



Todd S. Stewart
717.703.0800
tsstewart@hmslegal.com

Regulation is a maze. We can show you the way!

501 Corporate Circle, Suite 302, Harrisburg, PA 17110 Phone: 717.236.1300 Fax: 717.236.4841 www.hmslegal.com

October 10, 2025

VIA ELECTRONIC FILING

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

RE: Pennsylvania Public Utility Commission v. Citizens' Electric Company of Lewisburg, PA; Docket No. R-2025-3054394; **CORRECT CAPTION TO MAIN BRIEF OF KELLY ROAD SOLAR, LLC, LANCASTER AVENUE SOLAR, LLC AND TWILIGHT RENEWABLES, LLC**

Dear Secretary Homsher:

Enclosed for filing with the Commission is the Main Brief of Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC and Twilight Renewables, LLC, with a corrected caption to replace the version that was filed with the incorrect caption in the above-captioned matter. Copies of the correct caption to the Brief have been served in accordance with the attached Certificate of Service.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact my office.

Very truly yours,

A handwritten signature in blue ink, appearing to read "T. Stewart", is written over a large, stylized blue scribble that extends across the signature line.

Todd S. Stewart
Counsel for Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC and Twilight Renewables, LLC (collectively "Solar Projects")

TSS/jld
Enclosure

cc: Administrative Law Judge Mary D. Long (via electronic mail – malong@pa.gov)
Per Certificate of Service

CERTIFICATE OF SERVICE

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

VIA ELECTRONIC MAIL

Adeolu A. Bakare, Esquire
Matthew L. Garber, Esquire
Rebecca Kimmel, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street
Harrisburg, PA 17101
abakare@mcneeslaw.com
mgarber@mcneeslaw.com
rkimmel@mcneeslaw.com
*Counsel for Citizens' Electric Company of
Lewisburg, PA*

Victoria A. Geddis, Esquire
McNees Wallace & Nurick, LLC
170 N. Radnor-Chester Road, Suite 350
Radnor, PA 19087
vgeddis@mcneeslaw.com
*Counsel for Citizens' Electric Company of
Lewisburg, PA*

Steven C. Gray, Esquire
Rebecca Lyttle, Esquire
Office of Small Business Advocate
555 Walnut Street
Forum Place, 1st Floor
Harrisburg, PA 17101
sgray@pa.gov
relyttle@pa.gov

Michael Podskoch, Jr., Esquire
Bureau of Investigation & Enforcement
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
mpodskoch@pa.gov

Melanie Joy El Atieh, Esquire
Ryan Morden, Esquire
Barrett C. Sheridan, Esquire
Office of Consumer Advocate
55 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
MElAtieh@paoca.org
RMorden@paoca.org
BSheridan@paoca.org
OCA25CWV@paoca.org

Pamela Polacek
Chief Legal & Regulatory Officer
C&T Enterprises, Inc.
P.O. Box 129
Venetia, PA 15367
ppolacek@ctenterprises.org
Counsel for C&T Enterprises, Inc.



Todd S. Stewart

DATED: October 10, 2025

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**MAIN BRIEF
OF KELLY ROAD SOLAR, LLC, LANCASTER AVENUE SOLAR, LLC
AND TWILIGHT RENEWABLES, LLC**

Todd S. Stewart, Attorney ID No. 75556
HMS Legal LLP
501 Corporate Circle, Suite 302
Harrisburg, PA 17110
(717) 236-1300
(717) 236-4841 (fax)
tsstewart@hmslegal.com

*Counsel for Kelly Road Solar, LLC,
Lancaster Avenue Solar, LLC and
Twilight Renewables, LLC (collectively
"Solar Projects")*

DATED: September 26, 2025

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I. INTRODUCTION

The disputed issue in this proceeding is the proposal of Citizens' Electric Company of Lewisburg, PA ("Citizens") to implement a new "Billing Demand" framework that would: (1) increase demand charges for non-residential customer generators; and (2) force customer generators from the Generation Supply Service Rate – 1 ("GSSR-1") schedule to Generation Supply Service Rate – 2 ("GSSR-2") schedule based on nameplate capacity of their generating equipment, rather than their actual demand. The consequences of this Billing Demand proposal are severe for Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC, and Twilight Renewables, LLC (hereinafter, the "Solar Projects") and other non-residential customers that install generation to participate in net metering under the Alternative Energy Portfolio Standards ("AEPS") Act. Citizens' proposal would cause massive increases to distribution demand charges for customer generators. At the same time, customer generators would be forced from the stable Price-to-Compare ("PTC") retail rate compensation for excess generation under GSSR-1 to a volatile wholesale (non-retail) Locational Marginal Price ("LMP") compensation structure under GSSR-2.

Citizens' Billing Demand proposal is unjust and unreasonable because it is illegally discriminatory and is not supported by evidence (much less substantial evidence) to show that customer generators cause the costs that they would be forced to bear under the proposed regime. Indeed, the record evidence in this proceeding shows that customer-generators do not increase Citizens' costs to operate the distribution system. Nor do customer-generators increase the costs Citizens' incurs to provide default service under GSSR-1.

Even if the Pennsylvania Public Utility Commission (“Commission”) were to find that compensation for the excess generation produced by small business customer-generators increases the costs of providing default service under GSSR-1, Citizens’ proposal would still fail because it violates the AEPS Act. The AEPS Act mandates that default service providers provide full retail value compensation for excess generation from customer generators. Citizens’ Billing Demand proposal flaunts that requirement by forcing customer-generators to a wholesale compensation structure under GSSR-2. Further, Citizens’ proposal violates the Act 129 requirement that small business customers receive a default service rate that does not change more frequently than quarterly. Citizens’ would force these customers to a GSSR-2 rate based on hourly wholesale LMP, with pricing components that change every five minutes. These express violations of Pennsylvania law, coupled with Citizens’ failure to carry its burden of providing the substantial evidence necessary to demonstrate that its Billing Demand proposal would result in just and reasonable rates, mandate rejection of the proposed change to Billing Demand.¹

II. PROCEDURAL HISTORY

On April 30, 2025, Citizens' filed with the Pennsylvania Public Utility Commission (“PUC” or “Commission”) Supplement No. 172 to Tariff Electric-Pa. P.U.C. No. 14

¹ The Solar Projects focus exclusively on the Billing Demand proposal and its impacts on Citizens’ rate structure. The Solar Projects do not take a position on rate base, revenues, expenses, rate of return, or taxes.

(“Supplement No. 172”), proposing an annual increase in rates of \$1,790,000 (hereinafter, the “Rate Case”).

The Office of Consumer Advocate (“OCA”) filed a Formal Complaint on May 12, 2025.

The Office of Small Business Advocate (“OSBA”) filed a Formal Complaint on May 14, 2025.

On May 15, 2025, the Commission’s Bureau of Investigation and Enforcement (“I&E”) filed a Notice of Appearance.

On May 21, 2025, the Solar Projects filed a Petition to Intervene.

Also on May 22, 2025, the PUC issued an Order initiating an investigation into the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in Supplement No. 172 and suspended the same by operation of law until January 29, 2026, unless otherwise directed by the Commission, among other things (“S&I Order”).

The PUC also issued a Telephonic Prehearing Conference Notice on May 22, 2025, scheduling a Call-In Telephonic Prehearing Conference for June 3, 2025, at 9:00 a.m. That same day, the Honorable Administrative Law Judge Mary D. Long (hereinafter, the “ALJ”) issued a Prehearing Conference Order.

On June 2, 2025, the Solar Energy Industries Association (“SEIA”) and the Coalition for Community Solar Access (“CCSA”) filed a Joint Petition to Intervene.

Also on June 2, 2025, SEIA and CCSA, Citizens’, OCA, OSBA, and I&E filed Prehearing Memorandums. That same day, Citizens’ filed a Joint Motion to Consolidate the instant case with the rate cases of Valley Energy, Inc. (“Valley”) and Wellsboro Electric

Company (“Wellsboro”) at Docket Nos. R-2025-3054393 and R-2025-3054392, respectively.

On June 3, 2025, the Prehearing Conference was convened as scheduled. Citizens’, OCA, OSBA, I&E, the Solar Projects, and SEIA and CCSA appeared and were represented by Counsel. During the Prehearing Conference, the parties agreed on a litigation schedule and discovery modifications, among other things.

On June 4, 2025, the Commission issued an In-Person Evidentiary Hearing Notice, scheduling in-person Evidentiary Hearings at 9:00 a.m. on September 4, 5, and 10, 2025.

On June 5, 2025, the ALJ issued a Prehearing Order, confirming the substance of what was discussed at the June 3, 2025, Prehearing Conference, and the June 4, 2025, Hearing Notice.

On June 23, 2025, Citizens’ and Wellsboro filed a Joint Answer Opposing the Joint Petition to Intervene of SEIA and CCSA.

On June 30, 2025, Citizens’ filed a Motion for Protective Order. On July 1, 2025, the ALJ issued an Order Granting the Protective Order.

On July 2, 2025, SEIA and CCSA filed a Motion for Admission *Pro Hac Vice*.

On July 7, 2025, the ALJ issued an Initial Decision denying the Joint Petition to Intervene filed by SEIA and CCSA.

On July 15, 2025, OCA, OSBA, I&E, and the Solar Projects served Direct Testimony and accompanying Exhibits.

On July 30, 2025, the Commission issued a Final Order adopting the ALJ’s July 7, 2025, Initial Decision.

Also on July 30, 2025, Citizens' and Wellsboro filed a Joint Motion to Strike Portions of the Solar Projects' Statement No. 2.

On August 7, 2025, the Solar Projects filed an Answer to the Motion to Strike.

On August 12, 2025, the ALJ issued an Interim Order denying Citizens' Motion to Strike.

On August 13, 2025, OCA, OSBA, and Citizens' served Rebuttal Testimony and accompanying Exhibits.

On August 18, 2025, the ALJ issued an Interim Order on Requirements for Conduct of Evidentiary Hearing.

On August 28, 2025, OCA, OSBA, I&E, Citizens', and the Solar Projects served Surrebuttal Testimony and accompanying Exhibits.

On September 3, 2025, Citizens' advised the ALJ that a Non-Unanimous Settlement in Principle had been reached as between Citizens', OCA, OSBA, and I&E (collectively, the "Settling Parties").

On September 4, 2025, an in-person Evidentiary Hearing was convened as scheduled. All parties appeared and were represented by Counsel. At the Evidentiary Hearing, Citizens' made an Oral Motion to strike portions of Solar Projects Statement No. 2-SR, which was denied during the Evidentiary Hearing and memorialized by September 4, 2025, Interim Order. The Evidentiary Hearing continued for purposes of cross-examination and entering evidence into the record. During the September 4, 2025 Evidentiary Hearing, the ALJ permitted Citizens' to serve written Supplemental Rejoinder

testimony on or before September 9, 2025, at 12:00 p.m., responsive to the Solar Projects' Surrebuttal testimony.

On September 9, 2025, Citizens' submitted Supplemental Rejoinder testimony.

On September 10, 2025, the ALJ issued an Interim Order on Briefs, Non-Unanimous Settlement and Closing of the Record.

Also on September 10, 2025, the Utility filed Proofs of Publication.

III. LEGAL STANDARD

A. Burden of Proof

In any rate case brought before the Commission pursuant to Section 1308 of the Public Utility Code, as is the instant Rate Case, the burden of proof is on the public utility.²

Section 315(a) of the Public Utility Code states that in any proceeding upon the motion of the Commission, involving any proposed or existing rate of any public utility, or in any proceedings upon complaint involving any proposed increase in rates, the burden of proof to show that the rate involved is just and reasonable shall be upon the public utility.³ The public utility must satisfy its burden of proof by a preponderance of the evidence, which means only that one party has presented evidence that is more convincing, by even the smallest amount, than the evidence presented by the other party.⁴ Citizens' burden of proof in this proceeding also requires that it show that it is entitled to the relief it is seeking.⁵

² 66 Pa. C.S. §§ 315 (a), 1308(a).

³ 66 Pa. C.S. § 315(a).

⁴ *NRG Energy, Inc. v. Pa. PUC*, 233 A.3d 936, 939 (Pa. Cmwlth. 2020).

⁵ 66 Pa. C.S. § 332(a).

The Commission ordered an investigation to determine the “lawfulness, justness, and reasonableness of the rates, rules and regulations” contained in Citizens’ proposed tariff.⁶ Furthermore, the Commission explicitly directed the investigation to include “consideration of the lawfulness, justness, and reasonableness of the [Citizens’] existing rates, rules and regulations.”⁷ Therefore, the burden of proof in this proceeding falls squarely on Citizens’ to show that its existing and proposed rates comply with the law.⁸

B. Reasonableness of Rates

The chief standard for all utility ratemaking is the constitutionally-based “just and reasonable” standard.⁹ The Commission has a “duty to set ‘just and reasonable’ rates.”¹⁰ The just and reasonable standard requires the Commission to conduct a careful weighing of the interests of customers in affordable rates against the financial needs of the utility.¹¹ The Commission must balance the interests of customers in receiving efficient utility service at the lowest possible rates, and the interest of the utility in obtaining sufficient revenues to conduct its operations, maintain its financial integrity, and achieve access to financial markets for revenue bonds at reasonable rates.¹²

In determining what constitutes just and reasonable rates, the Commission has discretion to determine the proper balance between the interests of ratepayers (*i.e.*,

⁶ See S&I Order, pp. 2, ¶ 1.

⁷ *Id.*, at p. 3, ¶ 4.

⁸ *Sharon Steel Corp. v. Pa. PUC*, 468 A.2d 860, 862 (Pa. Cmwlth. 1983).

⁹ See 66 Pa. C.S. § 1301.

¹⁰ *Popowsky v. PUC*, 665 A.2d 808, 811, 542 Pa. 99, 107-108 (1995); 66 Pa. C.S. § 1301.

¹¹ *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 607 (1944).

¹² *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 607 (1944).

customers) and that of the utility.¹³ Satisfying the constitutionally imparted “just and reasonable” standard requires the Commission to base its decision on substantial evidence. The “substantial evidence” standard is strict and rests uniquely on the utility, which does not receive any favorable presumption(s). Courts evaluating the application of the substantial evidence standard have explained that this standard is directly related to the nature and extent of the authority requested by the utility.¹⁴

When evaluating the justness and reasonableness of rates proffered by a utility, the Commission is “obliged to consider broad public interest in the rate-making process.”¹⁵

That evaluation is governed as follows:

[T]he term ‘just and reasonable’ was not intended to confine the ambit of regulatory discretion to an absolute or mathematical formulation but rather to confer upon the regulatory body the power to make and apply policy concerning the appropriate balance between prices charged to utility customers and returns on capital.¹⁶

The Public Utility Code defines “rates” inclusively, including the following:

Every individual, or joint fare, toll, charge, rental, or other compensation whatsoever of any public utility ... made, demanded, or received for any service within this part, offered, rendered, or furnished by such public utility, or contract carrier by motor vehicle, whether in currency, legal tender, or evidence thereof, in kind, in services or in any other medium or manner whatsoever, and whether received directly or indirectly, and any rules, regulations, practices, classifications

¹³ *Pa. PUC v. Philadelphia Electric Co.*, 522 Pa. 338, 342-43, 561 A.2d 1224, 1226 (1989); *Pa. PUC v. Pa. Gas & Water Co.*, 492 Pa. 326, 337, 424 A.2d 1213, 1219 (1980), *cert. denied*, 454 U.S. 824, 102 S. Ct. 112, 70 L. Ed. 2d 97 (1981)).

