

COMMONWEALTH OF PENNSYLVANIA



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October 17, 2025

Via Electronic Filing

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

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

Dear Secretary Homsher:

Attached for electronic filing please find the Office of Consumer Advocate's Reply Brief in the above-referenced proceeding.

Copies have been served on the parties as indicated on the enclosed Certificate of Service.

Respectively,

/s/ Ryan Morden
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Enclosures

cc: The Honorable Mary D. Long (Email Only: Malong@pa.gov)
Office of Special Assistants (Email Only: ra-osa@pa.gov)
Certificate of Service

CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission	:	
	:	
v.	:	Docket No. R-2025-3054394
	:	
Citizens' Electric Company of Lewisburg, PA	:	
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I hereby certify that I have this day filed electronically on the Commission's electronic filing system and served a true copy of the following document, the Office of Consumer Advocate's Reply Brief, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below.

Dated this 17th day of October 2025.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY BRIEF
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I. INTRODUCTION

The Office of Consumer Advocate (OCA) submits this Reply Brief in response to the Main Brief of Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC, and Twilight Renewables, LLC (collectively “Solar Projects”). This proceeding began with Citizens’ Electric Company of Lewisburg, PA (Citizens) filing for a rate increase under 66 Pa. C.S. Section 1308 on April 30, 2025. Parties to this proceeding include OCA, Solar Projects, Citizens, the Office of Small Business Advocate (OSBA), and the Bureau of Investigation and Enforcement (I&E). On September 26, 2025, OCA, Citizens, I&E, and OSBA (Settling Parties) filed a Non-Unanimous Joint Petition For Settlement (Settlement) regarding all issues in the rate proceeding. Solar Projects opposed the Settlement because of Citizens’ proposed revised definition of Billing Demand and how it could impact large-scale customer-generators. On September 26, 2026, Citizens and Solar Projects filed Main Briefs on the Billing Demand issue. The OCA supports the arguments asserted by Citizens in its Main Brief and files this Reply Brief to emphasize that Citizens’ proposed definition of Billing Demand is just and reasonable and non-discriminatory.

A. Description of the Office of Consumer Advocate

The Office of Consumer Advocate (OCA) is a statutory advocate with the authority and duty to represent the interest of consumers as a party before the Commission in public utility rate requests.¹ The OCA’s interest in this case is to ensure that utility consumers - who ultimately pay the revenue requirement to the utility - are paying no more than is

¹ 71 P.S. § 309-4.

necessary to ensure that public utility service remains adequate, reliable, and safe while allowing the utility to have the opportunity to recover its prudently incurred costs and earn a fair rate of return on its investments.

B. Procedural History

The OCA incorporates by reference the Procedural History section of its Statement in Support of the Joint Petition For Non-Unanimous Settlement (Joint Petition) and now addresses only procedural developments that extend beyond those already identified.² On September 26, 2025, the Company and Solar Projects submitted Main Briefs in this proceeding.

C. Legal Standards

The OCA incorporates the Legal Standards portion of Citizens' Main Brief as if fully set forth herein.³

II. SUMMARY OF REPLY ARGUMENT

Citizens' proposed Billing Demand definition would measure a customer-generator's peak load impact on the distribution system based on the power *used by* and *sent onto* the Company's distribution system by the customer-generator.⁴ This definition change applies only to customer-generator systems that are sized at or above 400 kW.⁵ The proposal will impact the service rate that is billed under the GLP-1 and GLP-3 distribution rates and will classify the affected customer-generators into the GSSR-2 rate, affecting net

² Joint Petition at Appendix E, pp. 2-5.

³ Citizens M.B. at 9-10.

⁴ See OCA St. 5R at 8.

⁵ See *id.*

metering compensation. The OCA supports Citizens’ proposed methodology, as it ensures fair treatment of all customer classes, including residential ratepayers, under cost-causation principles. Citizens has met its burden of proving that its proposed revision to how it defines Billing Demand is just and reasonable and not unreasonably discriminatory.

III. ARGUMENT

A. ISSUES RESOLVED AMONG THE PARTIES

The OCA is not briefing this section as it is a party to the Joint Petition and, in support thereof, has filed a Statement in Support.

B. CUSTOMER-GENERATOR ISSUES

Solar generation in Pennsylvania is growing at a rapid pace. Just this summer, the Commission issued a statement from Chairman Stephen M. DeFrank addressing Pennsylvania’s achieving two gigawatts of in-state solar generation: “What’s striking is not just the number of solar systems being registered, but the size and scale of these new projects. This signals a transformational moment for Pennsylvania’s energy mix, and we’re seeing it unfold in real time.”⁶ To reflect the reality of providing distribution service to solar generation systems that are interconnected to the distribution system, Citizens included a proposed revised definition of Billing Demand in its rate request to ensure that cost of service aligns with cost causation, particularly with differing capacities from customer generators.⁷

⁶ *Pennsylvania Doubles Solar Power Generation in Just 17 Months*, Pennsylvania Public Utility Commission (July 22, 2025) [Press Release], <https://www.puc.pa.gov/press-release/2025/pennsylvania-doubles-solar-power-generation-in-just-17-months-07-22-25>.

