



Todd S. Stewart
717.703.0800
tssstewart@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 17, 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; **SOLAR PROJECTS REPLY BRIEF**

Dear Secretary Homsher:

Enclosed for filing with the Commission is Solar Projects' Reply Brief in the above-captioned matter. Copies of the Reply 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 "Todd S. Stewart", is written over a horizontal line.

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

TSS/jld/das
Enclosure

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

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

**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")*

Date: October 17, 2025

TABLE OF CONTENTS

I. INTRODUCTION 1

II. PROCEDURAL HISTORY 2

III. LEGAL STANDARD..... 2

IV. SUMMARY OF ARGUMENT 2

V. REPLY ARGUMENT..... 3

 A. Issues Resolved Among the Settling Parties..... 3

 i. Rate Base 3

 ii. Revenues..... 3

 iii. Expenses 3

 iv. Fair Rate of Return 3

 v. Taxes..... 3

 vi. Customer Rate Structure..... 4

 B. Customer Generator Issues..... 4

 i. Explanation of Billing Demand Definition..... 5

 a. Citizens’ revised Billing Demand definition does not align with the
 fundamental rate-making principle of cost-causation. 5

 1. Citizens’ failed to prove that its Billing Demand proposal fairly
 allocates to customer-generators their share of costs of the assets
 used to provide them utility service..... 6

 2. Citizens’ cannot rely on the UGI precedent to support its Billing
 Demand definition. 10

 b. Citizens’ Billing Demand proposal will erroneously classify certain
 customer-generators into the GLP-3 rate schedule. 13

 1. Citizens’ failed to prove that the current Billing Demand
 methodology shifts costs to smaller customers within the GLP-1
 class. 13

 2. Citizens’ failed to prove that customer-generators are similar to
 other large customers for purposes of default service pricing, net
 metering administration, and annual cashouts. 15

3.	Citizens’ proposal will deprive customer-generators of net-metering compensation under the AEPS Act.	16
c.	Citizens’ revised Billing Demand proposal does not result in just, fair or reasonable distribution rates for customer-generators.	189
1.	Citizens’ Billing Demand proposal does not comport with cost-causation principles and will cause customer-generators to pay more than their fair share of distribution system costs.....	189
2.	Citizens’ Billing Demand proposal creates an unreasonable difference in rates for customer-generators that is not justified by differences in cost of service.	21
3.	Citizens Has Failed to Prove that the Billing Demand proposal is necessary to avoid unfair cost-shifting. Citizens’ MB at 41.....	224
4.	The record supports that the Billing Demand proposal will adversely affect development of solar projects in Citizens’ service territory, contrary to the plain intent of the AEPS Act.....	256
VI.	CONCLUSION	27

TABLE OF AUTHORITIES

Cases

Dauphin Cnty. Indus. Dev. Auth. v. Pennsylvania Pub. Util. Comm'n,
123 A.3d 1124, 1135 (Pa. Cmwlth. 2015).....17

Homrich v. Pennsylvania Pub. Utilities Comm'n, 231 A.3d 1027,
1040 (Pa. Cmwlth. 2020), *aff'd sub nom. Homrich v. Commonwealth*, 664 Pa.
567, 245 A.3d 637 (2021)17

*Joint Petition of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric
Company for their Default Service Program for the Period June 1, 2015 through
May 31, 2018*, Docket Nos. P-2014-2425024 and P-2014-2425245
(Order entered Feb. 27, 2015).....6

*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.*, ¶ 26..... 11

Statutes

66 Pa. C.S. § 2807(e)(7).....10, 11

66 Pa. C.S. § 1308(d).....10, 11

73 P.S. § 1648.1, et seq.16, 25, 26

Regulations

52 Pa. Code § 75.13(d)16, 17

I. INTRODUCTION

Citizens' proposal in this proceeding is simple, change a definition "demand" from the meaning it has always had – the level of consumption of electricity – to now mean demand plus generation. This slight of hand, however, changes everything for one discrete group of customers – customer generators – whose distribution charges will increase dramatically (by as much as 400%) and whose compensation for energy produced will be reduced from a retail rate to a wholesale rate. Citizens has performed no studies to support these changes and instead relies on vague declaratory statements with no evidentiary support.

The Solar Projects have, by contrast, provided ample evidence that shows that Customer Generators do not cause additional costs for distribution customers, but rather, reduce costs for distribution customers. Solar projects have demonstrated that Citizens' default service procurement costs will be impacted by the addition of customer generators – *by lowering the cost of default service!* And yet Citizens persists in perpetuating the myth that customer generators cause harm, at the same time ignoring the very simple fact that the very existence of the term "customer generator" and their right to net meter and to receive full retail value, was not created as a cost saving mechanism, it was included in legislation to incentivize the development of clean energy. The fact that it also lowers costs for customers is an added benefit that Citizens' refuses to acknowledge and, in fact, is working to undermine thought its proposal. Citizens' proposal and the settlement that would enshrine it, must be rejected.

