from the UGI Order is consistent with its statutory obligations to refrain from rates that would result in any "unreasonable preference or advantage to any person, corporation, or municipal corporation."⁸⁸ By addressing load and customer-generation in a similar manner, the Company's proposal will avoid undue preference and undue discrimination and adhere to cost-causation principles.

c. **The Company's proposal rationally classifies "like with like," as large customer-generators are more similar to load of similar size than they are to very small commercial accounts.**

Citizens' has six (6) distribution rate classes as part of its tariff: Residential (RS), GLP-1, GLP-3, Space Heating (SH), Municipal Boulevard Lighting (MBL), and Outdoor Lighting (OL).⁸⁹ The updated Billing Demand definition impacts GLP-1 and GLP-3, both of which have a demand component in the distribution rate structure. Service on GLP-3 requires at least "50 kilowatts from available lines of three phase 230 volts or at a higher available voltage at the option of the customer."⁹⁰

⁸⁷ Citizens' Statement No. 4R at 17-18.

⁸⁸ 66 Pa. C.S. § 1304.

⁸⁹ Citizens' Statement No. 1 at 15.

⁹⁰ Citizens' Electric Company of Lewisburg, Supplement No. 171 to Electric-Pa P.U.C. No. 14, Eighty-Fourth Revised Page No. 45 (Pa. P.U.C.), https://citizenselectric.com/wp-content/uploads/2025/06/Tariff-171_2025-06-01a.pdf (last visited Sept. 23, 2025).

Citizens' approach to rate design is to classify customers in a nondiscriminatory manner that aligns with cost-causation principles. As addressed in testimony and in this Main Brief, customer-generators who are pushing power onto the distribution grid are utilizing the grid in a similar fashion to those who are drawing power from the distribution grid. As noted by Citizens' witness Gorman, "Whether the customer is drawing 400 kW from the grid, or injecting 400 kW, the Company needs the same assets to serve the customer's need."⁹¹ Measuring power flow bi-directionally comports with the practical realities of how distribution equipment is designed and built. It is clear from testimony that the transformers, substations, feeders, poles, lines, and services must be sized to meet the power flow—regardless of which way it is flowing. Put simply, a customer drawing a maximum of 5 kW from the grid should not be treated like a flower shop or a small office building when it is *also* delivering 1,000 kW *onto* the grid—with all the equipment, services, maintenance, and system impacts entailed by such a substantial delivery. Mr. Johnson testifies to the drastic operational difference between small customers and large customer-generators as follows:

In the case of an account hosting a 480 kW generator, the customer-generator is *more* similar to loads of similar magnitude than to much smaller generators or loads. For non-residential GSSR-1 customers, the average demand is only 18 kW and 93% of GSSR-1 customers have demands of 50 kW or less, so while a 480 kW generator may be different than a 480 kW load, it differs far more from the majority of GSSR-1 customers.⁹²

⁹¹ Citizens' Statement No. 1R at 17.

⁹² Citizens' Statement No. 4R at 29.

While the Non-Unanimous Settlement implements actual measured bi-directional demand in lieu of using the Gross Generator Rating to measure exports to the grid, this method also reasonably reflects the same purpose of capturing customers' actual use of the grid, whether consuming or exporting power.⁹³ Both methods are intended to address the reality that in an environment of increasing adoption of DER, utilities must continue to ensure cost-of-service principles are applied to all customers and rate designs.

Citizens' witness Gorman addresses the importance of considering cost-of-service principles with respect to customer-generators and distribution rates. Mr. Gorman's testimony avers as follows:

If generators who use the system are not charged, then only a fraction of customers (i.e. users of electricity) would pay for all the costs of the system. Mr. Nolt and Mr. Lucas' testimony clearly explains that avoiding distribution charges is a part of the incentive for their projects. However, simply not charging generators for their use of the system does not change the Company's distribution system costs; it merely puts the burden onto other customers.⁹⁴

Citizens' witness Johnson offers similar comments to support the reasonableness and importance of the Company's proposal to apply the revised definition of Billing Demand to distribution demand charges. Mr. Johnson comments:

Citizens' is not proposing to create a new distribution rate to reflect solely the distribution costs that are specific to non-residential customer-generators. Rather, we are apportioning a fair share of distribution-related costs to the net-metered accounts based on their use of the distribution system and company facilities. We are treating them like other customers by asking them to pay appropriate portions of distribution [operations and

⁹³ See Citizens' Statement No. 1R at 19.