⁷ Citizens M.B. at 4.

More specifically, the Company requested approval to implement a new definition of Billing Demand in its tariff that would apply to customers with on-site generation and measure peak electricity *used by* the customer and *sent onto* the distribution system by the customer.⁸ Company witness Nathan Johnson explained that due to a recent Commission decision⁹, customer-generators can be classified according to their peak electricity received *from* or *supplied to* the distribution system, whereas prior to the *UGI Order*, peak electricity could only be measured by the amount of electricity that the customer received from the distribution system.¹⁰ OCA witness Zach Teti testified that the Company would use this methodology to establish distribution charges for the account and determine eligibility for other Generation Supply Service Rate (GSSR)-1 or GSSR-2.¹¹ Mr. Teti testified that for customers with Billing Demands over 400kw, the annual cashout would be a weighted average locational marginal price (LMP) under the GSSR-2 rate.¹²

Citizens' proposal appropriately recognizes that not all customer-generation interconnections are the same and that they can function differently on its grid system. For example, Citizens explains: "Customers exporting 400 kW of power or more to the Citizens' distribution system are sophisticated and similar to the commercial and industrial

⁸ OCA St. 5R at 5-6.

⁹ *Petition of UGI Utilities, Inc-Electric Division for Approval of a Default Service Plan for the Period of June 1, 2025 through May 31, 2029*, Docket No. P-2004-3049343, et al. (Opinion and Order entered February 20, 2025) (*UGI Order*), No. 337 CD 2025 (Pa. Cmwlth. March 18, 2025).

¹⁰ Citizens St. 4 at 17.

¹¹ OCA St. 5R at 5-6.

¹² *Id* at 6.

customers consuming power on the Generation Supply Service Rate – 2 ("GSSR-2").¹³ Mr. Johnson testified that planning for the power sent onto its system at this threshold degree is more complicated because of “potential variability, voltage sags/surges and other issues.”¹⁴ Further, Citizens’ proposal serves the interests of all ratepayers, particularly those in the residential class, because this will help bring about fairness in cost causation for customers with larger distributed energy resource (DER) systems (400 kW and above).¹⁵ Citizens’ Billing Demand definition will bring balance among the interests of Citizens, customer-generators, and ratepayers, and therefore should be approved.¹⁶ Though not every argument in Solar Projects’ Main Brief is addressed, the OCA specifically emphasizes below that this Billing Demand Proposal is just and reasonable and not discriminatory.

1. Citizens’ proposed billing demand definition is supported by principles of cost causation and is just and reasonable.

Solar Projects argues that the Billing Demand definition and application of the GSSR rates accordingly is unjust and unreasonable under Section 1301(a) of the Public Utility Code.¹⁷ However, as explained further below, the proposal will result in just and reasonable rates based on cost-causation principles.¹⁸

¹³ Citizens M.B. at 12.

¹⁴ Citizens St. 4 at 17.

¹⁵ OCA St. 5R at 6.

¹⁶ Citizens M.B. at 40-41 (citations omitted).

¹⁷ Solar Projects M.B. at 18.

¹⁸ OCA St. 5R at 13; Citizens MB at 11.

Citizens described in its Main Brief how the expectations for usage of its distribution system has changed and therefore why billing demand determinations need to be re-evaluated:

[T]he power grid serving Citizens' and other distribution utilities' customers originally was developed to deliver power generated by large, centralized generation facilities in a unilateral direction through transmission lines, then through Citizens' distribution system, and ultimately to the end-use customer. . . . However, in recent years, with the continued proliferation of distributed energy generation resources ("DER"), net metering, battery storage, and other emerging technology, the distribution grid is expected to serve additional functions. The assumption that power primarily moves unidirectionally from bulk generation facilities to the end use customer no longer holds.¹⁹

Indeed, with customers increasing DER installations like solar panels, Citizens has appropriately considered the impact that these installations will have on its operations in order for it to function reliably, particularly considering the larger amounts of power flows onto its system from net-metering customers.

According to the Commonwealth Court, “[u]nder the cost causation principle, it has been traditionally required that all approved energy rates reflect to some degree the costs actually caused by the customer who must pay for them.”²⁰ For large scale customer-generators, Citizens must plan for a customer that is sending 400 kW to its system as for a customer receiving 400 kW from Citizens.²¹ Citizens offers a zoomed out hypothetical to illustrate how the imbalance as its currently structured: “At the extreme, the customer-

¹⁹ Citizens MB at 11.