II. PROCEDURAL HISTORY

A history of this proceeding is set forth in the Solar Projects' Main Brief that was filed on September 26, 2025.

On September 26, 2025, Citizens' also filed its Main Brief. No party other than Citizens filed a Main Brief in this proceeding.

Also on September 26, 2025, Citizens', I&E, OCA and OSBA filed a Non-Unanimous Joint Petition for Settlement (the "Non-Unanimous Settlement") along with Statements in Support. The Solar Projects did not join the Non-Unanimous Settlement.

The Solar Projects hereby file their Reply Brief pursuant to the schedule adopted in this proceeding. Concurrently herewith, the Solar Projects also file their Statement in Opposition to the Non-Unanimous Settlement.

III. LEGAL STANDARD

The Solar Project's statement of the applicable legal standard is set forth in their Main Brief.

IV. SUMMARY OF ARGUMENT

The Solar Projects case is straightforward – Citizens' has proposed to change the definition of demand to include generation, which is illegal and unwise, and based on faulty assumptions and not actual evidence. Citizens' proposed changes will have profound impacts on customer generators by increasing their distribution rates while at the same time reducing rates for other similar customers – with no evidence that customer generators cause the costs that these new 400% increased rates will collect.

At the same time, this re-definition of demand to include generation also will cause customer generators' compensation for the energy they produce, to be greatly reduced from a retail rate to a wholesale rate – again based on a premise that customer generators increase costs for default service – which is contrary to the evidence from Citizens' own procurement which showed that bidders actually lowered the cost of default service with full knowledge of the presence of customer generators. Solar Projects argue that these proposed changes are bad policy, illegal, and otherwise ill-advised and that they should be rejected.

V. REPLY 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.

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)(xx), *infra*, and for the reasons delineated in its September 26, 2025, Main Brief.

B. Customer Generator Issues

Citizens’ Billing Demand proposal, even as modified by the Non-Unanimous Settlement, continues to be unjust, unreasonably discriminatory, and unsupported by the record. Throughout its Main Brief, Citizens’ contends that the issue to be decided in this proceeding is “basic.”¹ Citizens’ reductive characterization of its Billing Demand proposal attempts to obscure its blatant factual and legal shortcomings. However, the Solar Projects agree with Citizens’ insofar as the conclusions to be made in this case are basic:

- (1) Citizens’ failed to prove that its Billing Demand proposal is just, reasonable, and in the public interest;
- (2) Citizens’ Billing Demand proposal is untethered from cost causation;
- (3) Citizens’ Billing Demand proposal is illegally discriminatory;
- (4) a Rate Case is the wrong vehicle to address Default Service Plan (“DSP”) procurement concerns;
- (5) Citizens’ Billing Demand proposal violates the Alternative Energy Portfolio Standards (“AEPS”) Act; and
- (6) Citizens’ Billing Demand proposal also violates Act 129.

¹ See Citizens’ M.B., p. 17.

Each of these defects remains unaddressed by the Non-Unanimous Settlement, which merely replaces one unsupported metric (Gross Generator Rating) with another (peak bi-directional demand) without providing any cost-of-service justification.

i. Explanation of Billing Demand Definition

The Solar Projects' explanation of Citizens' Billing Demand definition was set forth in its Main Brief² and will not be restated in full here. Through the Non-Unanimous Settlement, Citizens' shifts its Billing Demand proposal from relying on the "Gross Generator Nameplate" ("GGR") of a customer-generator's electric generating facilities to instead use the metered inflows and outflows of electricity. This change does not cure the deficiencies in Citizens' proposed Billing Demand structure, which remains unjust, unreasonably discriminatory, and unsupported by the record.

a. Citizens' revised Billing Demand definition does not align with the fundamental rate-making principle of cost-causation.

Citizens' failed to carry its burden of proving that its revised definition of Billing Demand based on metered inflows and outflows, as proposed in the Non-Unanimous Settlement, is just and reasonable. Citizens' has not shown that "peak bi-directional demand" reflects customer-generators' "actual use" of the distribution grid, fairly apportions costs between different customer types, or comports with Commission precedent.

² See Solar Projects M.B., § B(i).

1. Citizens’ failed to prove that its Billing Demand proposal fairly allocates to customer-generators their share of costs of the assets used to provide them utility service.

In its Main Brief, Citizens’ contends that its Billing Demand proposal aligns with the principles of cost-causation.³ To the contrary, the record shows that Citizens’ Billing Demand proposal is completely untethered from cost-causation.

Billing Demand is a well-established principle in utility ratemaking. Indeed, Citizens’ existing Tariff utilizes Billing Demand for purposes of power flow to the end user.⁴ However, Citizens’ departs from this well-established principle in seeking a Billing Demand definition that incorporates not just power flow *to* the end user but also exported generation *from* the end user. Citizens’ argues that this change would prompt net-metered customer-generators to “pay a fair share of distribution system costs for their use of the system.”⁵ However, contrary to Citizens’ arguments in its Main Brief, there is no record evidence to suggest that net-metering customer-generators’ exports to the distribution grid impose *any* extra costs on Citizens’ and its other customers.