¹⁴ *Lansberry v. Pa. PUC*, 578 A.2d 600, 603 (Pa. Cmwlth. 1990).

¹⁵ *See Nat’l Utilities, Inc. v. Pa. PUC*, 709 A.2d 972, 979 (Pa. Cmwlth. 1998), following *D.C. Transit Sys., Inc. v. Washington Metro. Area Transit Com’n*, 466 F.2d 394, 411 (D.C. Cir. 1972), *cert. denied*.

¹⁶ *Id.*, citing *Pa. Elec. Co. v. Pa. PUC*, 509 Pa. 324, 331, 502 A.2d 130, 134 (1985).

or contracts affecting any such compensation, charge, fare, toll, or rental.¹⁷

Therefore, when considering whether the rates proposed by Citizens' are just, reasonable, and in the public interest, the Commission must also consider the rules, regulations, programs, and practices affecting such rates. Neither statute nor Constitution imposes a one-way obligation on Citizens' customers to pay for the cost of service without an accompanying obligation on the part of Citizens' to provide mandated reasonable service.¹⁸

IV. SUMMARY OF ARGUMENT

Citizens' proposed "Billing Demand" construct is unlawful, unsupported by record evidence, and fundamentally inconsistent with Pennsylvania law and ratemaking principles. The proposal would radically alter how customer-generators are billed and compensated, imposing distribution demand charges based not on actual usage, but on the theoretical nameplate capacity of customers' generation facilities. It would also force certain customer-generators off the stable GSSR-1 retail rate and into the volatile GSSR-2 wholesale rate, in direct violation of both the AEPS Act and Act 129, as well as the Commission's regulations.¹⁹

The Commission must reject this proposal for six independent reasons.

¹⁷ *McCloskey v. Pa. PUC*, 219 A.3d 1216, 1223 (Pa. Cmwlth. 2019) (citing 66 Pa. C.S. § 102).

¹⁸ *See Nat'l Utilities, Inc. v. Pa. PUC*, 709 A.2d 972, 979 (Pa. Cmwlth. 1998), following *D.C. Transit Sys., Inc. v. Washington Metro. Area Transit Comm'n*, 466 F.2d 394, 411 (D.C. Cir. 1972), cert denied.

¹⁹ 66 Pa. C.S. §§ 1308, 2807; 73 P.S. § 1648.5; 52 Pa. Code § 75.13(d).

First, Citizens’ failed to meet its burden of proof. Under Sections 1308 and 315 of the Public Utility Code, Citizens’ must prove by substantial evidence that each element of its proposed rate increase is just and reasonable.²⁰ The record shows the opposite. Customer-generators do not increase Citizens’ distribution costs and, in fact, provide measurable benefits by reducing peak demand and offsetting transmission and generation costs during critical hours.²¹ Citizens’ provided no cost-of-service study or other quantitative analysis demonstrating incremental costs caused by customer-generators. Without such evidence, Citizens’ cannot satisfy the governing “just and reasonable” standard, and its proposal must be rejected.

Second, Citizens’ proposed Billing Demand structure violates the core ratemaking principle of cost causation.²² The proposal would bill customer-generators based on nameplate generation capacity rather than their actual measured demand or net power flows. This approach would impose arbitrary, phantom charges on a small subset of customers while rewarding non-generators with lower bills—despite no change in either group’s behavior or actual use of the system. Such a departure from cost causation is unreasonable and unlawful.

Third, the proposal is illegally discriminatory under Section 1304 of the Public Utility Code.²³ It creates a clear rate differential between customer-generators and non-customer generators, penalizing the former while advantaging the latter. Citizens’ offered

²⁰ 66 Pa. C.S. §§ 315(a), 1308.

²¹ Solar Projects’ St. No. 2, pp. 15-16.

²² *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

²³ 66 Pa. C.S. § 1304.

no rational, cost-based justification for this disparate treatment. The massive demand charge increase customer-generators would face (up to 300-400%) combined with simultaneous reductions for non-generators, confirm the discriminatory and punitive nature of this proposal. Phased implementation does not cure this legal defect.

Fourth, Citizens' attempt to justify its proposal by citing the UGI Default Service Plan ("DSP") proceeding is procedurally improper and substantively flawed.²⁴ The UGI case involved a different utility, different statutory framework, and different evidentiary record. Distribution base rate cases under Section 1308 are not the proper vehicle to address default service procurement or pricing concerns, which must instead be vetted in a Section 2807 DSP proceeding where suppliers and other affected parties are given notice and an opportunity to participate. Citizens' reliance on speculative concerns about future default service costs, unsupported by any quantitative analysis, cannot support a fundamental restructuring of net metering compensation in this Rate Case.

Fifth, Citizens' proposal directly violates the AEPS Act.²⁵ Section 5 of the AEPS Act requires that all customer-generators be compensated for their excess generation at the "full retail value," which includes generation, transmission, and distribution components. By forcing customers with systems over 400 kilowatts ("kW") into the GSSR-2 class and compensating them at only the wholesale LMP, Citizens' is unlawfully substituting a wholesale rate for the full retail rate mandated by statute. This would not only violate the

²⁴ *Petition of UGI Utilities, Inc. – Electric Division for Approval of Default Service Plan*, Docket No. P-2024-3049343 (Order entered Feb. 20, 2025) ("UGI DSP Order").

²⁵ 73 P.S. § 1648.5(a)(3).

letter of the law, but also frustrate the AEPS Act's purpose of promoting renewable energy development across the Commonwealth.

Sixth, the proposal violates Act 129.²⁶ Act 129 prohibits default service rates for small business customers from changing more frequently than quarterly. Citizens' proposal to force small business customers onto the GSSR-2 rate, which fluctuates every five minutes based on wholesale LMP, cannot lawfully be applied to small business customers whose peak loads are below 25 kW. By reclassifying these customers based on generator nameplate capacity rather than actual peak load, Citizens' would impermissibly assign them to a rate structure that can change 12 times every hour, 24-hours a day, 7-days a week, thereby undermining the stability and transparency that Act 129 guarantees.

In addition, Citizens' demand ratchet would magnify these harms by tying minimum demand charges to hypothetical generator outputs rather than actual metered flows, leading to extreme and unjustified cost increases for customers who install clean, on-site generation. This punitive treatment would discourage investment in renewable energy and undermine statewide efforts to reduce demand during system peaks.²⁷

Citizens' speculative arguments about customer confusion and alleged market manipulation by customer-generators are baseless.²⁸ The record demonstrates that the Billing Demand proposal would increase confusion by imposing complex, opaque charges on a tiny subset of customers while providing no tangible benefits. Likewise, there is no

²⁶ 66 Pa. C.S. § 2807(e)(7).

²⁷ Solar Projects' St. No. 2-SR, p. 12.

²⁸ Citizens' St. No. 1-R, p. 5.

evidence (and no plausible mechanism) by which customer-generators could manipulate their output to affect wholesale prices or default service procurement.

Finally, by failing to net all distribution charges for energy produced against energy consumed, Citizens' proposal also violates the AEPS Act's requirement to provide the full retail value for all energy produced.²⁹ The statute's use of the term "energy" encompasses both kilowatt-hour ("kWh")-based and kW-based charges. Citizens' narrow interpretation improperly excludes capacity-related charges from net metering compensation, further eroding customer-generators' statutory rights.

For each of these reasons — lack of evidence, violation of cost causation, unlawful discrimination, procedural defects, and statutory violations — the Commission should reject Citizens' Billing Demand proposal in its entirety.

V. ARGUMENT

A. Issues Resolved Among the Settling Parties

i. Rate Base (Not Contested)

The Solar Projects do not take a position on Citizens' rate base.

ii. Revenues (Not Contested)

The Solar Projects do not take a position on Citizens' revenues.

iii. Expenses (Not Contested)

The Solar Projects do not take a position on Citizens' expenses.

iv. Fair Rate of Return (Not Contested)

The Solar Projects do not take a position on Citizens' rate of return.

²⁹ 52 Pa. Code § 75.13(c).

v. Taxes (Not Contested)

The Solar Projects do not take a position on Citizens' taxes.

vi. Customer Rate Structure (Addressed in Section V(B), *infra*)

The Solar Projects oppose Citizens' proposed rate structure. The Solar Projects address Citizens' proposed rate structure, and related items, in Sections (V)(B)(i-iii), below.

B. Customer Generator Issues

Citizens' proposed new Billing Demand structure based on the size of a customer-generator's on-site generating equipment rather than actual demand is unjust and unreasonable and would violate Pennsylvania law.

The Solar Projects have developed six rooftop solar projects in the Citizens' service territory that will face significant increases in demand charges under Citizens' proposal.³⁰ Two of the pending projects have nameplate capacity above 400 kW, and therefore would not only face significant increases in distribution demand charges, but would also be forced from the GSSR-1 schedule to GSSR-2. Such a change would supplant the stable supply costs and excess generation compensation rate at the PTC currently provided under GSSR-1 with the volatile, wholesale LMP rate under GSSR-2.

Citizens' failed to present evidence showing that its Billing Demand proposal is just and reasonable. The increased costs to be borne by customer-generators are not based on costs that Citizens' incurs to provide service. Citizens' proposal violates not only the constitutional mandate to provide just and reasonable rates based on cost causation, it also

³⁰ Solar Projects' St. No. 1, pp. 1, 4-9.

impermissibly discriminates against customer-generators, violates the letter and intent of the AEPS Act, and violates Act 129's mandate that small business customers receive default service on a rate that changes no more than once per quarter. For all these reasons, Citizens' Billing Demand proposal should be rejected and Citizens' should be directed to revise its proposed tariff sheets to remove the rejected Billing Demand language.³¹

i. Explanation of Billing Demand Definition

Citizens' proposes to use a new "Billing Demand" structure "for distribution and generation rate determinations."³² Currently, Citizens' classifies customer-generators "for distribution and generation purposes based on amount of peak electricity that the electric distribution company supplied to the customer generator's account."³³ Citizens' Billing Demand proposal in this case would no longer be based on the customer's actual use of the distribution system, but on "hypothetical power flows."³⁴ Citizens' would set the customer's Billing Demand based on the *greater of* (a) their maximum demand, (b) 50% of their maximum demand during the prior eleven months, or (c) their generating system's nameplate capacity.³⁵ Citizens' proposes to define "Billing Demand" in its Tariff as:

³¹ The Solar Projects do not take a position on the other aspects of Citizens' rate filing or the non-unanimous settlement terms that do not relate to the Billing Demand proposal.

³² Citizens' St. No. 4, p. 3.

³³ Citizens' St. No. 4, p. 17.

³⁴ Solar Projects' St. No. 2, p. 3.

³⁵ Citizens' St. No. 1R, p. 16; Solar Projects' St. No. 2, p. 5 ("For customers with distributed generation ('DG'), the Company proposes to use the larger of the net demand (e.g., native load less self-consumed DG energy) and the maximum DG generator rating, even if the latter is not actually attained in a given month. Moreover, the construction of the proposal means that the maximum DG generator rating will act as a permanent, 100% demand ratchet for the customer regardless of how their usage changes over time.").

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.³⁶

Citizens' developed this proposal in response to the recent decision in the UGI DSP proceeding.³⁷ Citizens' claims that it will "use customer generator's [sic] net power flow from or onto the Company's distribution system to establish the distribution charges for the account and eligibility for [GSSR-1 or GSSR-2 supply service rate classifications]." However, as described in Citizens' proposed Tariff revisions, "Billing Demand" is not based on "net power flow," but on the nameplate capacity of the customer's generating facilities, regardless of the actual power flow from or onto Citizens' distribution system:

Billing Demand shall reflect the Customer's maximum use of the distribution system during the 15-minute period of maximum use for the month. This shall be the maximum energy supplied by the Company to the Customer's meter during the applicable period or, for customer generators that qualify for Rider B – Net Metering, the greater of the maximum energy supplied by the Company to the meter or the nameplate generator capacity indicated on the application to interconnect.³⁸

³⁶ Citizens' Electric Company of Lewisburg, Supplement No. 172 to Electric-Pa. P.U.C. No. 14, Fifth Revised Page No. 5 (defining "Billing Demand"); *see also* Citizens' St. No. 4, p. 18.

³⁷ Citizens' St. No. 4, p. 17 (discussing the decision in *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-2024-30349343, *et. al*).

³⁸ Citizens' Electric Company of Lewisburg, Supplement No. 172 to Electric-Pa. P.U.C. No. 14, Sixth Revised Page No. 14 (specifying the "Determination of Billing Demand").

Small business customers would be ineligible for GSSR-1 if they “experienced a monthly Billing Demand of 400 kW or more during any month in the last 12-month period.”³⁹ Customers with demand below 400 kW would be forced onto GSSR-2 if they install generating equipment with a capacity at or above 400 kW, even if their actual demand (as measured by the Company’s meter) is nowhere near that threshold. The purpose of this proposal, according to Citizens’, is to ensure that net metering customers with generating facilities above 400 kW nameplate capacity that provide excess generation to Citizens’ receive an “annual cash out...[at] a weighted average locational marginal price (“LMP”)[,]” rather than the PTC under GSSR-1.⁴⁰ The financial hit to the Solar Projects would be devastating, causing a projected 62% decrease in revenue from this forced change from the PTC to an hourly wholesale LMP generation supply rate schedule.⁴¹ This will turn the Solar Projects’ 480 kW AC projects upside down financially, with yearly costs of \$104,702 and only \$32,207 in projected income under Citizens’ proposal.⁴²

Separate from generation supply rates, customer-generators will also be subject to distribution demand charges based *not* on their load, but on the nameplate capacity of their generation facility.⁴³ If customers install on-site generation, their distribution charges will increase even though their distributed generation can lower their peak demand (and serve

³⁹ Citizens’ Electric Company of Lewisburg, Supplement No. 172 to Electric-Pa. P.U.C. No. 14, Tenth Revised Page No. 38 (specifying the “Determination of Billing Demand”).

⁴⁰ Citizens’ St. No. 4, p. 17.

⁴¹ Solar Projects’ St. No. 1, p. 3.

⁴² Solar Projects’ St. No. 1, p. 4.

⁴³ *See* Solar Projects’ St. No. 2, pp. 5-6 (discussing the GLP-1 and GLP-3 distribution rate schedule break points and rate components).

the demand of other nearby customers) during times of higher grid stress.⁴⁴ Customers on Schedule GLP-1, General Light and Power Service, will pay “\$4.52 per kilowatt for all kilowatts of the Billing Demand,”⁴⁵ meaning that the demand charge will apply based on the size of their generating equipment, rather than and regardless of their actual usage or exports.