⁹⁴ *Id.* at 16.

maintenance] costs, joint and common costs like the billing system, and the return on the Company's distribution system facilities.⁹⁵

All of these statements support the Company's goal of treating similarly situated customers in a similar manner, pursuant to its duty under the Public Utility Code and Commission precedent. The Company is proposing to remove unreasonable favoritism and maintain its user classifications on a logical, rational basis.

d. The risk of substantial cost-shifting is pronounced and will grow without Commission action.

As mentioned herein with regard to default service procurement costs, the misclassification of large customer-generators shifts costs to other Citizens' customers. The same principle applies to distribution costs that are avoided by customer-generators because the current tariff rules do not provide a means to charge for use of the distribution system to export power.

The issue of large customer-generators is pronounced in a small territory like Citizens'. A single customer-generator qualifying for net metering payments can be up to 3 MW (or 5 MW if certain requirements are met). This is not a mere hypothetical for Citizens'. As indicated by Mr. Nolt in his testimony, multiple projects with which he is directly involved have come online and/or are in the works. The 6 projects he named in Direct Testimony have a combined peak demand of over 2 MW.⁹⁶

Citizens' witness Johnson addressed the cost shifting that results from projects with high exports, but low usage. In his Rebuttal Testimony, Mr. Johnson presents a

⁹⁵ Citizens' Statement No. 4R at 23.

⁹⁶ Solar Projects Statement No. 1 at 1.

table showing the combined customer and demand charges for various customer-generator configurations.⁹⁷ Although the comparisons are based on the Company's litigation revenue requirement and litigation position of using Gross Generator Rating, rather than the settlement revenue requirement and the settlement position of using the bi-directional peak demand, the table demonstrates the magnitude of intra-class cost shifting that will occur if the settlement is not approved. The most egregious shifting occurs for the hypothetical customer-generator with 5 kW of usage but producing 1,000 kW of exported generation. At the existing rates and without considering the exported power in the billing demand measurement, that customer would pay only \$419 per year in distribution costs.⁹⁸ The Company's approach will result in the customer-generator contributing tens of thousands of dollars in additional support for the operation of the distribution system.⁹⁹ In subsequent rate cases, the other customers on GLP-1 would bear less of the GLP-1 class distribution revenue requirement burden because this very large customer-generator is paying a fair share of the distribution system costs.

As Citizens' has an expectation that the adoption of DERs, electric vehicles, and other technological advancements will only increase within its territory,¹⁰⁰ it is prudent to implement tariff changes to account for bi-directional use of the distribution system

⁹⁷ Citizens' Statement No. 4R at 17.

⁹⁸ *Id.*

⁹⁹ *Id.*

¹⁰⁰ *Id.* at 24.

rather than rely on traditional customers to shoulder the cost burden, since new customers use the same distribution system to export power.

e. **Arguments by the Solar Projects about the economic viability of their projects are not adequately supported and do not change the underlying cost-causation analysis.**

In testimony provided by the Solar Projects, Mr. Nolt argues that the Company's proposed tariff changes impose unforeseeable and unreasonable financial harm on existing and under construction projects. These arguments are factually unsupported and further outweighed by the Company's responsibility to set rates consistent with cost-of-service principles. The Company and the Commission must balance the interests of all distribution system users, not solely those of the Solar Projects.

Mr. Nolt's testimony includes unpersuasive examples of projected losses impacting projects he manages in Citizens' service territory as a result of the proposed tariff changes. In particular, Mr. Nolt projects that a 146 kW alternating current system will experience annual losses of \$6,082 under Citizens' proposed tariff rules.¹⁰¹ However, as Mr. Johnson notes in Rebuttal, Mr. Nolt's analysis does not appear to include a full economic analysis of his projects, such as tax credits or other offsets, as even removing the increase to distribution rates would produce a \$1,294 annual loss.¹⁰² Moreover, Mr. Nolt is moving forward with additional projects in Citizens' territory despite the Company's proposal. Mr. Nolt is in a competitive business that is not PUC-regulated. Competitive businesses have risks that their investments may not be as profitable as originally modeled.

¹⁰¹ Solar Projects Statement No. 1 at 5.