Indeed, the Solar Projects have demonstrated that the opposite is true: net-metered customer-generator exports reduce distribution system costs for Citizens’ and its customers. Solar Projects’ witness, Mr. Lucas, explained that the “power grid does not physically separate excess generation, set it aside, and then return it to the customer-

³ See Citizens’ M.B., pp. 18-19.

⁴ See *Joint Petition of Citizens’ Electric Company of Lewisburg, PA and Wellsboro Electric Company for their Default Service Program for the Period June 1, 2015 through May 31, 2018*, Docket Nos. P-2014-2425024 and P-2014-2425245 (Order entered Feb. 27, 2015) (“DSP IV Order”)

⁵ Citizens’ M.B., p. 19.

generator at a later time...”⁶ Mr. Lucas further explained that Citizens’ has failed to identify a single specific issue that results from customer-generators connected to its system.⁷ Moreover, Mr. Lucas made clear that there are not always incremental costs associated with Citizens’ identified “obligations” to serving customer-generators exported commodity, which Citizens’ readily admits.⁸ Critically, Mr. Lucas also explained that Citizens’ Billing Demand proposal would increase distribution rates for most non-residential customer-generators by 300% or 400% while providing a roughly 11% reduction for non-residential, non-customer-generators, despite no change in those customers’ behavior.⁹

Conversely, Citizens’ presented no record evidence to support its assertion that net-metering customer-generators impose additional costs to Citizens’ and its customers for use of the distribution system related to exported power. Citizens’ vague and unsupported assertions on this point throughout this case are underscored by its Main Brief. Citizens’ does not point to a single piece of evidence in the record to support its claims. Rather, the entirety of its position is premised on the Commission’s decision in the UGI DSP.¹⁰ This Rate Case is not the UGI DSP. Citizens’ distribution system was not at issue in the UGI DSP. Despite Citizens’ protestations otherwise, the UGI DSP and this Rate Case are not an *apples to apples* comparison, and Citizens’ cannot premise its cost-causation arguments on the arguments made by a different electric distribution company (“EDC”) serving a

⁶ Solar Projects’ St. No. 2-SR, p. 26.

⁷ *Id.*

⁸ *Id.*, pp. 25, 27.

⁹ *Id.*, p. 27.

¹⁰ Citizens’ M.B., p. 21.

different service territory and different customers with different circumstances surrounding different net-metering customer-generators.

Citizens' late heel turn in the Non-Unanimous Settlement to replace the GGR portion of its Billing Demand definition with the peak bi-directional demand does not remedy the structural problems of the Billing Demand proposal. Beyond its unsupported and vague arguments that customer-generators should "pay their fair share,"¹¹ Citizens' has not demonstrated that such a proposal would result in non-discriminatory treatment of non-residential customer-generators. The Solar Projects submit that the reason for this is simple: it cannot. Citizens' proposal would increase costs for a single large customer-generator by more than \$60,000/year, *i.e.*, a 300% increase to distribution costs.¹² The other customer-generators on Citizens' system would see an average distribution bill increase of \$4,500/year, nearly a 400% increase.¹³ Meanwhile, non-customer-generators would see a reduction in demand charges.¹⁴ Such treatment is blatantly discriminatory and in violation of the Public Utility Code.¹⁵

Even if Citizens' cost-causation and discrimination concerns were legitimate – which they are not – they must be supported by the record. Yet, the only record evidence on these points demonstrates that:

¹¹ Citizens' M.B., p. 44.

¹² Solar Projects' St. No. 2-SR, p. 24.

¹³ *Id.*

¹⁴ *Id.*

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

1. Customer-generators must pay for required studies and system upgrades to safely interconnect with Citizens' system;¹⁶
2. Adding distributed generation to the Citizens' system will *never* increase feeder peak demand;¹⁷
3. Citizens' has not performed a cost-of-service study comparing the cost responsibility using actual bi-directional metered energy flows or the GGR;¹⁸
4. Citizens' has not performed marginal cost-of-service studies for its distribution system related to the marginal costs of exports from distributed generation;¹⁹
5. Citizens' is unaware of any unbundled distribution utility that uses its Billing Demand methodology;²⁰ and
6. Generation does not create additional costs as compared to consumption.²¹

In sum, Citizens' Billing Demand proposal unfairly and illegally places additional costs on net-metered customer-generators. Citizens' presented no evidence to show that the change is just or reasonable, nor has Citizens' conducted *any* cost-of-service studies to support the change. Therefore, Citizens' failed to carry its burden of proof for the Billing Demand proposal, and it should be rejected.

¹⁶ Solar Projects' St. No. 2-SR, p. 25.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*, pp. 25-26; Citizens' St. No. 4R, p. 23.