Citizens’ failed to satisfy its burden of proving that its Billing Demand proposal is just and reasonable. Citizens’ proposal is unjust and unreasonable because it violates the core ratemaking principle of cost causation by charging customers arbitrary demand charges that are not based on actual use of Citizens’ distribution system.

a) Citizens’ Billing Demand proposal is unjust and unreasonable because it is contrary to cost-causation principles.

Citizens’ Billing Demand proposal is unjust and unreasonable. Citizens’ is proposing a “seismic shift away from evidence-based cost of service ratemaking principles to impose rate design changes that would have outsized adverse impacts” on a targeted group of customers, net-metering customer-generators.⁴⁶ Pennsylvania law is clear that “every rate made, demanded, or received by any public utility must be just and reasonable...”⁴⁷ The burden of proof “to show that the rate involved is just and reasonable

⁴⁴ Solar Projects’ St. No. 3.

⁴⁵ Citizens’ Electric Company of Lewisburg, Supplement No. 172 to Electric-Pa. P.U.C. No. 14, Eight-Sixth Revised Page No. 43 (specifying the “Determination of Billing Demand”).

⁴⁶ Solar Projects’ St. No. 2, p. 7.

⁴⁷ 66 Pa. C.S. § 1301(a).

shall be upon the public utility.”⁴⁸ This burden of proof applies to “every element of a public utility’s rate increase request...” “[G]eneralities and sweeping statements” are not sufficient to satisfy the requirement that rates be just and reasonable. “In Pennsylvania, just and reasonable rates **must** reflect the principle of cost causation.”⁴⁹

The cost causation principle requires that “all approved energy rates reflect to some degree the costs actually caused by the customer who must pay for them.”⁵⁰ Citizens’ failed to satisfy its burden because it did not provide evidence showing that its Billing Demand proposal results in rates that reflect the costs caused by net metering customer-generators.

Indeed, the overwhelming evidence in the record in this proceeding shows that Citizens’ punitive Billing Demand proposal would impose costs on customer-generators that they did not cause, while ignoring benefits that customer-generators provide to the system, namely, offsetting distribution costs for the benefit of all customers.⁵¹

The increase in costs for customer-generators would be massive as a result of the Citizens’ Billing Demand proposal, with those providing significant excess generation facing a 27-fold cost increase.⁵² Even customers with systems sized simply to offset a portion of their usage would see a 25% or greater increase in distribution charges, while

⁴⁸ 66 Pa. C.S. § 315(a) (Reasonableness of Rates).

⁴⁹ *Philadelphia Indus. & Com. Gas Users Grp. v. Pennsylvania Pub. Util. Comm’n*, No. 128 C.D. 2024, 2025 WL 2177932, at *1 (Pa. Cmwlth. 2025).

⁵⁰ *Philadelphia Indus. & Com. Gas Users Grp. v. Pennsylvania Pub. Util. Comm’n*, No. 128 C.D. 2024, 2025 WL 2177932, at *3 (Pa. Cmwlth. 2025) (citing *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1015 (Pa. Cmwlth. 2006)).

⁵¹ *See generally*, Solar Projects’ St. Nos. 2 and 2-SR.

⁵² Solar Projects’ St. No. 2, p. 11.

not placing any additional demand on Citizens' distribution system.⁵³ Indeed, an example of a customer with 25 kW of peak demand and a 50 kW solar system (which would offset approximately 51% of their annual usage) would have a maximum export of only 36 kW, which is well below the 50 kW gross generator rating that Citizens' would use to determine the demand charges under GLP-1.⁵⁴ The result is an increase of the customer's distribution costs by 77% compared to what the customer would pay under the current tariff definitions, despite no change in the customer's use of the grid.⁵⁵ The increase in distribution costs that Citizens' proposes with its new Billing Demand methodology is not supported by any analysis to show that customer-generators cause any of the costs that they would be forced to bear if Citizens' proposal is implemented. Accordingly, Citizens' demand proposal violates the foundational cost-causation principle of just and reasonable rates and must be rejected.

b) Citizens' intends to charge customer-generators based on theoretical use of the Citizens' distribution system, while ignoring actual metered demand.

Citizens' bases its Billing Demand determination on the larger of: (1) the customer's highest power usage over any 15-minute period in a month; and (2) the gross generation rating of the customer's generating equipment.⁵⁶ Citizens' argues that this Billing Demand proposal is based on "net power flow from or onto the Company's distribution system"

⁵³ Solar Projects' St. No. 2, pp. 12, 22-25 (including Table 2 – Bill Comparison).

⁵⁴ Solar Projects' St. No. 2, p. 13 (including Table 3 – 25 kW Load /50 kW Solar Bill Comparison).

⁵⁵ *Id.*

⁵⁶ Solar Projects' St. No. 2, pp. 8-9.

providing “an accurate reflection of the Customer’s use of the distribution system.”⁵⁷ Citizens’ claims that it must “plan the same for a customer that is exporting 400 kW to Citizens’ as [it does] for a customer that is receiving 400 kW from Citizens’.”⁵⁸ Taking it one step further, Citizens’ argues that customer exports are “more complicated because of potential variability, voltage sags/surges and other issues.” Based on these demonstrably false assertions, Citizens’ claims that “[i]t is equitable to charge a customer exporting 400 kW to us similar to how we charge a customer that uses 400 kW.”⁵⁹

However, Citizens’ provided no evidence to support its bald assertion that a customer with a 400 kW nameplate generating facility causes the same costs (or more) on the distribution system as a customer that uses 400 kW of electricity. Citizens’ Billing Demand proposal focuses on the gross generation rating (nameplate) of a solar system in isolation, ignoring the customer’s native load. However, any energy consumed by the customer (native load) necessarily reduces the amount of excess energy that a customer-generator exports through their meter and onto the distribution system.⁶⁰ This is a foundational flaw in Citizens’ proposal that focuses exclusively on nameplate capacity listed in an interconnection agreement, while ignoring actual measured demand on the Citizens’ distribution system.

⁵⁷ Citizens’ St. No.4, p. 17.

⁵⁸ Citizens’ St. No. 4, p. 18.

⁵⁹ Citizens’ St. No. 4, p. 17.

⁶⁰ Solar Projects’ St. No. 2, pp. 19-23.

Customers that install solar reduce their demand in all non-winter months, with peak demand falling as much as 10% in the summer when the grid is most strained.⁶¹ The net power flow never reaches nameplate capacity.⁶² The evidence showed that a customer with a 400 kW nameplate solar photovoltaic facility will produce less than its nameplate capacity 99.8% of the year, even before accounting for onsite load that will consume a portion of the energy produced.⁶³ Further, because solar generating systems degrade over time, a system will not achieve its nameplate capacity except in the initial years of operation. Citizens' Billing Demand proposal locks customer-generators into distribution and generation charges based on hypothetical use of the system that is divorced from the actual operating characteristics of customer-generator facilities.⁶⁴

- c) The fundamental tenet of Citizens' proposal is flawed: NEM customer-generators' excess generation does not increase the cost of electricity for Citizens' customers in the GSSR-1 rate class.**

Citizens' core argument for the Billing Demand proposal is that it is necessary to protect GSSR-1 customers from the costs of excess generation payments made to customer-generators pursuant to the AEPS Act's requirement for excess generation compensation.⁶⁵ Citizens' claims that there is a cost shift when a customer-generator is paid for its excess generation at the GSSR-1 PTC rate.

⁶¹ Solar Projects' St. No. 2, p. 14.

⁶² Solar Projects' St. No. 2, p. 15 (including Figure 2 – Customer C Monthly Maximum Power Flows).

⁶³ Solar Projects' St. No. 2, p. 9; *see also*, Solar Projects' St. No. 1-SR, pp. 8, 11.

⁶⁴ Solar Projects' St. No. 2, p. 9.

⁶⁵ *See* Solar Projects' St. No. 2, Exhibit No. KL-17, SP-II-5 Revised.

Citizens’ procures default service through a wholesale “Load-Following Full Requirements contract” requiring the wholesale supplier to deliver all necessary energy to Citizens’ PJM pricing node, with a direct pass-through for many costs, including transmission and generation costs (including PJM Interconnection LLC’s (“PJM”) Regional Transmission Expansion/Transmission Enhancement Costs (“RTEP/TEC”)).⁶⁶ There is also a “Supplier Adder” to compensate wholesale suppliers for “all costs and risks for delivery to the wholesale meter for the Citizens’ or Wellsboro Aggregate Bus, including marginal losses, ancillary services, congestion, transmission charges (other than NITS and RTEP/TEC), AEPS costs, marginal losses, customer load variability, and customer migration.”⁶⁷ In Citizens’ currently-approved DSP, the Supplier Adder is a credit of \$2.66/MWh (rather than an additional charge).⁶⁸ There is no evidence of any risk premiums associated with customer-generator excess generation.⁶⁹

While Citizens’ argues that excess generation from customer-generators could increase DSP costs substantially, Citizens’ failed to provide evidence to support that theory.⁷⁰ Customer-generators are connected to the distribution system “downstream” of the PJM settlement point, so their generation during the five coincident peak (“5CP”) hours

⁶⁶ Solar Projects’ St. No. 2-SR, pp. 28-29.

⁶⁷ *Joint Default Service Plan for Citizens’ Electric Company of Lewisburg, PA and Wellsboro Electric Company For the Period June 1, 2025 through May 31, 2029* at 12, Docket No. P-2024-3049357 (Petition filed May 31, 2024).

⁶⁸ Solar Projects’ St. No. 2-SR, p. 30 (citing Citizens’ Electric Company of Lewisburg, PA Generation Supply Service Rate Filing; Supplement No. 171 to Tariff Electric PA. P.U.C. No. 14, Docket No. P-2024-3049357).

⁶⁹ Solar Projects’ St. No. 2-SR, pp. 31-32.

⁷⁰ Solar Projects’ St. No. 2, pp. 33-34.

reduces the amount of capacity costs assigned to the wholesale supplier providing default service. The 5CP hours are used by PJM to determine capacity cost allocation. Because capacity costs are passed through under the DSP contract, there is a 1:1 reduction in load obligations (and associated costs) for generation during those 5CP hours.⁷¹ The evidence in this proceeding demonstrates that customer-sited solar photovoltaic systems provide “meaningful generation during the 5CP hours for both generation and transmission cost allocation.”⁷²

Citizens’ claims that it does not avoid capacity and transmission costs when a customer-generator exports power to the distribution system by focusing only on the short term (“real-time”) effect of customer generation and ignoring the longer-term effects.⁷³ Citizens’ refers to these costs as “fixed,” but concedes that capacity obligations change on June 1 each year.⁷⁴ Citizens’ goes on to concede that customer-generators exporting power “[m]ost likely” reduce the wholesale costs that Citizens’ incurs from its wholesale supplier for the GSSR-1 class on a real-time basis and “[i]t may be possible” for excess generation to reduce Citizens’ capacity and transmission obligations in future years.⁷⁵

The overwhelming evidence in this proceeding shows that distributed behind-the-meter generation provides more value than the average cost to serve the DSP load.⁷⁶ There is no cost shift to non-customer-generators. The avoided cost value of solar generation is

⁷¹ Solar Projects’ St. No. 2-SR, p. 34.

⁷² Solar Projects’ St. No. 2-SR, pp. 36-37.

⁷³ Citizens’ St. No. 4SRJ, pp. 2-3.

⁷⁴ Citizens’ St. No. 4SRJ, p. 2.

⁷⁵ Citizens’ St. No. 4SRJ, p. 4.

⁷⁶ Solar Projects’ St. No. 2-SR, pp. 38-42.

higher than the GSSR-1 PTC.⁷⁷ Thus, excess generation from net-metered projects results in a net benefit shift to customers that are not participating in net-metering. Indeed, paying customer-generators for their excess generation at the PTC may even undercompensate these customer-generators for their excess generation.⁷⁸

d) Citizens' Billing Demand proposal is illegally discriminatory.

Citizens' proposed Billing Demand definition violates the Public Utility Code's prohibition against unreasonable discrimination between utility customers. Citizens' proposal will not only treat net-metering customers differently from supply-only customers under the same rate schedule, it will also specifically harm customer-generators while benefitting non-customer-generators by reallocating distribution demand charges. Since Citizens' has failed to provide any rational justification for this differential treatment, its proposal must be found to be unduly preferential and therefore unlawful.

Section 1304 of the Public Utility Code provides that “[no] public utility shall establish or maintain any unreasonable difference as to rates, either as between localities or as between classes of service.”⁷⁹ Not all rate differences are unlawfully discriminatory; only *unreasonable* differences are prohibited.⁸⁰ However, where a clear rate differential exists, “the utility must show that the differential can be justified by the difference in costs

⁷⁷ Solar Projects' St. No. 2-SR, p. 39.

⁷⁸ Solar Projects' St. No. 2-SR, p. 39.

⁷⁹ 66 Pa. C.S. § 1304.

⁸⁰ *Philadelphia Indus. & Com. Gas Users Grp. v. Pennsylvania Pub. Util. Comm'n*, No. 128 C.D. 2024, 2025 WL 2177932, at *8 (Pa. Cmwlth. Aug. 1, 2025) (citing *Philadelphia Elec. Co. v. Pennsylvania Pub. Util. Comm'n*, 79 Pa. Cmwlth. 445, 450, 470 A.2d 654, 657 (1984)).

required to deliver service to each class. The rate cannot be illegally high for one class and illegally low for another.”⁸¹

Citizens’ proposal clearly creates a difference in rates applicable to customer-generators versus non-customer-generators by defining “Billing Demand” as either maximum demand during the month *or* Gross Generator Rating (“GGR”). For non-customer-generators, Billing Demand will always be calculated based on their actual electricity usage – *i.e.*, their monthly maximum demand. However, for customer-generators, Billing Demand will typically be calculated based on their GGR (nameplate capacity of their generation system), a number which may far exceed their maximum monthly demand.⁸² Using this definition to determine both distribution rates and classification into the GSSR schedules unambiguously creates a difference in rates between customer classes – unlike non-customer-generators, customer-generators are subject to distribution charges based on their theoretical, rather than actual, use of the distribution system.

Although not all differences in rates are discriminatory, Citizens’ proposal is unreasonable and unjustified, and therefore unlawful. First, the proposal is unduly preferential to non-customer-generators and punitive to customer-generators. The Commonwealth Court has provided that “[b]efore a rate can be declared unduly preferential and therefore unlawful, it is essential that there be not only an advantage to

⁸¹ *Philadelphia Suburban Water Co. v. Pennsylvania Pub. Util. Comm'n*, 808 A.2d 1044, 1060 (Pa. Cmwlth. 2002).

