



McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166

Adeolu A. Bakare
Direct Dial: 717.237.5290
Direct Fax: 717.260.1744
abakare@mcneeslaw.com

November 25, 2025

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

VIA ELECTRONIC FILING

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

Dear Secretary Homsher:

Please find attached for filing with the Pennsylvania Public Utility Commission the Reply Exceptions of Citizens' Electric Company of Lewisburg, PA in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served with a copy of this filing. Thank you.

Very truly yours,

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

Adeolu A. Bakare
MCNEES WALLACE & NURICK LLC

Counsel to Wellsboro Electric Company

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

CERTIFICATE OF SERVICE

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

VIA EMAIL

Steven C. Gray, Esq.
Rebecca Lyttle, Esq.
Small Business Advocate
Commonwealth of Pennsylvania
Office of Small Business Advocate
Forum Place
555 Walnut Street, 1st Floor
Harrisburg, PA 17101
sgray@pa.gov
relyttle@pa.gov
Justin Farr (Discovery)
jfarr@energystrat.com
Joe Kubas (Discovery)
JKUBAS@pa.gov

Melanie Joy El Atieh, Esq.
Ryan Morden, Esq.
Aiden McEvoy, Paralegal
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101
OCA25CWV@paoca.org

Michael Podskoch, Jr., Esq.
Adam J. Williams, Esq.
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P. O. Box 3265
Harrisburg, PA 17105-3265
mpodskoch@pa.gov
adawilliam@pa.gov

Todd S. Stewart, Esq.
HMS Legal LLP
501 Corporate Circle, Suite 302
Harrisburg, PA 17110
tsstewart@hmslegal.com
*Counsel for Kelly Road Solar, LLC,
Lancaster Avenue Solar, LLC and Twilight
Renewables, LLC*



Adeolu A. Bakare

*Counsel to Citizens' Electric Company of
Lewisburg, PA*

Dated this 25th day of November, 2025, in Harrisburg, Pennsylvania.

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I. INTRODUCTION

On November 20, 2025, the Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC and Twilight Renewables, LLC ("Solar Projects") filed four Exceptions to the Recommended Decision ("R.D.") of Administrative Law Judge ("ALJ") Mary D. Long, in the above-captioned rate case of Citizens' Electric Company of Lewisburg, PA ("Citizens" or "Company").¹ In Citizens' view, the Solar Projects' Exceptions rely on hyperbole over factual substance. Most concerning are the repeated claims by the Solar Projects that the Company has presented *no* evidence to support its positions.² As set forth below, this is simply and demonstrably untrue. The ALJ weighed the evidence presented and provided a well-reasoned opinion consistent with Pennsylvania Public Utility Commission ("PUC" or "Commission") precedent. The Company respectfully requests that the Commission adopt the R.D. in its entirety.

The central dispute between the Solar Projects and the Company in this rate case is Citizens' proposed definition of "Billing Demand" in its tariff. Prior to this rate case, the Company's tariff defined Billing Demand based solely on energy flowing *to* the end user. However, to comport with recent Commission precedent and with cost-causation

¹ Exceptions of Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC and Twilight Renewables, LLC ("SP Exceptions"), Docket No. R-2025-3054394 (Nov. 20, 2025). The Solar Projects are comprised of Kelly Road Solar, LLC, Lancaster Avenue Solar, LLC, and Twilight Renewables, LLC. For a procedural history on this docket, see Citizens' Main Brief at 5.

² See SP Exceptions at 1, 4, 5, 6, 7, 9.

principles,³ the Company, in its rate filing, proposed to update the tariff definition of Billing Demand to include energy flowing on the grid in *either direction*. Energy exports to the grid occur when a customer installs on-site generation and participates in net metering as a customer-generator, as permitted by the Alternative Energy Portfolio Standards ("AEPS") Act.⁴ As the R.D. correctly determined, the grid must be designed to accommodate bi-directional energy flow. The Company proposed this modification and related changes to better reflect customer-generators' actual use of the distribution system and to align with cost-causation principles and recent Commission precedent.

Under the Company's as-filed proposal approved by the R.D., Billing Demand will be defined as the greater of the nameplate capacity of the generation as reflected in the generator interconnection application ("Gross Generator Capacity" or "Gross Generator Rating") or the customer's maximum demand during any 15-minute period during the current month.⁵

³ See *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; 66 Pa. C.S. §§ 315(a), 1301(a), 1304.

⁴ Act of November 30, 2004, P.L. 1672, *as amended*, 73 P.S. §§ 1648.1-1648.8. Section 1648.2 of the AEPS Act 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, except for customers whose systems are above 3 megawatts and up to 5 megawatts who make their systems available to operate in parallel with the electric utility during grid emergencies [with certain conditions met]. . . .

⁵ The Company's initial proposal was explained in detail by Company witness Johnson in Direct Testimony as follows:

Under this proposal, customer-generators will pay a fair, just and reasonable charge for distribution service while receiving net metering credit and cashouts for their exported generation, in accordance with the AEPS Act. The Company has proposed no changes to the threshold amounts for placing customers in classes or default service rates, or to how retail rates are calculated. The R.D. affirmed that Citizens' approach is reasonable, aligns with Commission precedent, and is in the public interest.⁶

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

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

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

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

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

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

Citizens' Statement No. 4 at 18.

⁶ R.D. at 48. While the Company supports the R.D., the Company also provided an evidentiary basis supporting the alternative proposal to replace the Gross Generator Rating the actual metered demand as set forth in the Joint Petition for Settlement and accompanying Citizens' Statement in Support.