2. Citizens’ cannot rely on the UGI precedent to support its Billing Demand definition.

Citizens’ continued reliance on the UGI DSP is misplaced and inappropriate for this Rate Case. As explained at length in the Solar Projects’ Main Brief,²² Citizens’ Billing Demand proposal is premised on the UGI DSP and relates to issues with Citizens’ default service supply procurement pricing. Citizens’ admits as much, confirming that its proposal is undergirded by concerns that, under its existing DSP, its purchase of default supply may not result in the “least cost over time.”²³

There are critical differences between this Rate Case and the UGI DSP. The UGI DSP involved an entirely different utility, different regulatory and statutory frameworks for approval, and a different evidentiary record. By Citizens’ admission, its Billing Demand proposal is aimed at avoiding violation of Section 2807(e)(7) of the Public Utility Code.²⁴ Yet, to address Section 2807(e)(7) concerns, Citizens’ looks to a Section 1308(d) Rate Case.²⁵ Citizens’ Rate Case was brought a mere 97 days after its DSP concluded. In its DSP, Citizens’ confirmed that it would continue to meet its DSP obligations, including least cost procurement.²⁶ Citizens’ offered zero evidence to show how its procurement of default service supply has been so upended in the approximately 3-months between approval of its

²² See Solar Projects’ M.B., pp. 33-37.

²³ See Citizens’ M.B., p. 13; See also 66 Pa. C.S. § 2807(e)(7).

²⁴ Citizens’ M.B. p. 29-30.

²⁵ 66 Pa. C.S. §§ 2807(e)(7), 1308(d).

²⁶ 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.*, ¶ 26.

DSP and the filing of this Rate Case. Should Citizens' default procurement practices not comply with the least-cost mandate, the appropriate vehicle to address the same is under Section 2807(e)(7) of the Public Utility Code, not in a distribution Rate Case.

Moreover, even if Citizens' Billing Demand proposal was properly considered in this Rate Case, which it is not, and even if the UGI DSP had precedential value to this Rate Case, which it does not, Citizens' proposal substantially departs from what was 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 the novel concept of "Billing Demand." 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 vetted. Here, default service pricing and contracts are not at issue because this is a distribution base rate case. If Citizens' is to rely upon the UGI DSP, which is actively on appeal before the Pennsylvania Commonwealth Court, it must do so in the context of a DSP, support the proposal with coherent record evidence, and explain why its proposal is just and reasonable despite being materially different than what was approved in the UGI DSP. Citizens' failed to do any of these things in this Rate Case.

Putting aside the fact that Citizens' Billing Demand proposal is improperly tendered in a Rate Case, in contrast to the UGI DSP, and departs from the UGI DSP, Citizens' default service cost concerns are meritless. Indeed, and as explained in the Solar Projects' Main

Brief, Citizens' most recent DSP bidder included a supplier adder credit of \$2.66/MWh.²⁷ Citizens' mistaken belief that its DSP bidders would increase their bids as a result of net-metered generation being classified as GSSR-1 is unsupported by the record because the opposite appears to be true, evidenced by its most recent DSP. Net-metered customer-generators have proven to reduce default service bids – or at least not affect them at all – in Citizens' service territory. This reduces costs for all of Citizens' GSSR-1 customers.

Even if the Billing Demand proposal had any merit (and it does not), a Rate Case is the incorrect vehicle to evaluate the same. Given the fundamental differences between this Rate Case and the UGI DSP, and the fact that Citizens' is unable to demonstrate *any* increased costs to its procurement of default supply, Citizens' Billing Demand proposal must be rejected. The appropriate venue to address any alleged procurement cost impacts is Citizens' next DSP proceeding, not this Section 1308(d) rate case. For that reason alone, the Billing Demand proposal must be rejected.

b. Citizens' Billing Demand proposal will erroneously classify certain customer-generators into the GLP-3 rate schedule.

1. Citizens' failed to prove that the current Billing Demand methodology shifts costs to smaller customers within the GLP-1 class.

While Citizens' continues to argue that its Billing Demand proposal is necessary to avoid cost-shifting to certain small business customers within the GLP-1 class, it has failed to support this contention and, therefore, its proposal must fail. In its Main Brief, Citizens'

²⁷ See Solar Projects' M.B., p. 41; Solar Projects' St. No. 2-SR, p. 30.

argues that customer-generators on the GSSR-1 rate impose cost shifts and cost increases on other GSSR-1 customers.²⁸ In alleged support of this assessment, Citizens’ points to the UGI DSP decision, which suggested that utilities consider whether “including customers with large on-site generators attached to their loads in the same default service procurement and rate group as residential customers would also result in unreasonable subsidization by the residential customers.”²⁹

Citizens’ misapplied the Commission’s direction in the UGI DSP, to the extent it is even relevant in a distribution rate case. Instead of critically analyzing whether a cost-shift or increase occurs for residential customers as a result of net-metering customer-generators being classified in the GSSR-1 class, Citizens’ merely concludes that it does.³⁰ There is no record evidence to support this conclusion. Indeed, Citizens’ does not present any calculation of the alleged subsidization that will occur if the status quo is maintained. Nor does Citizens’ present any cost-of-service analysis regarding the effects of net-metered customer-generators on GSSR-1, nor the effect of moving them to GSSR-2. Citizens’ testimony on this point is vague, overgeneralized, and unsupported by critical analysis. To the extent that it contained hard-and-fast analysis, such calculations provided “zero value for any offset of generation capacity, transmission capacity, or RTEP/TEC costs, all of which are based on the peak load provided by the wholesale supplier.”³¹ Said another way, Citizens’ calculations of cost-shifting completely failed to consider the entire universe of

²⁸ Citizens’ M.B., p. 28.