⁸² *See e.g.* Figure 2, Solar Projects’ St. No. 2, p. 15.

one, but a resulting injury to another.”⁸³ Solar Projects’ witness Mr. Lucas testified to the preferential effect the proposed Billing Demand definition will have:

The practical effect [of applying the new Billing Demand definition] is that the 13 customer-generators on the GLP-1 tariff will see a massive increase in distribution costs, while the 1,124 non-customer-generators on the GLP-1 tariff will see a non-trivial distribution bill reduction.⁸⁴

The impact on the customer-generators is sizable. The single large customer-generator would see its bill increase by more than \$60,000 per year, a truly punitive amount and equal to a nearly 300% increase in its distribution bill. The remaining customer-generators would on average see bill increases of about \$4,500 per year, representing a nearly 400% increase. Meanwhile, the non-customer generators would on average receive an 11% reduction in their demand charges, despite no change in behavior or usage of the system.⁸⁵

Another injurious impact of the proposal is the reclassification of certain small business accounts from the GSSR-1 schedule to the GSSR-2 schedule based solely on the fact that these businesses installed a distributed generation system larger than 400 kW, rather than their actual electricity usage.⁸⁶ The Billing Demand proposal benefits supply-only customers at the expense of net-metering customers and therefore meets the Commonwealth Court’s first prerequisite to a finding of unlawful discrimination.

Second, Citizens’ has failed to show that this difference in rates is justified by the difference in costs required to deliver service to each customer class. Mr. Lucas discussed

⁸³ *Philadelphia Electric Co. v. Pennsylvania Pub. Util. Comm’n*, 470 A.2d 654, 657 (Pa. Cmwlth. 1984) (citing *Alpha Portland Cement Co. v. Public Service Commission*, 84 Pa. Super. 255 (1925)).

⁸⁴ Solar Projects’ St. No. 2-SR, p. 21.

⁸⁵ Solar Projects’ St. No. 2-SR, p. 24.

⁸⁶ Solar Projects’ St. No. 2, p. 28.

at length how: 1) Citizens’ failed to prove that customer-generators impose increased burdens or costs on their distribution system; and 2) distribution charges assessed under the proposed Billing Demand definition are not based on customer-generators’ actual usage of the system.⁸⁷ Citizens’ even admits that “the Company does not argue that generation, by nature, creates additional costs compared to consumption of a similar magnitude,”⁸⁸ yet still argues that the Billing Demand proposal is justified because customer-generators “[are] placing a new obligation on Citizens’ and on the distribution system.”⁸⁹ The record is devoid of any evidence of what these “new obligations” could be if generation does not create additional costs to the system, and how such “obligations” are being quantified and recovered under the proposal.⁹⁰ Additionally, despite Citizens’ claims that it “seek[s] to treat all utilization of the distribution system equally, regardless of the direction in which power flows,” the plain result of the proposed Billing Demand definition is to treat exporters differently than importers. Figure 2 in Mr. Lucas’s Direct Testimony shows that, even when a customer-generator is making its maximum exports to the grid, the hourly demand is nowhere near their GGR.⁹¹

Citizens’ should be charging customer-generators based on the peak demand actually placed on the system, *i.e.*, usage, and not GGR. Citizens’ has not provided any evidence regarding the costs caused by customer-generator exports. Accordingly,

⁸⁷ Solar Projects’ St. No. 2, p. 9.

⁸⁸ Citizens’ St. No. 4R, p. 23.

⁸⁹ Citizens’ St. No. 4R, p. 23.

⁹⁰ *See* Solar Projects’ St. No. 2-SR, p. 25.

⁹¹ Solar Projects’ St. No. 2, p. 15.

Citizens' has failed to carry its burden of proving that GGR or peak export are just and reasonable bases for calculating billing demand, or that the associated distribution and supply charge impacts of such a change are just and reasonable. Citizens' has failed to demonstrate any cost causation between the demand customer-generators place on Citizens' distribution system and the recovery of distribution rates based on a generator's GGR, which is only a theoretical measure of output to the grid, and as a result fails to satisfy the Commonwealth Court's standard for surviving a Section 1304 challenge.

The record in this case demonstrates how Citizens' differential rate structure will advantage one set of customers, the non-customer-generators, while injuring another, the customer-generators. The only way Citizens' could possibly justify such a result as reasonable is by demonstrating that this disparate treatment is warranted by each class's use of the distribution system. However, as Mr. Lucas pointed out, the change in distribution charges resulting from applying the proposed Billing Demand definition does not result from any change in behavior or use of the system by either group, and is not based on customer-generators' actual usage of the system at all. Further, Citizens' failed to demonstrate that customer-generators increase Citizens' costs of operating the distribution system or impose "additional burdens" on the grid. Nonetheless, Citizens' proposes to allocate to customer-generators more than their fair share of distribution costs, in violation of the fundamental rate-making principle of cost causation. As such, Citizens' proposal is unduly preferential, unreasonable and unlawfully discriminatory and must be rejected.

Finally, Citizens’ proposal to phase in the new Billing Demand definition over three years does not remedy this unlawful discrimination. As Mr. Lucas pointed out, “phasing in the Billing Demand definition over three years does not remedy its flaws; it merely tries to cushion the rate shock that would result from the unsupported proposal.”⁹² The Commonwealth Court has rejected the principle of gradualism and avoiding rate shock as an adequate justification for an unduly preferential rate structure that is not supported by cost causation.⁹³ A phase-in period cannot save an unjustified and illegally discriminatory proposal and the Commission should not allow Citizens’ to rely on this approach here.

e) Citizens’ Billing Demand proposal would increase (not decrease) customer confusion.

In its Rebuttal Testimony, Citizens’ asserts that its Billing Demand proposal would reduce “customer confusion.”⁹⁴ Citizens’ evidentiary support for this proposition is non-existent. The totality of Citizens’ conclusory testimony fleshing this point out is reproduced below:

[w]e want to use a common definition for ‘Billing Demand’ for both generation and distribution services to minimize customer confusion associated with the changes. This also helps our internal administration of net metering.⁹⁵

[M]r. Lucas notes that there are non-residential customer-generators on our distribution system. As I explained in my testimony, once the Commission issued the decision in the UGI

⁹² Solar Projects’ St. No. 2-SR, p. 12.

⁹³ See *Lloyd v. Pennsylvania Pub. Util. Comm’n*, 904 A.2d 1010, 1019-1020 (Pa. Cmwlth. 2006) (“principles of gradualism cannot be allowed to trump all other valid ratemaking concerns”).

⁹⁴ Citizens’ St. No. 4R, p. 25.

⁹⁵ *Id.*

case, we believed that following that definition would reduce confusion.⁹⁶

Citizens’ presented no substantive testimony as to how its Billing Demand proposal would – or could – reduce customer confusion. Mr. Johnson’s *ipse dixit* conclusions as to customer confusion are akin to arguing the conclusion’s truth “because [he] said so.”⁹⁷

In contrast, Solar Projects’ witness Mr. Lucas addressed Citizens’ customer confusion concerns at length, positing:

[i]t is difficult to see how customer confusion would not increase under the proposal. The Company proposes to use the Billing Demand definition for two purposes: 1) assigning a customer taking default service to either GSSR-1 or GSSR-2, and 2) billing customers for a portion of their distribution costs. The former decision point would only affect customers with DG system sizes over 400 kWAC, which is a small subset of customer-generators. Of the 87 customer-generators (15 of which are non-residential systems) that are currently taking service with the Company, only one is larger than 400 kWAC. Of the additional 12 projects that are listed as “Indicated” or “Applied / In Progress” (5 of which are non-residential), only two exceed 400 kWAC. In other words, even if all of the projects that exist or that the Company is aware of were all built, only three out of 99 would be impacted by the Company’s proposal to assign default supply rates based on the 400 kWAC Billing Demand threshold. This change would result in a sizable, negative impact for these individual customers, but it would not result in widespread customer confusion across the entire non-residential customer base.

On the other hand, all of the non-residential customer-generators would be impacted by a sizable change in their bills

⁹⁶ Citizens’ St. No. 4RJ, p. 7.

⁹⁷ See generally *Walsh Estate of Walsh v. BASF Corp.*, 234 A.3d 446, (Pa. 2020) (Wecht, J. concurring) (“While we can agree with the United States Supreme Court that, in assessing the admissibility of an expert’s testimony, a court should not turn a blind eye when an expert connects his method to his conclusion only by the because -I-said-so of his ‘ipse dixit,’ *Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 146 (1997)”).

due to the use of the proposed Billing Demand definition on their distribution bills. Because all but one of these existing customers have system sizes below 400 kWAC, they would not be impacted by the assignment of supply rates, but would nonetheless see sizable distribution bill increases. Why the Company believes that this would result in “reduced customer confusion” and not confused and frustrated customers who just received a huge bill increase is unclear.⁹⁸

Mr. Lucas’s conclusion that the Billing Demand proposal would **increase** customer confusion, rather than decrease customer confusion went unchallenged by Citizens’. Of the eighty-seven (87) customer-generators on Citizens’ system, only one is larger than 400 kW alternating current (“ac”). Similarly, of the twelve (12) listed by Citizens’ as “Indicated” or “Applied / In Progress,” only two (2) are above the 400 kWac threshold that would be triggered if the Billing Demand proposal is approved.⁹⁹ Thus, assuming *arguendo* that every qualifying system currently online and proposed to be online is built, Citizens’ change is targeted at **three** (3) current or future net-metering customer-generators. Meanwhile, all other non-residential net-metering customer-generators – schools, hospitals, parking facilities, etc. – would see a large increase to their bills because of the Billing Demand proposal.¹⁰⁰ Citizens’ has failed to explain why those customer-generators would be less confused by the injection of a tenuous Billing Demand methodology than if the status quo was maintained. Citizens’ proposal is a solution in search of a problem.

⁹⁸ Solar Projects’ St. No. 2-SR, p. 10.

⁹⁹ See Solar Projects’ St. No. 2-SR, pp. 10-11; Solar Projects Exhibit No. KL-7.

¹⁰⁰ Solar Projects’ St. No. 2-SR, p. 10; See also Section V(B)(2)(i)(c), *supra*.

For these reasons, the Solar Projects submit that Citizens' Billing Demand proposal would increase, not decrease, customer confusion and, for that reason among many, the proposal should be rejected.

ii. Application of Generation Supply Service Rate Classification

a) The Commission should not apply the UGI outcome to this Rate Case.

In addition to the substantive errors made by Citizens' with respect to how its Billing Demand proposal would affect net-metering customer-generators addressed in Section V(B)(i)(a)-(c), *supra*, Citizens' overt reliance on the UGI DSP proceeding at Commission Docket Nos. P-2024-3049343, *et al.*,¹⁰¹ is inappropriate and provides no basis to approve Citizens' proposal. Through this Rate Case, Citizens' is attempting to shoehorn a distribution rate classification change by relying on the UGI DSP and competitive default supply procurement concerns. Such issues have no place in a distribution rate case, and to the extent that Citizens' wished to address them, Citizens' should have included them in its own DSP case filed in 2024. To grasp this concept, it is critical to understand the purpose and bounds of both traditional Section 1308(d) base rate cases,¹⁰² and Section 2807 DSPs.¹⁰³

Citizens' current distribution rate filing is authorized by Section 1308(d) of the Public Utility Code. In pertinent part, Section 1308(d) dictates that:

Whenever there is filed with the commission by any public utility described in paragraph (1)(i), (ii), (vi) or (vii) of the

¹⁰¹ See UGI DSP Order.

¹⁰² 66 Pa. C.S. § 1308(d).

¹⁰³ 66 Pa. C.S. § 2807.

definition of ‘public utility’ in section 102 (relating to definitions), and such other public utility as the commission may by rule or regulation direct, **any tariff stating a new rate which constitutes a general rate increase**, the commission shall promptly enter into an investigation and analysis of said tariff filing and may by order setting forth its reasons therefor, upon complaint or upon its own motion, upon reasonable notice, enter upon a hearing concerning the lawfulness of such rate, and the commission may, at any time by vote of a majority of the members of the commission serving in accordance with law, permit such tariff to become effective, except that absent such order such tariff shall be suspended for a period not to exceed seven months from the time such rate would otherwise become effective...¹⁰⁴

In the instant case, Citizens’ filed a general base rate case on April 30, 2025, proposing an overall distribution rate increase of \$1.79 million annually.¹⁰⁵ Citizens’ summarized its reasoning for its increase proposal, arguing that: (1) it conducted an analysis of its current rates for unbundled distribution service and determined an increase was necessary to recover its costs and to return a fair return on capital;¹⁰⁶ (2) if its request is granted, it would earn a return on rate base of approximately 8.94%;¹⁰⁷ (3) its last rate increase occurred in 2023 and, since its approval, it has been “systematically replacing” its infrastructure and facilities and has completed line extensions and upgrades, thereby increasing its rate base by \$4 million by the end of its Fully Projected Future Test Year (“FPFTY”);¹⁰⁸ (4) its Operations and Maintenance (“O&M”) costs have increased due to

¹⁰⁴ 66 Pa. C.S. § 1308(d).

¹⁰⁵ See Citizens’ Rate Case Filing, Volume I, Statement of Reasons (“SOR”), p. 2.

¹⁰⁶ SOR, p. 3.

¹⁰⁷ SOR, p. 3, Schedule C1.

¹⁰⁸ SOR, p. 3.

inflation;¹⁰⁹ and (5) the increase is necessary to “promote the continued provision of safe and reliable service by...”¹¹⁰

Conversely, DSPs are authorized by Section 2807(e) of the Public Utility Code.¹¹¹ Among other things, Section 2807(e) requires Electric Distribution Companies (“EDCs”) to enter a prudent mix of contracts for default supply to ensure: (1) adequate and reliable service, and (2) least cost to customers over time.¹¹² The express purpose of Section 2807(e) is to ensure that “retail customers who do not choose an alternative EGS, or who contract for electric energy that is not delivered, have access to generation supply procured by a DSP pursuant to a Commission-approved competitive procurement plan...”¹¹³

Citizens’ filed its most recent DSP on May 31, 2024. Its DSP was approved on January 23, 2025.¹¹⁴ In its most recent DSP petition, Citizens’ proposed to continue a previously approved competitive bid process to obtain default service,¹¹⁵ and argued that it would continue to meet its DSP obligations, including least cost procurement.¹¹⁶ Effectively, Citizens’ argued in its DSP – which was approved via Settlement – that it

¹⁰⁹ SOR, p. 4.

¹¹⁰ SOR, p. 4.

¹¹¹ 66 Pa. C.S. § 2807(e).

¹¹² *Id.*, at § 2807(e)(3.4); *See also* 52 Pa. Code § 54.186.

¹¹³ 52 Pa. Code § 54.181.

¹¹⁴ *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 Nos. P-2024-3049357, *et al.*, (Final Order entered Jan. 23, 2025) (“Citizens’ DSP Order”).

¹¹⁵ *See 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 Nos. P-2024-3049357, *et al.*, ¶ 22.

¹¹⁶ *Id.*, at ¶ 26.

adhered to the mandates of Section 2807(e) of the Public Utility Code, including the least cost-procurement requirement. Now, through the instant case, Citizens’ effectively argues its least cost-procurement mandate supported in its DSP is no longer able to be met because of net-metering customer-generators. There is no record evidence to suggest that net-metering customer-generators have had such a substantial impact in the 97 days between the Citizens’ DSP being approved and Citizens’ Rate Case being brought as to render Citizens’ DSP unlawful, even despite Citizens’ apparent admission that the rates set in its last base rate case are unlawfully discriminatory.¹¹⁷ Simply put, Citizens’ is seeking to implement a massive change that will effectively halt development of environmentally clean generation sources¹¹⁸ via the incorrect regulatory vehicle – a vehicle that was available to it when it filed its last DSP in 2024, and will be available to it again when it files its next DSP.