²⁰ *Phila. Indus. & Commercial Gas Users Grp. v. Pa. PUC*, 2025 Pa. Commw. LEXIS 133, 6-9* (Order Aug. 1, 2025) (citing *Lloyd v. Pa. PUC*, 904 A.2d 1010, 1015).

²¹ OCA St. 5R at 6.

generator can produce 3,000 kW of power while it has only minimal onsite consumption.”²² Previously, the Company operated under the assumption that demand could only be measured by power flowing to the customer.²³ In the 3,000 kW hypothetical, Citizens would need to adjust its grid operations to be able to handle 3,000 kW of power flowing onto its system from a customer-generator, but would only be permitted to calculate demand factors based on much smaller amounts of power sent to the customer.²⁴ The Company’s proposed revised Billing Demand definition helps close this loophole and right-size how demand factors are applied to a customer-generator’s actual use of Citizens’ system.

Moreover, OCA witness Zach Teti explained that the impact of the proposed Billing Demand methodology means “net metering compensation for large customer-generators (output capacity > 400 kW) at a more advantageous rate will be discontinued.”²⁵ However, receiving a less advantageous rate for compensation purposes does not mean that the resulting rate is unjust and unreasonable. Rather, for purposes of cost allocation, customers are grouped into separate "homogenous" classes according to usage patterns and service characteristics common among groups of customers.²⁶ Therefore, measuring generation capacity of 400 kW or greater for customers in the GLP-1 or GLP-3 classes and for

²² Citizens M.B. at 11.

²³ Citizens St. 4 at 17.

²⁴ Citizens M.B. at 11.

²⁵ OCA St. 5R at 13.

²⁶ *Phila. Indus. & Commercial Gas Users Grp.* at *6-9.

classifying affected customer-generators into the GSSR-2 rate is just and reasonable because it is an accurate measure of a customer's actual usage of Citizens system.

2. Citizens' proposed billing demand definition creates non-discriminatory and reasonable delineations among customer classes.

Solar Projects argue that Citizens' approach to categorizing customers differently with an assertion of "rate discrimination." In its Main Brief, Solar Projects states that the Billing Demand criteria will treat net-metering customers differently from supply-only customers under the same rate schedule and harm customer-generators while conferring benefit on non-customer-generators by reallocating distribution demand charges.²⁷ Solar Projects acknowledged that not all rate differences are unlawfully discriminatory; only *unreasonable* differences are prohibited.²⁸ However, as described above in the discussion of just and reasonableness, the proposed Billing Demand standard does not meet the threshold of unreasonableness.

However, Citizens' Billing Demand proposal establishes reasonable criteria with respect to how it should classify customer-generators. Creating different rate categories based on customer characteristics is a well-accepted and standard practice used in ratemaking.²⁹ This practice is "desirable" and "necessary to achieve reasonable efficiency and economy of operation."³⁰ Citizens' proposed Billing Demand criteria does not

²⁷ Solar Projects M.B. at 25.

²⁸ *Id.*

²⁹ *Deitch Co. v. Pennsylvania Public Utility Com.*, 203 A.2d 515, 519 (Pa. Super. 1964).

³⁰ *Allegheny Ludlum Corp. v. Pennsylvania Public Utility Com.*, 612 A.2d 604, 611 (Pa. Cmwlth. 1992) (citations omitted).

substantially impact residential DER customers, rather, the new benchmark proposed by Citizens is 400 kW, and the vast majority of residential customers with DER systems have a capacity much less than 400 kW.³¹ OCA witness Zach Teti testified that most residential customers generate “order(s) of magnitude smaller” than 400 kW.³²

Furthermore, in its Main Brief, Solar Projects points to the Commonwealth Court to measure its benefit-detriment claim: “[b]efore a rate can be declared unduly preferential and therefore unlawful, it is essential that there be not only an advantage to one, but a resulting injury to another.”³³ However, Solar Projects’ argument is misplaced as it misapplies this holding. Under Citizens’ current method, it is large scale customer generator systems that are receiving a benefit in only being measured by receiving power from Citizens’ distribution system while only being charged a small fraction of its demand requirements. This imbalance means that other customer classes, including residential customers, are carrying the cost of providing large net metering operations the benefit of using Citizens’ system to send power to its grid all the while not sharing in its benefit.

Furthermore, Solar Projects’ rate discrimination analysis is incomplete. A benefit-detriment paradigm is one method to consider when analyzing a claim of unreasonable rate proposals, though as described above, Solar Projects fail to present an argument that

³¹ OCA St. 5SR at 16.