²⁹ Citizens’ M.B., pp. 28-29 (internal citations omitted).

³⁰ Citizens’ M.B., pp. 28-30.

³¹ Solar Projects St. No. 2-SR, p. 33.

purchase costs of net-metered generation under GSSR-1 versus the wholesale load offset and cost savings from that same net-metered generation. This is particularly glaring when considered in tandem with the fact that Citizens' most recent DSP's winning bidder undercut the previous supplier's offer by more than \$4.00/MWh.³²

Therefore, Citizens' failed to carry its burden on this point and its Billing Demand proposal should be rejected.

2. Citizens' failed to prove that customer-generators are similar to other large customers for purposes of default service pricing, net metering administration, and annual cashouts.

Citizens' failed throughout this proceeding to show that net-metered customer-generators currently in GSSR-1 are similar to the large customers in GSSR-2 for purposes of default service pricing, administration, and cashouts.

First, a net-metered customer-generator's peak demand is the same – if not less – than the standard customer classified in GSSR-1. Installing customer-sited generation does not increase a customer's peak demand. Citizens' contention that customer-generators are “similar” to large customers on GSSR-2 is totally unsupported. Citizens' argues that peak demand and its new definition of Billing Demand are ostensibly the same. Without any data or coherent comparison between the two sets of customers (*i.e.*, net-metering customers on GSSR-1 and large commercial customers on GSSR-2), Citizens' arguments on this point must fail.

³² Solar Projects St. No. 2-SR, p. 32.

Similarly, Citizens’ argument that net-metered customer-generators are “sophisticated” much like large customers on GSSR-2³³ is both unsupported by the record and irrelevant in determining how to classify net-metered customer-generators. Citizens’ offers no analysis as to what makes net-metered customer-generators more “sophisticated” than a typical small business customer. Further, it offers no analysis as to how net-metered customer-generators are similarly sophisticated to large commercial customers with high demand profiles. The reason for this complete lack of support is that Citizens’ does not have any basis under the facts in this case to make such an assertion. In any event, the “sophistication” of a customer is not a basis in which to classify that customer into a particular rate class. There are sophisticated residential, small business, and large commercial customers. But there is no basis in law to move a more “sophisticated” customer from a desirable rate class to an undesirable rate class. A classification system based on subjective notions of customer sophistication, rather than measurable cost differences, is discriminatory and must be rejected.

3. Citizens’ proposal will deprive customer-generators of net-metering compensation under the AEPS Act.

In its Main Brief, Citizens’ argues that the AEPS Act does not delineate any restrictions on how EDCs classify customer-generators within default service programs.³⁴

This argument sidesteps the requirement that customer-generators must receive “full retail

³³ Citizens’ M.B., p. 30.

³⁴ Citizens’ M.B., p. 32.

value for all energy produced on an annual basis.”³⁵ Through its proposed Billing Demand structure, Citizens’ seeks to *charge* customer-generators based on their excess generation, rather than just *compensate* them, as the AEPS Act requires. Citizens’ would use the maximum measured outflow of excess generation to impose distribution demand charges on customer-generators. Citizens’ would also use that outflow to force certain GSSR-1 customers to GSSR-2, where they would be charged for their exports during periods when Locational Marginal Price (“LMP”) is negative. Using excess generation as the basis to impose charges on customer-generators contradicts the express mandate for full retail value compensation under the AEPS Act.

Citizens’ acknowledges that the Commission requires that customer-generators be compensated at the Price to Compare (“PTC”).³⁶ However, Citizens’ proposal to compensate net-metered customer-generators at the LMP applicable to GSSR-2 customers does not compensate those customer-generators for full retail value, nor the PTC.

First, the Commission’s regulations clarify 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...”³⁷ Citizens’ Billing Demand proposal violates this compensatory mandate because the LMP is a wholesale rate.

³⁵ 73 P.S. § 1648.5; 52 Pa. Code § 75.13(d).

³⁶ Citizens’ M.B., p. 33; 52 Pa. Code § 75.13(e); see also 52 Pa. Code § 54.181.

³⁷ 52 Pa. Code § 75.13(d).