The Solar Projects do not take a position on Citizens’ requested base rate increase. However, because Citizens’ Billing Demand proposal is untethered from the requested base rate increase and is scaffolded upon speculative default supply procurement concerns – like the UGI DSP – such a proposal would be properly brought in the context of a DSP. The record makes clear that the driver for Citizens’ Billing Demand proposal was the Commission’s resolution of the UGI DSP, which: (1) was entered and adopted a mere 69

¹¹⁷ Citizens’ St. No. 4RJ, p. 6 (“...without the billing demand proposal, the Commission will be discriminating in favor or [sic] the customer-generators...”).

¹¹⁸ See generally *Hommrich v. Pennsylvania Pub. Utilities Comm’n*, 231 A.3d 1027 (Pa. Cmwlth. 2020), *aff’d sub nom. Hommrich v. Commonwealth*, 664 Pa. 567, 245 A.3d 637 (2021).

days before Citizens' Rate Case filing; (2) was an entirely different regulatory vehicle from the instant proceeding; and (3) is still subject to an ongoing appeal before the Commonwealth Court of Pennsylvania.¹¹⁹ Moreover, Citizens' concerns regarding customer confusion and commodity cost manipulation are fallacious, as discussed herein.

b) Citizens' procurement concerns and rationale are not appropriate for a rate case.

In its initial filing, Citizens' opines that "until recently, [Citizens'] assumed that customer generators must be classified for distribution and generation purposes based on amount of peak electricity that the electric distribution company supplied to the customer's generation account."¹²⁰ Evidently, this assumption was undercut by the Commission's decision in the *UGI DSP*.¹²¹ However, the *UGI DSP* has little, if any, bearing on the instant Rate Case, as it involved a completely different utility territory, a completely different evidentiary record, and completely different statutory criteria for approval. Citizens' acknowledges that its Billing Demand proposal was made to address an issue (default service procurement and pricing) that is clearly not properly considered in a distribution rate case. Should Citizens' wish to pursue its Billing Demand proposal in the future, it can do so in the context of a future DSP.¹²²

¹¹⁹ See *Penn Renewables, LLC v. Pennsylvania Pub. Utilities Comm'n*, Docket No. 337 C.D. 2025 (Pa. Cmwlth.).

¹²⁰ Citizens' St. No. 4, p. 17.

¹²¹ *Id.*, see also *UGI DSP*.

¹²² Citizens' current default service plan was approved by Order on January 23, 2025. See *Citizens' DSP Order*.

In response to the Solar Projects’ Direct Testimony opposing the Billing Demand proposal, Citizens’ argued that it is “following the Commission’s decision in the UGI case currently pending before the Commission”¹²³ Though Citizens’ admits that its demand threshold is slightly different from what was approved in the UGI DSP, it contends that its Billing Demand proposal “is essentially the same and the precedent should be followed here...”¹²⁴ Citizens’ goes on to urge the “Commission to be consistent in its decisions on this issue¹²⁵ by approving [Citizens’] proposal.”¹²⁶ Citizens’ mischaracterizes the UGI DSP decision. The UGI DSP decision is limited only to the UGI service territory based on the specific evidentiary record developed in the UGI DSP proceeding. The UGI DSP decision would arguably have precedential applicability to the instant Billing Demand proposal if it had been proffered by Citizens’ in a DSP proceeding. However, it has no applicability or precedential value in connection with a distribution rate case in a completely different service territory. The reasons for this are several.

The *UGI DSP* was a Default Service Plan Petition brought pursuant to Section 2807(e) of the Public Utility Code.¹²⁷ The instant case is a rate case brought pursuant to Section 1308(d) of the Public Utility Code.¹²⁸ This is not a meaningless technical

¹²³ Citizens’ St. No. 4R, p. 23. The Solar Projects note that the *UGI DSP* is not “pending” before the Commission. Rather, it is the subject of an appeal before the Pennsylvania Commonwealth Court.

¹²⁴ Citizens’ St. No. 4R, p. 24.

¹²⁵ Citizens’ points to only the UGI DSP as precedential support for its proposal. The Solar Projects are unaware as to what other “decisions” Citizens’ believes are supportive of its Billing Demand proposal.

¹²⁶ Citizens’ St. No. 4R, p. 37.

¹²⁷ 66 Pa. C.S. § 2807(e).

¹²⁸ 66 Pa. C.S. § 1308(d).

distinction. The two statutory frameworks (*i.e.*, default service cases vs. distribution rate cases) have different procedures, issues, limitations, interested parties, and procedural timelines, among other things.

Citizens' acknowledges that its Billing Demand proposal relates solely to the cost of default service and has nothing to do with distribution rates (even though, as discussed below and in section V(B)(2)(i)(c), *supra*, the proposal will have a negative impact on some customer's distribution rates). In support of its proposal, Citizens' speculates that a cost-shift occurs when a small commercial customer-generator is paid for its annual excess energy at the GSSR-1 PTC rate.¹²⁹ It also argues that:

[w]hile no quantitative analysis has been performed, basic market principles suggest that as the total volume of energy purchased decreases, the price-per-unit will increase. In essence, as more energy is purchased from net-metered exports, less is purchased through the DSP wholesale contract. This lowers the 'buying power' of the DSP while concentrating non-volumetric (Company and supplier admin costs, Capacity, Transmission, and RTEP) costs across a smaller total quantity purchased, increasing the cost per MWh of default supply.¹³⁰

Thus, despite performing **no** quantitative analysis, and pointing to no concrete examples of a cost shift to non-customer generators, Citizens' asserts that its Billing Demand proposal is motivated by speculative future-impacts to the cost of default supply should the current GSSR-1 and GSSR-2 classes remain the same.¹³¹ Unlike the UGI DSP,

¹²⁹ See Solar Projects Exhibit No. KL-17.

¹³⁰ *Id.* (**emphasis added**).

¹³¹ 52 Pa. Code § 54.184 requires Default Service Providers, which Citizens' is, to provide default service pursuant to a customer pursuant to a Commission approved procurement process that includes at least one of the following: (1) auctions; (2) requests for proposals; or (3) bilateral agreements that are either (a) no greater than the cost of obtaining generation

default supply procurement requirements and costs associated with them are not at issue in this distribution rate case. Yet, Citizens’ sole justification for its proposal is a concern for default costs and pricing. As explained by the Solar Projects:

The Company’s DSP Plan was not approved until the end of January 2025. The ability of large customer-generators to produce substantial amounts of excess generation and be compensated on the GSSR-1 tariff was in place at that time. In fact, the Company did not file the application in this docket until April 30, 2025, which was after its compliance filing on April 17, 2025, in the DSP Plan reporting the results of the finalized procurement.

Mr. Johnson testified that the Company ‘did not provide any party or customer with advanced briefings on the various proposals or content of the rate filing until it was submitted.’ In other words, the suppliers that bid in the DSP Plan procurement in early 2025 would have had no public knowledge at the time of the Company’s plan to modify its default supply classification process.¹³²

Said another way, Citizens’ has not coherently vetted its own procurement concerns. More importantly, Citizens’ procurement concerns have not been vetted by the default service commodity suppliers that can speak to whether the proposal will affect their bid practices, nor vetted by potentially interested parties concerned with default supply procurement and pricing. Indeed, no Electric Generation Suppliers (“EGSs”) were served with this distribution base rate filing, as would be required for DSP cases.¹³³ The Solar

under comparable terms in the wholesale market, or (b) consistent with a Commission-approved competition procurement process. Citizens’ attempt to implement its Billing Demand proposal in a distribution base rate case appears to be an attempt to circumvent these requirements by presenting vague and unsupported hypotheses as to the *potential* effects of net-metering generation entering its system.

¹³² Solar Projects’ St. No. 2-SR, p. 31 (internal citations omitted).

¹³³ 52 Pa. Code § 54.185(c).

Projects submit that, if a change is modeled after another utility’s DSP case in a different service territory, and is designed to address default service procurement concerns, parties with interests related to DSP procurement and pricing should be afforded a seat at the table.

Moreover, despite claiming to model its Billing Demand proposal on the proposal that was approved in the UGI DSP,¹³⁴ Citizens’ Billing Demand proposal meaningfully departs from what the Commission evaluated and ultimately approved in the UGI DSP. First, instead of using the UGI modeled Supply Peak Load Impact (“SPLI”) for its DSP, Citizens’ has proposed to use a novel concept of “Billing Demand.”¹³⁵ Second, the UGI model triggers a move from GSR-1 to GSR-2 for net-metering customers at or above 100 kW SPLI. Citizens’ GSSR-1 to GSSR-2 trigger for net-metering customers occurs at or above 400 kW Billing Demand. Third, as noted above, *supra*, UGI’s proposal was brought in the context of a DSP proceeding wherein procurement concerns and default service prices could be wholly vetted. Here, default service pricing and contracts are not – or at least *should not* – be at issue because this is a distribution base rate case.

Additionally, Citizens’ last DSP proceeding undercuts its speculative assertions that increased net-metered customer-generation would increase default service costs. Indeed, the winning bidder in Citizens’ last DSP did not charge a Supplier Adder premium, rather, it applied a supplier adder credit of \$2.66/MWh.¹³⁶ This was in contrast to the Supplier Adder premiums in effect over Citizens’ prior DSP period between June 1, 2021, and May

¹³⁴ Citizens’ St. No. 4, p. 17.

¹³⁵ Citizens’ St. No. 4, p. 18.

¹³⁶ Solar Projects’ St. No. 2-SR, p. 30.

31, 2025. Citizens’ offers no rationale as to why continued or increased net-metered generation coming onto the grid would have the opposite effect that it appears to have had in the recent past.¹³⁷ Conversely, in approving the UGI DSP, the Commission relied on testimony as to the potential for generation suppliers to add in “risk premiums” to default supply bids.¹³⁸ That evidence is conspicuously lacking in this case and, given the testimony and analysis of the Solar Projects, it is clear that default service bids will be lowered, not increased, if net-metered customer-generators continue to be incentivized to generate electricity. This incentive would be eliminated if Citizens’ proposal is approved.¹³⁹ Given the positive effect that customer-generators appear to have on default service pricing, Citizens’ proposal may also run afoul of the Commission’s “least cost” default service procurement mandate.¹⁴⁰

Citizens’ is seeking a chance to model its net-metering compensation structure off of what the Commission approved in the UGI DSP *vis a vis* a distribution base rate case. Its attempt should be rejected. Should Citizens’ seek to bring a tariff change modeled after another utility’s DSP and premised on hypothetical default service pricing concerns, there is a straightforward way to do so: propose the change in a future DSP proceeding. Doing so in a base rate case precludes the parties and the Commission from conducting a fulsome

¹³⁷ Solar Projects’ St. No. 2-SR at 32.

¹³⁸ See UGI DSP Order, p. 60.

¹³⁹ Solar Projects’ St. No. 1, p. 4 (evaluating costs and projected revenue under the Billing Demand proposal would result in income for a 734 kWDC/480kWAC system of \$32,307 annually, compared to a cost of \$104,702, creating a NEM customer-generator shortfall of more than \$70,000.00).

¹⁴⁰ 52 Pa. Code § 54.186(a).

analysis of Citizens’ default supply procurement strategy, to engage in any analysis of the actual default service costs or savings stemming from net-metered customer-generators, and from leading any meaningful *apples to apples* comparison from what was approved in the UGI DSP compared to what Citizens’ seeks here. By Citizens’ own account, its procurement concerns are backed by **no** quantitative analysis. Yet, Citizens’ proposal would destroy the viability of many of the green net-metering solar generation facilities currently active in its service territory,¹⁴¹ and will ensure that no solar facilities larger than 400 kW will be developed in Citizens’ service territory.¹⁴² As such, the Billing Demand proposal is improper and should be rejected.

c) Customer-generators cannot change their output to manipulate the market to hurt other customers.

Citizens’ argued in Rebuttal Testimony, Surrebuttal Testimony, Rejoinder Testimony, and during cross-examination that, absent approval of the Billing Demand construct, customer-generators would “continue” to be incentivized to harm other customers by tailoring their generation output to operate at specific times, thereby manipulating forward-looking default service commodity pricing. To bolster this far-flung apprehension, Citizens’ witness Mr. Johnson claims that a customer-generator placed into the GSSR-2 class will have an incentive to export to the grid “during higher-priced hours.”¹⁴³ In turn, Mr. Johnson falsely argues that “[A]lthough a solar generator may be relatively inelastic in producing power in response to hourly prices, many qualifying net-

¹⁴¹ Solar Projects’ St. No. 1, p. 5.

¹⁴² *Id.*

¹⁴³ Citizens’ St. No. 4R, p. 27.

metered generation sources are able to respond directly to price signals. In addition, even the customer-generator with a solar array may be able to reduce the host load consumption to increase its exports during these hours.”¹⁴⁴ These arguments are red-herrings, unsupported by the record, and defy common business sense.

As the Solar Projects’ witness Mr. Lucas explained:

That tariff charges (or compensates) generation at the ‘actual real-time PJM West Hub Locational Marginal Price (‘LMP’) for each hour of the billing month’ The real-time LMP price is recalculated every five minutes throughout the day, and the ‘actual’ value for any given hour cannot be calculated until the hour has already passed since it is necessarily the load-weighted average of the 12 five-minute periods of that hour. In other words, by the time a generator could even know what the real-time hourly rate at which they will be charged (or compensated), their usage (or generation) will have already occurred.¹⁴⁵

Moreover, customer-generators cannot monitor real-time 5-minute LMP intervals, let alone modify their behavior in response to LMP price signals.¹⁴⁶ PJM itself does not display the price of a 5-minute interval until that interval is largely complete.¹⁴⁷ Furthermore, despite Citizens’ witness Mr. Johnson’s declarations otherwise,¹⁴⁸ he was unaware of **any** specific electronic services to provide real-time LMP pricing data when asked about it at the Evidentiary Hearing.¹⁴⁹

¹⁴⁴ Citizens’ St. No. 4R at 28.

¹⁴⁵ Solar Projects’ St. No. 2-SR, p. 13.

¹⁴⁶ Solar Projects’ St. No. 2-SR, pp. 13-14.

¹⁴⁷ *Id.*

¹⁴⁸ Citizens’ St. No. 4RJ, p. 4.

¹⁴⁹ Tr. at 196.

The defect in Citizens’ reasoning was further addressed by Mr. Lucas, who described that in reality there is no way for customer-generators to curtail generation during PJM peak pricing to manipulate the capacity market:

Suppose a customer on the GSSR-1 tariff had a 100 kWAC [photovoltaic] system that produced 147 MWh per year. For a [behind the meter] customer-generator, much of this production will be used on-site and will not result in exported power. But to illustrate a worst-case scenario, suppose that all power was exported and compensated at the GSSR-1 rate.