¹⁰² *Id.* at 4-5.

More importantly, even if Mr. Nolt's analysis of potential losses was correct, it would not outweigh the Company's compelling cost-of-service basis for implementing the proposed tariff changes. While Mr. Nolt is understandably concerned with the impact of the Company's proposal on his business, the Commission's UGI Order affirmed that an EDC "is not required to prove that market participants receive optimum economic outcomes."¹⁰³ Rather, the UGI Order emphasized that incorporating a customer-generator's net exported load into billing demand is necessary to avoid subsidization of customer-generators by residential customers.¹⁰⁴ As stated by Citizens' witness Gorman, "although a small number of existing customer-generators may experience a change in distribution costs, it will properly reflect their distribution cost responsibility."¹⁰⁵ To the extent the Company's proposal increases costs for customer-generators, that is simply the result of such projects paying for their fair share of the distribution services and equipment they use.

f. Conclusion

As determined in the UGI Order, the changing energy landscape will require utilities, especially smaller EDCs, to evaluate the use of their distribution systems by customer-generators who put substantial amounts of power onto the grid.¹⁰⁶ Utilities can no longer operate under the assumption that load demand is, by itself, an adequate or comprehensive measurement of customers' use of the distribution system.

¹⁰³ UGI Order at 55.

¹⁰⁴ UGI Order at 60.

¹⁰⁵ Citizens' Statement No. 1R at 16.

¹⁰⁶ UGI Order at 22-23 ("until this time, [UGI] only previously had small customer-generators connecting.").

In consideration of the Commission's findings in its UGI Order and the Company's obligations to comply with Chapter 13 of the Public Utility Code, the Company's Billing Demand proposal is designed to measure objective realities about the system and to fulfill its duty to propose rates that are just, reasonable, and non-discriminatory. With recognition of the rapidly-changing, bi-directional nature of the grid, the ALJ and the Commission have an opportunity in this case to facilitate cost-of-service ratemaking, and to protect residential and small commercial ratepayers, while continuing to facilitate customer-generator development pursuant to the Public Utility Code and the AEPS Act.

IV. CONCLUSION

WHEREFORE, Citizens' Electric Company of Lewisburg, PA, respectfully requests that the Pennsylvania Public Utility Commission approve the rate increase and other proposals set forth in Tariff-Electric Pa. PUC No. 14 as modified by the Non-Unanimous Joint Petition for Settlement.

Respectfully submitted,

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Dated: September 26, 2025

CITIZENS' MAIN BRIEF
APPENDIX A

PROPOSED FINDINGS OF FACT

CONTESTED CUSTOMER GENERATOR ISSUES¹

1. Citizens' proposed to modify its tariff definition of "Billing Demand" to resolve cross-subsidization of customer generators by residential and small commercial customers. Citizens' Statement No. 4R at 17-18. Customer-generators exporting power to the grid utilize the Company's distribution infrastructure similar to customers consuming commensurate amounts of power from the grid. Citizens' Statement No. 1R at 17.
2. Citizens' does not contend that customer generators exporting load impose additional costs on the distribution system compared to customers consuming load, but rather that the customer-generators exporting load should pay their share of the distribution system costs. Citizens' Statement No. 4R at 45.
3. Citizens' projects that the adoption of distributed energy resources, electric vehicles, and other technological advancements will only increase within its territory. Citizens' Statement No. 4R at 17.
4. New technologies continue to be introduced that are changing the nature of the distribution system to become increasingly bi-directional. *See* Citizens' Statement No. 4R at 24.
5. In Direct Testimony, Citizens' proposed to modify the definition of "Billing Demand" in its Tariff Rule 26 to be the greater of the customer-generator's Gross Generator Rating or the maximum demand of the customer during any 15 minute period during the current month. Citizens' Statement No. 4 at 18.
6. In Direct Testimony, Citizens' proposed to establish a minimum billing demand for GLP-1 and GLP-3 set at 50% of the highest Billing Demand from the preceding eleven months. Citizens' Statement No. 4 at 18.
7. In Direct Testimony, Citizens' proposed to apply the modified definition of "Billing Demand" to the 400 kW demand threshold for classifying GLP-1 and GLP-3 customers between the GSSR-1 and GSSR-2 riders. Citizens' Statement No. 4 at 18.
8. Use of peak bi-directional demand in lieu of Gross Generator Rating is a feasible alternative. Solar Projects Statement No. 2-SR at 12.
9. In Rejoinder Testimony and pursuant to settlement discussions, the Company agreed to remove the Gross Generator Rating part of the definition of Billing

¹ Proposed Findings of Fact with respect to Uncontested Issues are appended to the Company's Statement in Support accompanying the Joint Petition for Settlement.