Second, the purpose of the AEPS Act, as confirmed by both the Commission and appellate courts, is to encourage the development and deployment of renewable energy sources, even if doing so does not result in the lowest possible rates.³⁸ To effectuate this concept, the AEPS Act was amended in 2007 to explicitly provide for compensation of excess generation at full retail value, not the avoided cost of wholesale power.³⁹ Yet, Citizens' directly contradicts this mandate. In its Main Brief, it explains that:

on GSSR-2, capacity and transmission charges are passed through based on each GSSR-2 customer's actual costs. **On GSSR-2, large customer-generators are only credited for actual avoided costs, meaning GSSR-2 is only avoiding costs that it actually reduces for the default service provider.** GSSR-2, therefore, avoids some of the cost shifts that would be inherent in large customer-generators using the GSSR-1 default service rate.⁴⁰

By Citizens' own admission, compensation under GSSR-2 for net-metered customer-generators would be akin to the utility's avoided costs for procuring that power at the wholesale level. This blatantly runs afoul of the AEPS Act. The LMP does not provide full retail value. At best, it provides the utility's avoided cost of procuring the power elsewhere.

Third, and importantly, approval of the Billing Demand proposal would effectively destroy the continued development of distributed generation projects larger than 400 kW

³⁸ 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).

³⁹ *In Re Implementing of Act 35 of 2007, Final Omitted Rulemaking Order*, 103 Pa. P.U.C. 91 at 2, 14 (July 2, 2008).

⁴⁰ Citizens' M.B., p. 31.

in Citizens' territory.⁴¹ Given the intent of the AEPS Act is to encourage alternative energy development, Citizens' proposal stands in direct opposition to the same.

Therefore, Citizens' Billing Demand proposal violates both the explicit language and intent of the AEPS Act and must be rejected.

c. Citizens' revised Billing Demand proposal does not result in just, fair or reasonable distribution rates for customer-generators.

Utility rate proposals must be just and reasonable, and the Commission must find that proposed rates are supported by substantial evidence.⁴² The standard of proof rests solely with the utility making the rate proposal. Citizens' has not provided the necessary substantial evidence to show that its Billing Demand proposal will result in just and reasonable distribution rates for customer-generators; as a result, it must be rejected.

1. Citizens' Billing Demand proposal does not comport with cost-causation principles and will cause customer-generators to pay more than their fair share of distribution system costs.

Citizens' Billing Demand proposal would impose significant new costs on customer-generators without any evidence of cost-causation. The cost-causation principle requires evidenced-based rates to ensure that customers pay their fair share of the costs they impose on the utility and the grid. Rates are just and reasonable when they comport with this cost-causation principle and fairly distribute costs across customer classes. When it comes to determining distribution service charges, rates should reflect a customer's use of the distribution system and the costs associated with that use.

⁴¹ See Solar Projects' St. No. 1, pp. 3-5.

⁴² See Solar Projects' M.B., pp. 7-8.

Despite Citizens' claims that its proposal will result in "apportioning a fair share of distribution-related costs to the net-metered accounts based on their use of the distribution system and company facilities"⁴³ and that "customer-generators who are pushing power onto the distribution grid are utilizing the grid in a similar fashion to those who are drawing power from the distribution grid,"⁴⁴ it has not provided any analysis to back up these assertions. Citizens' admitted that it does not perform marginal cost-of-service studies for its distribution system specifically related to the marginal cost of exports from distributed generation and it has not performed a cost-of-service study comparing the cost responsibility using actual metered energy flows.⁴⁵ Yet, this is Citizens' sole argument given to support its Billing Demand proposal, which does in fact assume that generation creates the same costs as consumption. That false equivalency is the only basis to apportion demand charges based on net exports, rather than peak consumption. However, Citizens' provided no evidence to show parity in costs between drawing electricity from the distribution system and exporting power onto the distribution system.

Citizens' claims that its proposal is fair and reasonable because "whether the customer is drawing 400 kW from the grid, or injecting 400 kW, the Company needs the same assets to serve the customer's need."⁴⁶ However, Mr. Lucas explained that in fact customer-generator exports only affect the small subset of assets actually serving that customer (and the customer pays for any necessary upgrades as part of the interconnection

⁴³ Citizens' M.B., p. 40 (citing Citizens' Statement No. 4R at 23).

⁴⁴ Citizens' M.B., p. 39.

⁴⁵ Solar Projects' St. No. 2-SR, p. 25.

⁴⁶ Citizens' M.B., p. 39.

process), that the majority of the Company’s existing equipment is able to handle two-way power flows, and that the Company has not identified any ratepayer-funded upgrades required to accommodate reverse power flows.⁴⁷ Citizens’ provided no evidence that interconnecting generation to the distribution grid requires additional assets that are paid for by all customers. Although Citizens’ asserts that “a customer drawing a maximum of 5 kW from the grid should not be treated like a flower shop or a small office building when it is *also* delivering 1,000 kW *onto* the grid—with all the equipment, services, maintenance, and system impacts entailed by such a substantial delivery,”⁴⁸ it provided no record evidence quantifying any “equipment, services, maintenance, and system impacts” attributable to customer-generator exports to show that the costs exist or that the Billing Demand proposal fairly recovers the costs.