The GSSR-1 rate used in the Company’s workpapers included was \$110.77/MWh, \$42.27/MWh of which was for generation and transmission capacity. At this rate, the customer-generator would receive \$16,284 for excess generation at the end of the year. Suppose that this customer could magically determine exactly which five hours would be used in the PJM cost allocation process and decided to ‘turn off’ their generation during only those five hours. Given that PJM’s peak hours tend to occur between 4 and 6 PM EPT, the 100 kW generator will not be outputting 100 kW, but something lower. The exact value will depend on the weather, but to continue the ‘worst case scenario’, one can assume they may be outputting an average of 56 kW during these hours. If the customer-generator deactivated the generation for these five hours, it would forgo roughly \$31 in compensation. In order for the customer-generator to come out ahead as a result of this behavior, the price of the transmission and capacity components of the GSSR-1 rate would have to increase by at least 0.5% as a direct result of the individual customer-generator’s actions¹⁵⁰

To make any *miniscule* impact on the capacity market, a customer-generator would have to turn off its system during many summer afternoons between 4:00 and 6:00 p.m. in the hopes that any of those days would end-up being a 5 CP hour.¹⁵¹ If a customer-generator were to employ this strategy for 20-days in any given summer, the foregone

¹⁵⁰ Solar Projects’ St. No. 2-SR, pp. 17-18 (internal citations omitted).

¹⁵¹ Solar Projects’ St. No. 2-SR, p. 18.

revenue would increase by a rough multiple of 5.¹⁵² In turn, this would require the capacity price impact from that specific customer-generator's actions to be in the 2-3% range to recoup the revenue losses.¹⁵³ Citizens' offers zero support as to why it believes customer-generators would behave this way, while Mr. Lucas confirmed that customer-generators would not and realistically could not. Indeed, Mr. Johnson himself confirmed that he was not aware of any evidence that any customer generator had ever engaged in such behavior.¹⁵⁴

Solar Projects' witness Mr. Lucas further elaborated upon the absurdity of Citizens' contention that customer-generators are incented to manipulate the capacity market. First, Mr. Lucas confirmed that there is **no** evidence of a coordinated effort among customer-generators to intentionally deactivate their generation systems during peak hours in order to manipulate the market price of capacity and transmission services.¹⁵⁵ Second, Citizens' only has about 4.1 MW of customer-generators in service across its system, much of which is serving behind-the-meter load.¹⁵⁶ Therefore, only a small fraction of these customer-generators would benefit from the hypothetical manipulation proffered by Citizens.¹⁵⁷ Third, the steps required of a customer-generator to impact capacity prices to a sufficient degree as to pursue them are farcical. Indeed, a customer-generator would have to:

1. Be served on the GSSR-1 tariff and produce annual excess electricity;¹⁵⁸

¹⁵² *Id.*

¹⁵³ *Id.*

¹⁵⁴ Tr. 198:6-9.

¹⁵⁵ Solar Projects' St. No. 2-SR, p. 18-19.

¹⁵⁶ Solar Projects' St. No. 2-SR, p. 19.

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

2. Predict the PJM capacity market by shutting down their generation systems for hours on hot summer afternoons, which could require manual switch-flipping and acceptance of additional wear-and-tear on facilities' components;¹⁵⁹ and
3. Sit and wait to see if the selected shut-off day ends up being one of the 5 CP hours on which PJM capacity cost allocations are based. If a customer-generator misses a 5 CP hour by even one-hour, their revenue for the time shut-off would be foregone. Moreover, even if they did shut-off their generation system during one of the 5 CP hours, it would take **years** for the increase in load attributable to their action to be captured via PJM's load forecast methodology.¹⁶⁰

Even then, “generation and other capacity resource owners would have to bid in a manner where the marginal increase in PPL zonal load from the foregone solar generation triggers a price increase in the capacity market that exceeds the lost revenue from shutting down their system.”¹⁶¹ If all the stars aligned for this intrepid hypothetical customer-generator, it would still be three- or four-years until its actions would result in year-end compensation marginally above what it would have otherwise received.¹⁶² That a customer-generator would actually pursue this course, as Citizens' baselessly argues, is silly.¹⁶³

Moreover, assuming *arguendo* that Citizens' concerns about market manipulation carry any water – which they do not – the impact of any one customer-generator in Citizens' service territory would be lost among the many thousands of MW of load and generation responsible for PJM capacity prices. Even if every single customer-generator on Citizens'

¹⁵⁹ Solar Projects' St. No. 2-SR, pp. 19-20.

¹⁶⁰ Solar Projects' St. No. 2-SR, p. 20.

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Id.*

system (which collectively total 4.1 MW) conspired to simultaneously turn off their generation systems during hot summer hours in the hopes of landing on one of 5 CP days, this would only represent 0.05% of the cleared capacity in the PPL zone.¹⁶⁴ This would have “essentially zero chance of affecting the clearing price.”¹⁶⁵

In sum, Citizens’ concerns about customer-generators manipulating the commodity market absent approval of the Billing Demand proposal are not based in fact, practice, or common sense. Even if they were, capacity price concerns are well-outside the scope of a distribution base rate case. Citizens’ arguments on this issue are meritless and should be rejected.

d) Citizens’ Billing Demand proposal violates the AEPS Act by not providing full retail value to reclassified GSSR-2 customers and frustrates the intent of the Act.

Citizens’ net metering proposal violates Section 5 of the AEPS Act which requires that customer-generators be compensated for excess generation at full retail value. Specifically, 73 P.S. § 1648.5 states that “[e]xcess generation from net-metered customer-generators shall receive *full retail value* for all energy produced on an annual basis.” The statute does not define “full retail value,” but in the net metering regulations, the Commission clarified that “[a]n 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...”¹⁶⁶ Citizens’ Billing Demand proposal

¹⁶⁴ *Id.*

¹⁶⁵ *Id.*

¹⁶⁶ 52 Pa. Code § 75.13(d).

blatantly violates both the statute and the regulations by compensating excess generation for certain customer-generators at the LMP, which is indisputably a wholesale rate.

Citizens' explicitly stated that it was changing its net metering process such that "[f]or customers with Billing Demands over 400 kW, the annual cash out will be a weighted average [LMP]."¹⁶⁷ Under the proposed definition for "Billing Demand," this practically means that any customer-generator with a system larger than 400 kW will be compensated at the wholesale generation rate for its annual excess generation. This result violates both the plain meaning and the intent of the AEPS Act. Both the Commission and the Commonwealth Court have explicitly acknowledged that the purpose of the AEPS Act is to encourage the development and deployment of renewable energy sources, even if doing so does not result in the lowest possible rates.¹⁶⁸ To that end, the AEPS Act was amended in 2007 to explicitly provide for compensation of excess generation at full retail value, rather than the avoided cost of wholesale power.¹⁶⁹ In doing so, the legislature did not distinguish the compensation to be paid based on nameplate capacity size – instead, the provision utilizes the term "customer-generator," which was also amended to allow distributed generation systems up to 3,000 kW for non-residential customers.¹⁷⁰ The plain language and meaning of the statute is thus that non-residential customers with generating

¹⁶⁷ Citizens' St. No. 4, p. 17.

¹⁶⁸ See *Dauphin Cnty. Indus. Dev. Auth. v. Pennsylvania Pub. Util. Comm'n*, 123 A.3d 1124, 1135 (Pa. Cmwlth. 2015) and *Hommrich v. Pennsylvania Pub. Utilities Comm'n*, 231 A.3d 1027, 1040 (Pa. Cmwlth. 2020), *aff'd sub nom. Hommrich v. Commonwealth*, 664 Pa. 567, 245 A.3d 637 (2021).

¹⁶⁹ *In Re Implementing of Act 35 of 2007*, Final Omitted Rulemaking Order, 103 Pa. P.U.C. 91 at 2 (July 2, 2008).

¹⁷⁰ 73 P.S. § 1648.2.

systems up to 3 MW may participate in net metering and shall be compensated for the excess energy they provide to the grid at its full retail value.

Interpreting what the legislature meant by “full retail value” is not a new issue before the Commission, and in fact the Commission has already found that:

[T]he clear intent of the [AEPS Act] was to facilitate the research, development and deployment of small alternative energy resources by providing monthly credits consistent with the full *retail* value for the kilowatt-hours generated by the renewable resource. As such, this Commission believes that energy produced from a renewable resource up to the level of monthly energy usage by a customer-generator should include the *fully bundled charges for generation, transmission and distribution service*.¹⁷¹

The Commission also explicitly acknowledged that “[i]t is clear that the Act 35 amendments replaced the Commission's use of avoided cost of wholesale power with full retail value in relation to EDC compensation for excess generation.”¹⁷² In light of these findings, the Commission’s regulations require that utilities compensate customer-generators monthly on a per kWh basis at the full retail rate, including all generation, transmission and distribution charges.¹⁷³ At the end of each year, utilities must compensate the customer-generator for any remaining excess kilowatt hours generated at their PTC. It is arguable whether annual payouts at the PTC comply with the statutory mandate to compensate customer-generators for their excess generation at the full retail value on an annual basis, but in any event, Citizens’ proposes to not even offer its PTC to customer-

¹⁷¹ *In Re Implementing of Act 35 of 2007*, Final Omitted Rulemaking Order at 14 (*emphasis added*).

¹⁷² *Id.* at 19.

¹⁷³ 52 Pa. Code § 75.13(d).

generators with Billing Demand over 400 kW – instead, it is offering only the LMP value of those kilowatt-hours. This proposal is a blatant violation of the plain language of the statute, clear legislative intent to offer customer-generators more than the “avoided cost of wholesale power,” and the Commission’s net metering regulations.

Not only does Citizens’ proposal fail to comply with a clear statutory directive, if approved, it will effectively prohibit the development of distributed generation projects larger than 400 kW in Citizens’ service territory.¹⁷⁴ The change will rob both potential customer-generators of the opportunity to economically participate in net metering and the Commonwealth of desirable renewable generation capacity. This obviously frustrates the intent of the AEPS Act to encourage development of renewable energy facilities.

The issue with Citizens’ Billing Demand proposal is two-fold: first, it will result in improperly re-classifying small business customers from a retail rate (GSSR-1) to wholesale rate (GSSR-2); and second, this rate change will result in these customer-generators being compensated for their excess generation at the LMP value rather than the PTC. This proposal is faulty on statutory, regulatory and policy grounds and must be rejected.

e) Citizens’ Billing Demand proposal violates Act 129 because the LMP rate applicable to GSSR-2 customers changes more than quarterly.

Citizens’ proposal violates Act 129¹⁷⁵ by improperly assigning small business customers to the GSSR-2 rate. 66 Pa. C.S. § 2807(e)(7) requires default service providers,

¹⁷⁴ See Solar Projects’ St. No. 1, pp. 3-5.

¹⁷⁵ 66 Pa. C.S. § 2807(e)(7).

like Citizens’, to offer a rate that changes no more frequently than quarterly for residential and small business customers. While the statute does not define “small business customers,” the Commission has defined “small business customer” to mean “a person, sole proprietorship, partnership, corporation, association or other business entity that receives electric service under a small commercial, small industrial or small business rate classification, and whose maximum registered peak load was less than 25 kW within the last 12 months.”¹⁷⁶ To the extent that Citizens’ proposed definition of Billing Demand causes any GLP-1 or GLP-3 customers with maximum registered peak loads less than 25 kW, customers that therefore qualify as “small business customers,” to be assigned to the GSSR-2 rate, it runs afoul of the specific requirements of the statute. The GSSR-2 rate is based on hourly LMP pricing, which changes every 5 minutes. This rate clearly does not comply with the statutory requirement that rates for small business customers change no more frequently than quarterly.

The reclassification of small business customers to the GSSR-2 rate schedule also violates Commission regulations. The Commission’s regulations require that customers with peak load up to 25 kW have rates changed no more than quarterly.¹⁷⁷ The regulations also require an EDC like Citizens’ to provide a single-rate option and display the customer’s PTC on its monthly bills.¹⁷⁸ The PTC should equal the sum of all unbundled generation and transmission related charges for that month of service.¹⁷⁹ Citizens’ website

¹⁷⁶ 52 Pa. Code § 54.2.

¹⁷⁷ 52 Pa. Code § 54.187(h).

¹⁷⁸ 52 Pa. Code § 54.187(c).

¹⁷⁹ 52 Pa. Code § 54.182.

even states that the PTC is applicable to all customers with peak load less than 400 kW and “includes Generation, Transmission & the State Tax Adjustment Surcharge.”¹⁸⁰ Customers receiving the GSSR-1 rate properly receive this information. However, there is no evidence that Citizens’ plans to provide the improperly re-classified GSSR-2 customers, those with “Billing Demand” greater than 400 kW (due to their generating system size) but peak load less than 400 kW, with this information as well.¹⁸¹ Furthermore, since the GSSR-2 rate is based on the hourly LMP, which cannot be determined in advance, Citizens’ would not even be able to provide a “single rate” option on GSSR-2 customer bills or provide a fulsome PTC, including all generation and transmission charges. As a result, Citizens’ proposal to classify customers based on Billing Demand rather than peak load violates the regulatory requirements set forth in 52 Pa. Code 54.187, as well as reduces bill transparency and predictability for net-metering customers.

The Public Utility Code, 66 Pa. C.S. § 2807(e)(7), is clear and unambiguous: small business customers’ default service rates cannot be changed more frequently than quarterly. The regulations also unambiguously define small business customers as those with maximum registered peak loads less than 25kW. Despite these clear directives, Citizens’ proposal seeks to bypass this specific statutory requirement by classifying customers not by registered peak load but rather by its proposed Billing Demand definition, which places customers with over 400 kW of *either* load or generator nameplate capacity into the GSSR-

¹⁸⁰ *Customer Information – Customer Choice*, Citizens’ Electric Company, <https://citizenselectric.com/customer-info/#rates> (last visited Sept. 22, 2025).

¹⁸¹ Further, Citizens’ has not requested a waiver of the Commission’s regulations on this matter.

2 rate class. Application of the GSSR-2 rate schedule to customers that in fact have registered peak loads less than 25kW is a clear violation of Act 129, which guarantees small business customers a default service rate that does not change more frequently than quarterly. Further, Citizens' proposal also fails to provide a single rate option and a PTC on customer-generators' bills in violation of 52 Pa. Code 54.187.

iii. Application to Distribution Service Charge Calculation

a) Citizens' demand ratchet would be exacerbated by the Billing Demand proposal, violating the principle of cost causation.

Citizens' demand ratchet would be exacerbated by the Billing Demand proposal, imposing distribution demand charges based on phantom billing demand thus violating the principle of cost causation. Currently, customers on GLP-1 and GLP-3 rate schedules are charged based on "the higher of the metered 15-minute peak usage during the month or 50% of the highest monthly Billing Demand during the prior 11 months."¹⁸² The current demand ratchet sets the floor for billing demand at 50% of the customer's peak demand during the last year.¹⁸³ Customers can reduce their minimum billing demand by reducing their peak demand, which will reset after the 12-month demand ratchet expires.¹⁸⁴ This structure is based on anomalous non-coincident peak demand and about half of Citizens' commercial customers' bills are based on the demand ratchet (rather than their measured demand).¹⁸⁵ As Mr. Lucas explained, "[i]f a customer uses 100 kW in a given month, then

¹⁸² Citizens' St. No. 1R, p. 15.