Demand, and define Billing Demand based on measurements of power flow imported to the end user or exported from the end user. Citizens' Statement No. 4RJ at 7-8.

10. Mr. Brett Nolt, owner of Twilight Renewables, LLC, confirmed that five of the six solar projects currently in operation or under development in Citizens' service territory have essentially zero electric usage. Solar Projects Statement No. 1 at 6.
11. The six solar projects currently in operation or under development by Twilight Renewables, LLC in Citizens' service territory have a combined generation capacity of over 2.22 MW. Solar Projects Statement No. 1 at 2.
12. The smallest of the six projects currently under operation or under construction by Twilight Renewables LLC in Citizens' service territory has a generation capacity of 180 kW. Solar Projects Statement No. 1 at 2.
13. The average demand for GLP customers in Citizens' service territory is 26.2 kW, with 93% of all GLP customers registering maximum demand of less than 50 kW. Citizens' Statement No. 4R at 31.
14. For Citizens' non-residential GSSR-1 customers, the average demand is 18 kW and 93% of GSSR-1 customers have demand of less than 50 kW. Citizens Statement No. 4R at 29.
15. Citizens' GSSR-1 is a fixed per-kWh charge for NITS, Capacity, and RTEP/TEC based on projected kWh load. Citizens' Statement No. 4SR at 4.
16. Citizens' GSSR-2 is a variable rate including hourly priced energy with NITS, Capacity, and RTEP/TEC costs passed through on a per-kW basis, reflecting the individual PJM allocations for each customer. Citizens' Statement No. 4 SR at 6.
17. Large customer generators are sophisticated customers. Citizens' Statement No. 4R at 38-39.
18. Allowing large customer-generators to remain on GSSR-1 means the annual excess output cashout for net metering will continue to be paid out at the higher PTC rate of GSSR-1, which will increase costs for the remaining residential and small commercial customers on GSSR-1. Citizens' Statement No. 4R at 23.
19. Allowing large customer-generators to remain on GSSR-1 shifts transmission and capacity costs to residential and small commercial customers on GSSR-1. Citizens' Statement No. 4SRJ at 4.

CITIZENS' MAIN BRIEF
APPENDIX B

PROPOSED CONCLUSIONS OF LAW

1. Citizens' rates must be just and reasonable and cannot result in unreasonable rate discrimination. 66 Pa.C.S. §§ 1301, 1304.
2. Pursuant to the just and reasonable standard, a utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment." *City of Lancaster Sewer Fund v. Pa. P.U.C.*, 793 A.2d 978, 982 (Pa. Commw. Ct. 2002). A utility may not default service rates to one class that subsidize the costs for serving another customer class. 66 Pa.C.S. § 2807(e).
3. Utilities have the burden of proving that each element of the rate increase request is just and reasonable. *Univ. of Pa. v. Pa. PUC*, 485 A.2d 1217, 1226 (Pa. Cmwlth. 1984).
4. Public utilities are not, however, required to affirmatively defend claims that have gone unchallenged. *See Allegheny Ctr. Assoc.'s v. Pa. PUC*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990).
5. The ultimate burden of proof does not shift from the utility seeking a rate increase; however, where a party proposes an adjustment to the utility's rate making claim, that party must present evidence or analysis that demonstrates the reasonableness of its proposed adjustment. *See e.g., Pa. PUC v. Phila. Elec. Co.*, Docket No. R-891364, *et al.*, 1990 Pa. PUC LEXIS 155 (Order dated May 16, 1990); *see also Pa. PUC v. Brezewood Tel. Co.*, Docket No. R-901666, 1991 Pa. PUC LEXIS 45, at *10 (Order dated Jan. 31, 1991).
6. A party that raises an issue that is not included in a public utility's general rate case filing bears the burden of proof. *See, e.g., Pa. PUC v. Metro. Edison Co., et al.*, Docket Nos. R-00061366, *et al.*, 2007 Pa. PUC LEXIS 5, at *111-12 (Order entered Jan. 11, 2007).
7. It is the policy of the Commission to encourage settlements. 52 Pa. Code § 5.231(a).
8. In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.
9. The Commission's policy permits parties to enter "partial" or "non-unanimous" settlements. 52 Pa. Code §§ 69.401, 5.232, and 69.406.
10. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535

(Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. C.S. Water & Sewer Assoc.*, Docket No. R-00881147, 74 Pa. PUC 767 (Opinion and Order entered Jul. 22, 1991).