Distributed generation actually *reduces* costs.⁴⁹ Citizens’ fails to account for distribution cost savings from customer-generators in its Billing Demand proposal. Just and reasonable ratemaking requires accounting for both costs incurred and costs avoided. Citizens’ Billing Demand proposal punishes customer-generators by increasing their distribution charges several times over, despite the benefits their generating systems provide to the grid. Not only will the proposal result in massive increases in distribution charges for customer-generators, it will also result in lower distribution charges for non-generating customers within the same rate class, without any change in these customers’

⁴⁷ Solar Projects’ St. No. 2-SR, pp. 4-5, 26-27.

⁴⁸ Citizens’ M.B., p. 39.

⁴⁹ Solar Projects’ St. No. 2-SR, pp. 33-34.

usage of the distribution grid.⁵⁰ Such a result would be unjust, unreasonable and contrary to cost-causation principles.

Citizens' Billing Demand proposal fails the fundamental ratemaking test of cost-causation because Citizens' failed to demonstrate that customer-generators' exports to the distribution system cause costs to support the increased charges customer-generators will face if Citizens' proposal were adopted.

2. Citizens' Billing Demand proposal creates an unreasonable difference in rates for customer-generators that is not justified by differences in cost of service.

Citizens' claims that its "approach to rate design is to classify customers in a nondiscriminatory manner that aligns with cost-causation principles."⁵¹ However, the record shows that Citizens' proposal unreasonably treats customer-generators differently from non-generating customers without any evidence of a difference in costs between these two groups.

As discussed above, Citizens' has not conducted any quantitative study to demonstrate that customer-generators impose costs in excess of the costs created by their consumption by exporting power to the grid. Yet, despite this lack of data, Citizens' proposes to treat net-metering customers differently from other customers by charging them based on net exports. Obviously, this measure does not apply to non-generating customers and therefore creates a difference in rates. The Public Utility Code prohibits

⁵⁰ Solar Projects' St. No. 2, p. 24.

⁵¹ Citizens' M.B., p. 39.

unreasonable differences in rates, and the Commonwealth Court has stated that differing treatment of customers must be based on differences in cost of service.⁵² Absent a showing of differing costs to service net-metering customers, it is unreasonable to charge them based on the proposed Billing Demand definition using peak bi-directional demand.

Further, Citizens' argument that its current distribution rates do not charge customer-generators for their use of the distribution system is erroneous. Under the existing tariff, customer-generators are charged for billing demand just like every other customer – based on peak load placed on the distribution system. When customer-generators' load is offset by their generating system, they are no longer utilizing the distribution system and are fairly credited for this lack of usage through the net metering process. This is the system approved by the General Assembly to compensate and incentivize adoption of distributed generation, which the legislature has deemed a beneficial policy. Citizens' proposal seeks to remove the incentives mandated by the General Assembly through this adjustment to distribution charge billing, but it is not Citizens' place to second guess the policy goals of the state legislature. Citizens' claims that "the Company's approach is designed to remove undue preferences for any customer or customer-generator," but to the extent net-metering creates any preference for customer-generators, that preference is not "undue" because it is expressly mandated by the General Assembly.

**3. Citizens Has Failed to Prove that the Billing Demand proposal is necessary to avoid unfair cost-shifting.
Citizens' MB at 41.**

⁵² Solar Projects' M.B., pp. 25-26.

Citizens makes the bald claim that the “mis-classification” of “large” customer-generators shifts costs to other customers – arguing that it is necessary to treat customer-generators differently than all other customers, and to charge for distribution (demand-based distribution charges) for both consumption and generation. Citizens’ makes this claim in the face of not having done a cost-of-service study to determine if there are additional costs that will not be recovered otherwise and instead bases this claim on what essentially is a hunch.⁵³ Mr. Johnson presented no actual evidence of increased costs, or burdens on other customers.⁵⁴ Rather, in reviewing Mr. Johnson’s testimony, he instead extolls the huge increase in distribution revenue that will be garnered from a customer-generator with excess generation of 1,000 kW, but demonstrates no cost causation to support the hundredfold increase in distribution costs that will be imposed on customer-generators.⁵⁵ Conversely, Mr. Lucas presented a complete study that demonstrates that customer-generators provide net benefits to the distribution system in the form of reduced capacity and transmission costs.⁵⁶ Mr. Johnson’s only response to this analysis is to claim that because of the way the capacity and transmission prices are set, the benefits are not recognized in the same year. He does not and cannot claim that there are no benefits.⁵⁷ Incredibly, Citizens’ baldly states that “The Company’s approach will result in the customer-generator contributing tens of thousands of dollars in additional support for the

⁵³ Citizens’ M.B., pp. 41-42.

⁵⁴ Solar Projects M.B., p. 19.

⁵⁵ Citizens’ St. 4-R, p. 17.

⁵⁶ Solar Projects St. No. 2, p. 7.