¹⁸³ Solar Projects' St. No. 2, p. 22.

¹⁸⁴ Solar Projects' St. No. 2, p. 22.

¹⁸⁵ Solar Projects' St. No. 2-SR, pp. 6-7.

it will be required to pay demand charges based on at least 50 kW of demand for the next 12 months, even if its demand fell to no more than 45 kW on a permanent basis.”¹⁸⁶

While the current demand ratchet fails to send a price signal to reduce demand during system peaks, it is at least based on the customer’s actual power flows.¹⁸⁷ In sharp contrast, Citizens’ Billing Demand proposal in this proceeding would charge customers based on their gross generator nameplate capacity “completely independent from actual power flows.”¹⁸⁸ Citizens’ proposes to impose demand-based distribution charges on purely hypothetical demand that will be far in excess of the customer-generator’s actual demand for electricity drawn from or placed onto Citizens’ distribution system.¹⁸⁹

Basing the demand ratchet on the nameplate generator output disconnects demand charges from actual cost contribution from customer-generators, penalizing customers that install generation and discouraging demand reductions (contrary to the purpose of demand charges). As detailed by Solar Projects’ witness Mr. Lucas, a customer installing on-site generation to offset about half of their annual load would see their demand charges increase 250% under Citizens’ proposal.¹⁹⁰ A customer that installs a generation system designed to offset their entire load would see a 500% increase in their “Billing Demand” and associated distribution demand charges.¹⁹¹ Solar Projects’ witness Mr. Nolt testified that his solar projects would face an increase in demand charges from \$264 per year to \$26,000

¹⁸⁶ Solar Projects’ St. No. 2, p. 22.

¹⁸⁷ Solar Projects’ St. No. 2, p. 22.

¹⁸⁸ Solar Projects’ St. No. 2, p. 22.

¹⁸⁹ Solar Projects’ St. No. 2-SR, p. 7.

¹⁹⁰ Solar Projects’ St. No. 2-SR, p. 9.

¹⁹¹ Solar Projects’ St. No. 2-SR, p. 9.

per year (an increase in excess of 9,700%).¹⁹² These customers could substantially reduce their demand on the Citizens' distribution system by installing on-site generation, but they would be caught in the web of the non-cost-based demand ratchet in Citizens' Billing Demand proposal, forcing these customer-generators to pay more than other customers that place higher demand on the distribution system but do not have on-site generation.¹⁹³

In its Rebuttal Testimony, Citizens' modified the billing determinants used to calculate the demand charge in the GLP-1 and GLP-3 rate schedules, increasing the aggregate demand billing determinant for GLP-1 by 25% (from 163,587 kW to 203,588 kW) and slightly increasing the corresponding demand billing determinant for GLP-3 (from 131,543 kW to 133,103 kW). To earn the same amount of revenue from the increased level of demand, Citizens' decreased its GLP-1 demand charges by 20% (from \$4.44/kW to \$3.78/kW) and slightly decreased its GLP-3 demand charges (from \$6.78/kW to \$6.71/kW).¹⁹⁴ As a result, the 13 customer-generators on the GLP-1 tariff will see a massive increase in distribution costs, while non-customer-generators will benefit from reduced demand charges.¹⁹⁵ The single 1.77 MW customer-generator in Citizens' service territory would face a 300% increase in its distribution charges (an increase of \$60,000 per year).¹⁹⁶ The other 12 customer-generators would be penalized with an average \$4,500 per year distribution bill increase, nearly 400%.¹⁹⁷ Non-customer-generators would receive an

¹⁹² Solar Projects' St. No. 1, p. 3.

¹⁹³ See Solar Projects' St. No 2-SR, p. 9.

¹⁹⁴ Solar Projects' St. No. 2-SR, p. 21.

¹⁹⁵ Solar Projects' St. No. 2-SR, pp. 23-24.

¹⁹⁶ Solar Projects' St. No. 2-SR, p. 24.

¹⁹⁷ Solar Projects' St. No. 2-SR, p. 24.

average 11% reduction in demand charges without any change in their behavior or their use of Citizens' distribution system.¹⁹⁸

The massive spike in distribution costs under Citizens' Billing Demand proposal shows how significant a proposal this is for customer-generators. Despite the severity of the proposal, Citizens' failed to provide any cost-of-service analysis showing incremental distribution costs from customer-generation. Indeed, Citizens' admitted that:

- Adding customer-generation “do[es] not always result in incremental cost increases to operate and maintain the system;”¹⁹⁹
- Customer-generators must pay for required studies and system upgrades to safely interconnect with Citizens' distribution system;²⁰⁰
- Adding distributed generation to its system will never increase feeder peak demand.²⁰¹
- Citizens' has not performed a cost-of-service study comparing the cost responsibility using actual metered energy flows or its proposed Billing Demand based on gross generator nameplate rating.²⁰²

¹⁹⁸ Solar Projects' St. No. 2-SR, p. 24.

¹⁹⁹ Solar Projects' St. No. 2-SR, p. 25 (citing Solar Projects' Exhibit No. KL-9, SP-VI-5.b).

²⁰⁰ Solar Projects' St. No. 2-SR, p. 25 (citing Solar Projects' Exhibit No. KL-10, SP-I-19, Exhibit K-11, SP-I-20).

²⁰¹ Solar Projects' St. No. 2-SR, p. 25 (citing Solar Projects' Exhibit No. KL-12, SP-V-2.a.iii).

²⁰² Solar Projects' St. No. 2-SR, p. 25 (citing Solar Projects' Exhibit No. KL-13, SP-IV-6).

- Citizens’ has not performed a marginal cost of service study for its distribution system regarding the marginal cost of exports from distributed generation.²⁰³
- Citizens’ is not aware of any other unbundled distribution utility that uses the Billing Demand methodology it is proposing in this case.²⁰⁴

In the absence of any of this evidence to support the revised Billing Demand proposal, Citizens’ proposal would treat two customers with the same measured peak demand differently (and charge those customers differently) just because one customer chooses to install behind-the-meter generation. Accordingly, Citizens’ Billing Demand proposal is unjust and unreasonable and must be rejected.

b) Citizen’s proposal fails to comply with the requirements of the AEPS Act that mandates that all distribution charges be reimbursed; not just kWh-based charges.

Citizens’ proposal does not net all distribution charges for energy consumed against energy produced as required by the AEPS Act, which requires that customer generators “shall receive full retail value for all energy produced on an annual basis.”²⁰⁵ The basis for this failure appears to be the Commission’s net metering regulations specifying that “[a]n EDC and DSP shall credit a customer-generator at the full retail *kilowatt-hour rate*.”²⁰⁶ However, nowhere does the AEPS Act define “energy,” let alone define it as only

²⁰³ Solar Projects’ St. No. 2-SR, p. 25 (citing Solar Projects’ Exhibit No. KL-14, SP-IV-23).

²⁰⁴ Solar Projects’ St. No. 2-SR, p. 25 (citing Solar Projects’ Exhibit No. KL-15, SP-V-3).

²⁰⁵ 73 P.S. § 1648.5.

²⁰⁶ 52 Pa. Code § 75.13(d) (emphasis added).

kilowatt-hour charges. Under Pennsylvania’s Statutory Construction Act, words are to be given their plain meaning unless the legislature has provided a technical definition or the term has acquired a settled legal meaning.²⁰⁷ The AEPS Act contains no technical definition of “energy” and there is no settled legal meaning of the term “energy” in this context; therefore, the plain meaning of the term must be given. The plain meaning of “energy” includes both kilowatt- and kilowatt-hour-based rates.

The use of the general term “energy,” rather than the narrower unit “kilowatt-hours,” supports the conclusion that the General Assembly intended a broader meaning than the Commission’s regulations provide. In fact, in Section 2 of the AEPS Act the General Assembly demonstrated that it knew how to use precise units by defining an “alternative energy credit” as equal to one megawatt-hour of electricity and by defining “customer-generator” facilities in terms of their capacity in kilowatts.²⁰⁸ Its decision in Section 5 to use the broader word “energy” must therefore be given effect. A narrowing construction would disregard that choice and undermine the Act’s purpose of ensuring that customer-generators receive the full retail value of their production.

Accordingly, Citizens’ proposal fails to provide customer-generators the full retail value of the “energy” produced by proposing a distribution rate that would apply only to a customer-generator’s kilowatts (*i.e.*, capacity) of the Billing Demand but not including those distribution charges in its net metering compensation. Effectively, customer-generators are required to pay for their kilowatts of capacity as part of their retail

²⁰⁷ 1 Pa. C.S. § 1903(a).

²⁰⁸ 73 P.S. § 1648.2.

distribution rate but then are not credited for those same kilowatts as part of their net metering compensation. Failing to net or compensate customer-generators for those kilowatt-based (capacity based) distribution charges, in reliance on the Commission's regulations limiting the required credit to the "full retail kilowatt-hour rate," is contrary to the statute because it results in customer-generators not receiving the "full retail value" of the "energy" produced. Such a proposal must be rejected as contrary to law.

VI. CONCLUSION

Citizens' ill-formed Billing Demand proposal is a targeted attack on customer-generators without supporting evidence to show that customer-generators cause the costs that they would be forced to pay. In the absence of such evidence, Citizens' failed to meet its burden in this case. Citizens' Billing Demand proposal must be rejected because the record evidence shows that customer-generators actually decrease costs for Citizens' and its other customers. Citizens' proposal is procedurally defective because its primary purpose is a change in the default service rate (and associated excess generation compensation) for customer-generators, but the proposal is brought in this base rate proceeding without supporting evidence of cost-causation for the purported default service rate impacts or distribution rate impacts.

Citizens' proposal illegally discriminates against customer-generators and violates the AEPS Act by failing to provide full retail value compensation for excess generation, as mandated by the General Assembly. Citizens' proposal also discourages investment in clean, renewable, in-state distributed generation, contrary to the purpose of the AEPS Act.

At the same time, Citizens' proposal violates Act 129 by charging small business customers impermissibly volatile rates that change more than once per month.

For all of these reasons, the Commission should reject Citizens' Billing Demand proposal.

Respectfully submitted,



Todd S. Stewart, Attorney ID No. 75556
HMS Legal LLP
501 Corporate Circle, Suite 302
Harrisburg, PA 17110
(717) 236-1300
(717) 236-4841 (fax)
tsstewart@hmslegal.com

*Counsel for Kelly Road Solar, LLC,
Lancaster Avenue Solar, LLC and
Twilight Renewables, LLC (collectively
"Solar Projects")*

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APPENDIX A - FINDINGS OF FACT

1. Citizens' proposes to use a new "Billing Demand" structure "for distribution and generation rate determinations." Citizens' St. No. 4, p. 3.

2. Currently, Citizens' classifies customer generators for distribution and generation purposes based on amount of peak electricity that the electric distribution company supplied to the customer generator's account. Citizens' St. No. 4, p. 17.

3. Citizens' Billing Demand proposal would base a customer's rate classification on hypothetical power flows. Solar Projects' St. No. 2, p. 3.

4. Citizens' would set the customer's Billing Demand based on the *greater of* (a) their maximum demand, (b) 50% of their maximum demand during the prior eleven months, or (c) their generating system's nameplate generation capacity. Citizens' St. No. 1R, p. 16; Solar Projects' St. No. 2, p. 5.

5. The Company proposes to define Billing Demand as: "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. Citizens' Electric Company of Lewisburg, Supplement No. 172 to Electric-Pa. P.U.C. No. 14, Fifth Revised Page No. 5; *see also* Citizens' St. No. 4, p. 18.

6. Citizens' Billing Demand proposal is not based on net power flow, rather, nameplate capacity of the customer's generating facilities. Citizens' Electric Company of Lewisburg, Supplement No. 172 to Electric-Pa. P.U.C. No. 14, Sixth Revised Page No. 14.

7. Small Business customers would be ineligible for GSSR-1 service if they had a monthly Billing Demand of 400 kW or more during any month in the last 12-month period. Citizens' Electric Company of Lewisburg, Supplement No. 172 to Electric-Pa. P.U.C. No. 14, Tenth Revised Page No. 38.

8. Customers with demand below 400 kW would be forced on to GSSR-2 if they install generating equipment with a capacity at or above 400 kW, even if their actual demand is nowhere near that threshold. *Id.*

9. Customer-generators placed in the GSSR-2 would receive an annual cash out at a weighted average locational marginal price ("LMP"), rather than the Price to Compare ("PTC") under GSSR-1. Citizens' St. No. 4, p. 17.

10. If the Billing Demand proposal is approved, the Solar Projects would experience a projected 62% decrease in revenue. Solar Projects' St. No. 1, p. 3.

11. This will turn the Solar Projects' 480 kW AC projects upside down financially, with yearly costs of \$104,702 and only \$32,207 in projected income under Citizens' proposal. Solar Projects' St. No. 1, p. 4.

12. Citizens' Billing Demand proposal would impose costs on customer-generators that they did not cause, while ignoring benefits that customer-generators provide to the system, offsetting distribution costs for the benefit of all customers. Solar Projects' St. No. 2-SR, p. 39.

13. The increase in costs for customer generators would be massive, with excess generation facing a 27-fold cost increase. Solar Projects' St. No. 2, p. 11.

14. Even customers with systems sized to offset their usage would see a 25% increase in distribution charges, while not placing any additional demand on Citizens' distribution system. Solar Projects' St. No. 2, pp. 12, 22-25.

15. A customer with 25 kW of peak demand and a 50 kW solar system would have a maximum export of 36 kW, well below the 50 kW generator rating that Citizens' would use to determine the demand charges under GPL-1, increasing the customer's distribution costs by 77%. Solar Projects' St. No. 2, pp. 7-17.

16. Any energy consumed by the customer (native load) necessarily reduces the amount of excess energy that a customer-generator exports through their meter and onto the distribution system. Solar Projects' St. no. 2, pp. 19-23.

17. Customers that install solar reduce their demand in all non-winter months, with peak demand falling as much as 10% in the summer when the grid is most strained. Solar Projects' St. No. 2, p. 14.

18. The net power flow never reaches nameplate capacity. Solar Projects' St. no. 2, p. 15.

19. A customer with a 400 kW nameplate solar photovoltaic facility will produce less than its nameplate capacity 99.8% of the year, even before accounting for onsite load that will consume a portion of the energy produced. Solar Projects' St. No. 2, p. 9; *see also*, Solar Projects' St. No. 1-SR, pp. 8, 11.

20. Citizens' Billing Demand proposal locks customer-generators into distribution and generation charges based on hypothetical use of the system that is divorced

from the actual operating characteristics of customer-generator facilities. Solar Projects' St. No. 2, p. 9.