11. As with full settlements, partial settlements, whether involving a partial settlement of issues or a partial settlement of the parties involved (non-unanimous), must be reasonable and in the public interest. *Pa. Pub. Util. Comm'n v. City of Bethlehem – Water Dep't*, Docket No. R-2020- 3020256, 2021 Pa. PUC LEXIS 116 (Apr. 15, 2021) (City of Bethlehem Water).
12. The Commission has approved non-unanimous settlements as being just and reasonable and in the public interest and has not rejected or disfavored settlements because they are non-unanimous. *City of Bethlehem Water; Pa. Pub. Util. Comm'n v. Pike Cnty. Light & Power Co. – Elec.*, Docket No. R-2020-3022135 (Order entered June 23, 2021); *Pa. Pub. Util. Comm'n v. Pa.-Am. Water Co.*, Docket No. R-2020-3019369 (Opinion and Order entered Feb. 25, 2021).
13. Also relevant to the Commission's approval of a non-unanimous settlement is the due process afforded to non-settling parties, such as whether non-settling parties were provided an opportunity to object to the settlement and to present their positions on the issues, and the range of interests represented in the non-unanimous settlement. *City of Bethlehem Water*.
14. The rates, terms and conditions of the Non-Unanimous Joint Petition are just, reasonable and in the public interest and satisfy all of the Commission's criteria for approval of a settlement.
15. Customer-generators can and should be classified for generation purposes according to their peak electricity received from *or* exported to the EDC's distribution system when that produces just, reasonable and non-discriminatory rates for all impacted customers. *Petition of UGI Utilities, Inc-Electric Division for Approval of a Default Service Plan for the Period of June 1, 2025, through May 31, 2029*, Docket No. P-2004-3049343, et al. Recommended Decision (Dec. 3, 2024) and Opinion and Order (Order entered Feb. 20, 2025).
16. Customer-generators are entitled to full retail value for net metered generation. 3 P.S. § 1648.5; 52 Pa. Code § 75.13(d).
17. Customer-generators shall be compensated for excess generation at the Price-to-Compare, which in turn is defined as the "sum of all unbundled generation and transmission related charges to a default service customer for that month of service." 52 Pa. Code § 75.13(e); *see also* 52 Pa. Code § 54.181.
18. The GSSR-2 is the Price to Compare applicable to Citizens' large default service customers. 52 Pa. Code § 75.13(e).

CITIZENS' MAIN BRIEF
APPENDIX C

PROPOSED ORDERING PARAGRAPHS

IT IS ORDERED:

1. That the Joint Petition is granted and the Settlement is approved, without modification.
2. That the Citizens' Electric Company of Lewisburg, Pennsylvania shall not place into effect the rates, rules, and regulations contained in Supplement No. 172 to Tariff Electric-Pa. PUC No. 14 regarding its cost recovery base rates for electric service revenues within its service territory.
3. That Citizens' is authorized to file a tariff or tariff supplement containing rates, rules and regulations, consistent with the findings herein, and Appendices attached to the Joint Petition for Non-Unanimous Settlement, to produce an annual increase in electric distribution base rate operating revenues of approximately \$1.39 million.
4. That Citizens' tariffs and/or tariff supplements may be filed to become effective on at least one day's notice after entry of the Commission's Order approving the Settlement.
5. That the following formal complaints at the respective docket numbers be dismissed and marked closed by the Commission's Secretary's Bureau:

<u>Complainant</u>	<u>Docket No.</u>
Office of Consumer Advocate	C-2025-3055103
Office of Small Business Advocate	C-2025-3055186

6. That upon Commission approval of the tariff or tariff supplement filed by Citizens' in compliance with the Commission's Opinion and Order, the investigation at Docket No. R-2025-3054394 be marked closed.