⁵⁷ Citizens’ St. 4-R(Supplemental), pp. 4-6.

operation of the distribution system”, strongly suggesting that Citizens’ attack on customer-generators is a mere pretense to raise additional revenue based upon accusations and not evidence.⁵⁸

Citizens’ seeks to support its claim of impending calamity by noting that the alleged cost shift occurs for the “hypothetical” 1,000 kW generator which does not exist on the Citizens’ system - Mr. Nolt has 6 projects that will have a peak combined output of ~ 2.2 MW AC.⁵⁹ Regardless, the AEPS Act permits a maximum size for a single customer-generator of 3 MW; hardly a basis for a valid argument that Mr. Nolt’s projects are large. Likewise, Citizens’ proposal to increase per kW distribution charges has no basis in any actual fact other than Citizens’ obvious hostility to customer-generators and its blatant disregard for the law. Mr. Johnson’s so-called “cost-shifting” is what the AEPS Act contemplates – customer-generators are to “receive full retail value for all generation on an annual basis.”⁶⁰ That means distribution charges are supposed to be netted against energy produced, up to the break-even point, and thereafter to be compensated as a component of excess generation. As argued in Solar Projects’ Main Brief, the “netting” and compensation are not limited to per kilowatt hour charges; rather “all” charges are required to be compensated.⁶¹ There is no confusion as to how net metering is to occur – no technical definition of “energy” as being only kWhs. The plain statutory language says “energy.” What this means is that the entire approach to increasing distribution charges for customer-

⁵⁸ Citizens’ M.B., p. 42.

⁵⁹ Solar Projects St. No. 1, pp. 1-2.

⁶⁰ 73 P.S. § 1648.5

⁶¹ Solar Projects M.B., pp. 59-61.

generators is based on a false premise that per kW charges are not offset; when instead full retail value means the entire retail value which includes all distribution costs. It also means that Citizen's proposal should not yield the results it expects.

4. The record supports that the Billing Demand proposal will adversely affect development of solar projects in Citizens' service territory, contrary to the plain intent of the AEPS Act.

The proposed Billing Demand proposal will harm legitimate net metering customer generator projects in the Citizens' territory, contrary to the express intent of the AEPS Act.⁶² When a solar project is to be built, according to Mr. Nolt's unrefuted testimony, developers account for fluctuations in the PTC when they model a project. Nowhere, however, would any project model a reduction in revenue of over 50%.⁶³ Nonetheless, Citizens' undertook to reclassify customer-generators in a manner that would reduce their compensation for excess generation by more than 50%, which Mr. Nolt testified would render impacted projects insolvent.⁶⁴ In response, Mr. Johnson contends that once the UGI DSP decision was made, Mr. Nolt should have been on notice that Citizens' would do something similar, but far worse than UGI. He claims that Mr. Nolt is in a competitive business with risks, and that is true, but he should not be placed at risk from an arbitrary change in the rules, not based on evidence, after he had already invested in projects with no ability to extract his investment.⁶⁵ Citizens' goes so far in its brief as to suggest that its changes had "a

⁶² 73 P.S. § 1648.1, et seq.

⁶³ Solar Projects St. No. 1-SR, p. 4:11-21.

⁶⁴ *Id.*

⁶⁵ Solar Projects St. No. 1-SR, p. 5:14-17.

compelling cost of service basis” when the record is clear that no cost of service study was performed.⁶⁶ While Citizens’ recites the UGI DSP decision as the basis for its proposal, the evidence in the UGI DSP cannot be used in place of evidence in this case, and in this case there is no evidence of cross-subsidization, no evidence of increased costs, no evidence of customer harm. To the contrary, there is evidence that customer-generators provide net benefits to the system as a whole and that they do not increase costs.⁶⁷ This unrefuted evidence stands squarely in the face of Citizens’ merely pointing at the UGI DSP and claiming that such a very different case answers all the questions and provides all the facts. That is not how one satisfies its burden of proof.

⁶⁶ Solar Projects M.B., pp. 58-59.

⁶⁷ *Id.*

VI. CONCLUSION

For the reasons set forth herein and in the Solar Projects' Main Brief, Citizens' revised Billing Demand proposal remains unjust, unreasonable, and contrary to Pennsylvania law. The Commission should reject the proposed revisions to Citizens' Tariff and direct that the Non-Unanimous Settlement be modified to exclude any adoption or approval of the Billing Demand structure.

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")

DATED: October 17, 2025

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*

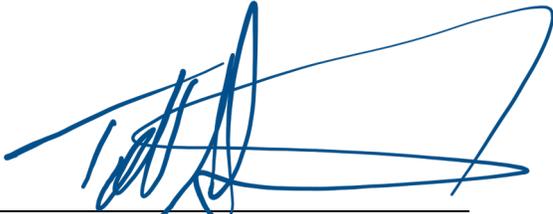
Victoria A. Geddis, Esquire
McNees Wallace & Nurick, LLC
170 N. Radnor-Chester Road, Suite 350
Radnor, PA 19087
vgeddis@mcneeslaw.com
*Counsel for Citizens' Electric Company of
Lewisburg, PA*

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 17, 2025