21. Citizens' procures default service through a wholesale "Load-Following Full Requirements contract" requiring the wholesale supplier to deliver all necessary energy to Citizens' PJM pricing node, with a direct pass-through for many costs, including transmission and generation costs (including PJM Interconnection LLC's ("PJM") Regional Transmission Expansion/Transmission Enhancement Costs ("RTEP/TEC")). Solar Projects' St. No. 2-SR, pp. 28-29.

22. There is a "Supplier Adder" to compensate wholesale suppliers for costs and risks for delivery to the wholesale meter for the Citizens' or Wellsboro Aggregate Bus, including marginal losses, ancillary services, congestion, transmission charges (other than NITS and RTEP/TEC), AEPS costs, marginal losses, customer load variability, and customer migration. *Joint Default Service Plan for Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company For the Period June 1, 2025 through May 31, 2029* at p. 12, Docket No. P-2024-3049357 (Petition filed May 31, 2024).

23. In Citizens' currently-approved DSP, the Supplier adder is a credit of \$2.66/MWh (rather than an additional charge). Solar Projects' St. No. 2-SR, p. 30.

24. There is no evidence of any risk premiums associated with customer-generator excess generation. Solar Projects' St. No. 2-SR, pp. 31-32.

25. Customer-generators are connected to the distribution system "downstream" of the PJM settlement point, so their generation during the five coincident peak ("5CP")

hours reduces the amount of capacity costs assigned to the wholesale supplier providing default service. Solar Projects. St. No. 2, pp. 33-34.

26. The 5CP hours are used by PJM to determine capacity cost allocation. Because capacity costs are passed through under the DSP contract, there is a 1:1 reduction in load obligations (and associated costs) for generation during those 5CP hours. Solar Projects' St. No. 2-SR, p. 34.

27. Solar photovoltaic systems provide meaningful generation during the 5CP hours for both generation and transmission cost allocation. Solar Projects' St. No. 2-SR, pp. 36-37.

28. Citizens' capacity obligations change on June 1st of each year. Citizens' St. No. 4SRJ, p. 2.

29. Customer generators exporting power likely reduce the wholesale costs that Citizens' incurs from its wholesale supplier for the GSSR-1 class on a real time basis. Citizens' St. No. 4SRJ, p. 4.

30. Citizens' proposal would reclassify certain small business accounts from the GSSR-1 rate to the GSSR-2 rate because these businesses installed a distributed generation system larger than 400 kW, not based on their actual electricity usage. Solar Projects' St. No. 2, p. 28.

31. Citizens' admitted that generation, by nature, creates additional costs compared to consumption of a similar magnitude. Citizens' St. No. 4R, p. 23.

32. Even when a customer-generator is making its maximum exports to the grid, the hourly demand is nowhere near their GGR. Solar Projects' St. No. 2-SR, p. 25.

33. Phasing in the Billing Demand definition over three years would not remedy its fundamental flaws. Solar Projects' St. No. 2-SR, p. 12.

34. Citizens' Billing Demand proposal would increase customer confusion. Solar Projects' St. No. 2-SR, p. 10.

35. Of the eighty-seven (87) customer-generators on Citizens' system, only one is larger than 400 kW alternating current ("ac"). Similarly, of the twelve (12) listed by Citizens' as "Indicated" or "Applied / In Progress," only two (2) are above the 400 kWac threshold that would be triggered if the Billing Demand proposal is approved. Solar Projects' St. No. 2-SR, pp. 10-11; Solar Projects Exhibit No. KL-7.

36. All non-residential NEM customer-generators – schools, hospitals, parking facilities, etc. – would see a large increase to their bills because of the Billing Demand proposal. Solar Projects' St. No. 2-SR, p. 10.

37. Citizens' filed its most recent DSP on May 31, 2024, which was approved on January 23, 2025. *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 Nos. P-2024-3049357, *et al.*, (Final Order entered Jan. 23, 2025).

38. . Should Citizens' wish to pursue its Billing Demand proposal in the future, it can do so in the context of a future default service proceeding. 66 Pa. C.S. § 2807(e).

39. Citizens' has performed no quantitative analysis of an alleged cost-shift that occurs when a small commercial customer-generator is paid for its annual excess energy at the GSSR-1 PTC rate. Solar Projects Exhibit No. KL-17.

40. No. Electric Generation Suppliers (“EGSs”) were served with this distribution base rate filing, as would be required for DSP cases. 52 Pa. Code § 54.185(c).

41. Citizens’ Billing Demand proposal departs from what the Commission evaluated and ultimately approved in the UGI DSP. *See generally* Citizens’ St. No. 4.

42. Instead of using the UGI modeled Supply Peak Load Impact (“SPLI”) for its DSP, Citizens’ has proposed to use a novel concept of “Billing Demand” in a rate case. Citizens’ St. No. 4, p. 18.

43. The UGI model triggers a move from GSR-1 to GSR-2 for net-metering customers at or above 100 kW SPLI, which is different from Citizens’ proposal. *See UGI DSP Order*.

44. Net-metering customer-generators cannot and will not change their output to manipulate the market to hurt other customers. Solar Projects’ St. No. 2-SR, pp. 17-20.

45. PJM itself does not display the price of a 5-minute interval until that interval is largely complete. Solar Projects’ St. No. 2-SR, p. 14.

46. Citizens’ is unaware of any specific electronic service to provide real-time LMP pricing data. Tr. at 196.

47. The GSSR-2 rate is based on hourly LMP pricing, which changes every 5 minutes. Solar Projects’ St. No. 2-SR, p. 14.

48. Citizens’ has not requested a waiver of any Commission regulations in this proceeding.

49. Citizens’ current demand ratchet sets the floor for billing demand at 50% of the customer’s peak demand during the last year. Solar Projects’ St. No. 2, p. 22.

50. Customers can reduce their minimum billing demand by reducing their peak demand, which will reset after the 12-month demand ratchet expires. Solar Projects' St. No. 2, p. 22.

51. If a customer uses 100 kW in a given month, then it will be required to pay demand charges based on at least 50 kW of demand for the next 12 months, even if its demand fell to no more than 45 kW on a permanent basis. Solar Projects' St. No. 2, p. 22.

52. Citizens' Billing Demand proposal would charge customers based on their gross generator nameplate completely independent from actual power flows. Solar Projects' St. No. 2, p. 22.

53. Citizens' Billing Demand proposal would impose demand-based distribution charges on purely hypothetical demand that will be far in excess of the customer generator's actual demand for electricity drawn from or placed onto the Company's distribution system. Solar Projects' St. No. 2-SR, p. 7.

54. A customer installing on-site generation to offset about half of their annual load would see their demand charges increase 250% under Citizens' proposal. Solar Projects' St. No. 2-SR, p. 9.

55. A customer that installs a system designed to offset their entire load would see a 500% increase in their "Billing Demand" and associated distribution demand charges. Solar Projects' St. No. 2-SR, p. 9.

56. The Solar Projects identified by Mr. Nolt would face an increase in demand charges from \$264 per year to \$26,000 per year (an increase in excess of 9,700%). Solar Projects' St. No. 1, p. 3.

57. Citizens' customer-generators could reduce their demand on the Citizens' distribution system by installing on-site generation but would pay more than other customers that place higher demand on the distribution system but do not have on-site generation. Solar Projects' St. No. 2-SR, p. 9.

58. Under Citizens' Billing Demand proposal, the 13 customer-generators on the GLP-1 tariff will see a massive increase in distribution costs, while non-customer-generators will benefit from reduced demand charges. Solar Projects' St. No. 2-Sr, pp. 23-24.

59. Under Citizens' Billing Demand proposal, the single 1.77 MW customer-generator in the Citizens' service territory would face a 300% increase in its distribution charges (an increase of \$60,000 per year). Solar Projects' St. No. 2-SR, p. 24.

60. The other 12 customer-generators would be penalized with an average \$4,500 per year distribution bill increase, nearly 400%. Solar Projects' St. No. 2-SR, p. 24.

61. Under Citizens' Billing Demand proposal, non-customer generators would receive an average 11% reduction in demand charges without any change in their behavior or their use of Citizens' distribution system. Solar Projects' St. No. 2-SR, p. 24.

62. Adding customer-generation does not always result in incremental cost increases to operate and maintain the system. Solar Projects' St. No. 2-SR, p. 25.

63. Customer-generators must pay for the required studies and system upgrades to safely interconnect with the Citizens' distribution system. Solar Projects' St. No. 2-SR, p. 25.

64. Adding distributed generation to Citizens' system will never increase feeder peak demand. Solar Projects' St. No. 2-SR, p. 25.

65. Citizens' has not performed a cost of service study comparing the cost responsibility using actual metered energy flows or its proposed Billing Demand based on gross generator nameplate rating. Solar Projects' St. No. 2-SR, p. 25.

66. Citizens' has not performed a marginal cost of service study for its distribution system regarding the marginal cost of exports from distributed generation. Solar Projects' St. No. 2-SR, p. 25.

67. Citizens' is not aware of any other unbundled distribution utility that uses the Billing Demand methodology Citizens' is proposing in this case. Solar Projects' St. No. 2-SR, p. 25.

APPENDIX B – CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa.C.S. §§ 701, 1308.

2. To determine whether the settlement should be approved, the Commission must decide whether the settlement promotes the public interest. Pa. Pub. Util. Comm'n v. C.S. Water and Sewer Assocs., 74 Pa.P.U.C. 767 (1991); *Pa. Pub. Util. Comm'n v. Phila. Elec. Co.*, 60 Pa.P.U.C. 1 (1985).

3. The party seeking relief from the Commission has the burden of proof. 66 Pa.C.S. § 332(a).

4. "Burden of proof" means a duty to establish a fact by a preponderance of the evidence, or evidence more convincing, by even the smallest degree, than the evidence presented by the other party. *Se-Ling Hosiery v. Margulies*, 70 A.2d 854 (Pa. 1950).

5. Section 315 of the Public Utility Code mandates that Citizens' has the burden of proof in this proceeding to show that the rate(s) involved are just and reasonable. 66 Pa. C.S. § 315(a).

6. The decision of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704.

7. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & W. Ry. Co. v. Pa. Pub. Util. Comm'n.*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v.*

Unemployment Comp. Bd. of Rev., 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm., Dept. of Pub. Welfare, White Haven Ctr.*, 480 A.2d 382 (Pa. Cmwlth. 1984).

8. Mere opinion, without more, is insufficient to meet the Complainant's burden. *Kirby v. PPL Elec. Utils. Corp.*, Docket No. C-20066297 (Final Order entered Nov. 16, 2006) (citing *Pa. Bureau of Corr. v. City of Pittsburgh*, 532 A. 2d 12 (Pa. 1987)). Bald assertions, personal opinions or perceptions do not constitute evidence. *Rivera v. Phila. Gas Works*, Docket No. C-2010-2164222 (Opinion and Order entered Jan. 12, 2012) (citing *Pa. Bureau of Corr. v. City of Pittsburgh*, 532 A.2d 12 (Pa. 1987)).

9. Section 2807 of the Public Utility Code requires EDCs to enter a prudent mix of contracts for default supply to ensure: (1) adequate and reliable service, and (2) least cost to customers over time. 66 Pa. C.S. § 2807(e).

10. Section 1308 of the Public Utility Code authorizes the filing of a distribution base rate case. 66 Pa. C.S. § 1308(d).

11. The Alternative Energy Portfolio Standards ("AEPS") Act, 73 P.S. § 1649.2, defines a customer generator 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...

12. The AEPS Act defines "Net Metering" as:

The means of measuring the difference between the electricity supplied by an electric utility and the electricity generated by a customer-generator when any portion of the electricity generated by the alternative energy generating system is used

to offset part or all of the customer-generator's requirements for electricity. 73 P.S. § 1648.2.

13. The AEPS Act requires that “Excess generation from net-metered customer-generators shall receive full retail value for all energy produced on an annual basis.” 73 P.S. § 1648.5.

14. The AEPS Act does not authorize the Commission to promulgate regulations that alter the compensation mechanism for net-metered customer-generators. 73 P.S. § 1648.1, *et seq.*

15. Citizens’ Billing Demand proposal violates the requirement that net metered customer generators be compensated at full retail value on an annual basis. 73 P.S. § 1648.5.

16. The Public Utility Code prohibits a utility from granting, as to rates, an unreasonable preference or advantage to any person corporation or municipal corporation, or to subject any person, corporation or municipal corporation to any unreasonable prejudice or disadvantage. 66 Pa. C.S. § 1304. The same prohibition, as to service, is contained in Section 1502, 66 Pa. C.S. § 1502.

17. Citizens’ proposal to segregate customers into the GSSR-1 and GSSR-2 procurement classes based upon speculation that customer generators use the distribution system more than other customers is discriminatory in violation of Sections 1304 and 1502 of the Public Utility Code. 66 Pa. C.S. § 1304; 66 Pa. C.S. § 1502.

18. The Public Utility Code requires that small business customers be provided with a rate that does not change more frequently than quarterly. 66 Pa. C.S. 2807(e)(7).

19. Citizens' Billing Demand proposal violates the Public Utility Code because it would result in small business customers' paying a rate that changes more frequently than quarterly. 52 Pa. Code § 54.187(h), 66 Pa. C.S. § 2807(e)(7).

20. The Commission's regulations require that a default service customer be offered a "single rate option," which shall be identified as the price-to-compare and displayed as a separate line item on a customer's monthly bill. 52 Pa. Code § 54.187(c).

21. Citizens' "Billing Demand" proposal is not a single rate option as it would not include a single rate for net-metering customer generators on their monthly bill. 52 Pa. Code § 54.187(c).

22. Citizens' "Billing Demand" proposal is not supported by substantial evidence. *Norfolk & W. Ry. Co. v. Pa. Pub. Util. Comm'n.*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Rev.*, 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm., Dept. of Pub. Welfare, White Haven Ctr.*, 480 A.2d 382 (Pa. Cmwlth. 1984).

23. Citizens' failed to carry its burden of proof that its proposed rate reclassification for GSSR-1 and GSSR-2 customers is just or reasonable, or in the public interest. 66 Pa.C.S. §§ 332(a), 315.

24. Citizens' "Billing Demand" proposal is not properly evaluated in a Section 1308 base rate case. 66 Pa. C.S. § 1308(d).

25. Citizens' "Billing Demand" proposal must be evaluated in a Default Service Plan proceeding pursuant to Section 2807 of the Public Utility Code. 66 Pa. C.S. § 2807(e).

26. As a result, the settlement rates, terms and conditions contained in the Non-Unanimous Joint Petition for Settlement of Citizens' base rate case filed on September 26, 2025, are not just or reasonable, and are contrary to the public interest.

APPENDIX C – PROPOSED ORDERING PARAGRAPHS

1. That the Joint Petition for Approval of Non-Unanimous Settlement in this proceeding is denied as it is not in the public interest and contains terms that are unjust and unreasonable.

2. That the Joint Petition for Approval of Non-Unanimous Settlement be modified consistent with this Recommended Decision to reject Citizens’ proposed “Billing Demand” classification change.

3. That Citizens’ shall be required to submit a revised tariff reflecting these changes within 30-days of a Final Order in this proceeding, to be effective on one day’s notice after entry of a Final Order in this proceeding.