³² *Id.*

³³ Solar Projects M.B. at 26-27. (citing *Philadelphia Electric Co. v. Pennsylvania Pub. Util. Comm’n*, 470 A.2d 654, 657 (Pa. Cmwlth. 1984))

warrants disapproval of Citizens' Billing Demand proposal. The Commonwealth Court offers numerous additional factors to consider:

Differences in rates between classes of customers based on such criteria as the quantity of electricity used, the nature of the use, the time of the use, the pattern of the use, or based on differences of conditions of service, or cost of service are not only permissible but often are desirable and even necessary to achieve reasonable efficiency and economy of operation. Rate structure, which is an essential, integral component of rate-making, is not merely a mathematical exercise applying theoretical principles. Rate structure must be based on the hard economic facts of life and a complete and thorough knowledge and understanding of all the facts and circumstances which affect rates and services; and the rates must be designed to furnish the most efficient and satisfactory service at the lowest reasonable price for the greatest number of customers, i.e., the public generally. Since each public utility has different problems of supply, production, distribution, competition, geographic conditions, etc., there need be and there can be no absolute equality and uniformity of rates between utilities or between classes of service within the same utility.³⁴

Take for example the criteria "the quantity of electricity used." The Commission established differences between large-scale and small-scale solar installations based on nameplate capacity. Under Section 69.2902 of the Commission's regulations, a large-scale solar project is defined as "[a]n alternative energy generation system employing solar photovoltaic technology with a nameplate capacity of 200kW or more."³⁵ Similarly, small-scale solar project is defined as "[a]n alternative energy generation system employing solar photovoltaic technology with a nameplate capacity of less than 200kW."³⁶ Though nameplate capacity can potentially be different than peak capacity used, it is useful for the purpose of this discussion to show that at 400 kW, Citizens is doubling the rate the

³⁴ *Phila. Suburban Transp. Co. v. Pa. PUC*, 281 A.2d 179, 186-87 (Pa. Cmwlth. 1971).

³⁵ 52 Pa. Code § 69.2902.

³⁶ *Id.*

Commission considers large-scale solar installations. The Commission lead the way in the regulations by creating delineation between large-scale solar installations versus smaller solar installations, and further allowed in the *UGI Order* for peak capacity usage to be measured based on the actual use of the distribution system measured by power delivered from and sent onto the distribution system; and in this case Citizens is applying the same concept to its tariff.

Take for another example, “pattern of the use.” As Solar Projects points out, this Billing Demand definition creates a difference between “supply-only” customers and “net-customer-generators.”³⁷ One type of customer only has electricity delivered to them, the other receives electricity from the EDC and sends electricity to the EDC. That is a clear expression of two different use patterns justifying a difference in rate application.

The Commission should reject Solar Projects’ argument that the application of Citizens’ proposed Billing Demand criteria of 400 kW at peak demand, whether accepting power or sending power, is discriminatory because it is not supported by Commission regulations, court interpretation of Section 1304 of the Public Utility Code, or the unique facts of this proceeding. Rather, Citizens has met its burden of proving that its proposed billing demand reduces rate discrimination by ensuring other customer classes, particularly residential classes, are not unreasonably paying for or subsidizing large customer-generator’s cost of service.

³⁷ Solar Projects M.B. at 25.

IV. CONCLUSION

Solar Projects takes the unfounded position that Citizens' proposed Billing Demand definition is unjust and unreasonable and creates unduly discriminatory rates between customer generators and non-customer-generators. On the contrary, Citizens' Billing Demand right sizes its customer classifications such that large-scale customer generators are appropriately categorized within the Citizens' system for application of rates, resulting in just and reasonable and not unduly discriminatory rates. For the reasons set forth above, the Office of Consumer Advocate respectfully requests that the Honorable ALJ recommend approval of Citizens' proposed Billing Demand definition.

Respectfully submitted,

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Dated: October 17, 2025

OCA REPLY BRIEF

APPENDIX A

PROPOSED FINDINGS OF FACT

The OCA incorporates the Proposed Findings of Fact of Citizens' Main Brief as if fully set forth herein.³⁸

³⁸ Citizens M.B. at Appendix A-1,2.

OCA REPLY BRIEF

APPENDIX B

PROPOSED CONCLUSIONS OF LAW

The OCA incorporates the Proposed Conclusions of Law of Citizens' Main Brief as if fully set forth herein.³⁹

³⁹ Citizens M.B. at Appendix B-1,2.

OCA REPLY BRIEF

APPENDIX C

PROPOSED ORDERING PARAGRAPHS

The OCA incorporates the Proposed Ordering Paragraphs of Citizens' Main Brief as if fully set forth herein.⁴⁰

⁴⁰ Citizens M.B. at Appendix C-1.