At a high level, the Solar Projects' arguments for rejecting the R.D. appear to rest on two central objections: (1) the Solar Projects' fundamental disagreement with the concept of reflecting energy flow bi-directionally to calculate "Billing Demand"; and (2) the Solar Projects' belief that reimbursement for net energy generation exported to the grid must be at the fixed-price default service rate designed for smaller customers (that is, a bundled per-kWh rate), even if a customer-generator's exports delivered to the grid exceed hundreds or even thousands of kilowatts. Both of these positions are in error, as demonstrated below.

Citizens' files the following Reply Exceptions in response to the Exceptions filed by the Solar Projects. The Company respectfully requests that the Commission reject the Exceptions of the Solar Projects and adopt the R.D.

II. EXCEPTIONS

A. **Reply Exception No. 1: The Solar Projects' Exception No. 1 is incorrect; Citizens' definition of "Billing Demand" comports with the AEPS Act and Commission Regulations. (R.D. at 34)**

In their first Exception, the Solar Projects state that the R.D. erred in "approving Citizens' revised definition of 'demand' in contradiction of the express language of the AEPS Act."⁷ Yet, the Solar Projects cite to no "express language of the AEPS Act" that Citizens' is supposedly contradicting. Rather, the Solar Projects raise a series of generalized and unsupported claims mischaracterizing the Company's intent in modifying its tariff definition of "Billing Demand" as to disadvantage large customer generators and

⁷ SP Exceptions at 5.

discourage them from developing projects in Citizens' service territory. As discussed below, these claims have no merit and should be denied.

The Solar Projects claim that the Company recasts the definition of demand from its use in the Public Utility Code, which the Solar Projects claim includes only consumption. The term "demand" is not defined in the Public Utility Code, except for a limited definition of "peak demand" that applies only to Act 129 energy efficiency and conservation plans.⁸ The term "Billing Demand" has long existed in Citizens' PUC-approved tariff and in other state utility tariffs.⁹ Yet, the Solar Projects do not credibly explain how revising the definition of Billing Demand to account for actual use of the distribution system—by accounting for bi-directional power flow—would violate the AEPS Act. Citizens' briefs discussed how the expectations for the distribution system have evolved in recent years to include bi-directional use.¹⁰ As emphasized in the R.D., the Commission recognized in its recent *UGI Utilities, Inc.—Electric Division* decision that "including customers with large on-site generators attached to their loads in the same rate group as residential customers results in unreasonable subsidization by residential

⁸ 66 Pa. C.S. § 2806.1(m). Citizens' is statutorily exempted from the Act 129 program requirements.

⁹ As explained on brief, the term "billing demand" has existed in Citizens' tariff previously and already had nuances (like a 50% ratchet) that distinguish it from "demand"—hence, the differing term.

¹⁰. See Citizens' Main Brief at 28-29, 40-42; Citizens' Reply Brief at 6-7.

customers."¹¹ The Company proposed this modification and related changes to align its tariff charges with use, in alignment with cost causation principles.

In a further attempt to distract from the record, the Solar Projects unreasonably impugn the Company's motives in proposing to revise its definition of Billing Demand. The Solar Projects also argue, without evidence or citation, that the "express intent of redefining demand to include both consumption and production is to disadvantage a very small number of customer-generators for the benefit of all other customers, without any evidence that customer-generators are a detriment to the system."¹² This argument completely ignores both the purpose of the tariff change and the evidence presented to support it, which the ALJ found to be persuasive.

Notwithstanding that claim, the Solar Projects provide no evidence that the "express intent" of the tariff change is to "disadvantage" customer-generators. Contrary to the Solar Projects unfounded allegation, the Company expressed an intent to classify "like with like," so that a 400kW importer and a 400kW exporter are treated similarly. This objective was well-established in the Company's testimony and briefing.¹³ Further, the Company has not argued that customer-generators are a "detriment" to the system or that they always impose additional costs on the system. Rather, the Company recognizes that each customer (including each customer-generator) contributes to the overall costs to build, operate and maintain a distribution system, and that the existing practice of classifying customer-

¹¹ R.D. at 44 *citing* UGI Order at 60.

¹² SP Exceptions at 5.

¹³ *See* Citizens' Main Brief at 30, 38; Citizens' Reply Brief at 4, 22.

generators based only on consumptive demand fails to ensure that each customer (and customer-generator) pays rates that reasonably comport with cost causation principles. This is not only good utility ratemaking practice, but it is required by the Public Utility Code in order to produce just and reasonable and non-discriminatory rates.¹⁴ The Company presented evidence showing that the costs of distribution equipment are generally the same whether power is flowing "in" or "out."¹⁵

The Solar Projects also fault the R.D. for "recit[ing] Citizens' expectation of more customer-generators, particularly larger customer-generators, as a justification for taking action that will ultimately discourage customer-generators," and they argue that "encouraging" customer-generators is the "exact goal" of the AEPS Act.¹⁶ This argument falls flat for multiple reasons.

As addressed in the Commission's UGI Order and discussed further in the Company's Main Brief, the AEPS Act must be implemented consistently with other provisions of the Public Utility Code. The *Dauphin County* decision cited by the Solar Projects is inapplicable here.¹⁷ In *Dauphin County*, the Commonwealth Court overturned

¹⁴ See 66 Pa. C.S. §§ 1301(a), 1304, 2807(e)(7).

¹⁵ See Citizens' Statement No. 4 at 17; Citizens' Statement No. 1 at 24. Similarly, Citizens' incurs many joint and common costs to operate the system to serve all of the customers, such as distribution operating and maintenance expenses, customer accounts and service expenses, administrative and general expenses, depreciation expense, tax expense (other than on income), and income tax expense. See *id.* at 23-24.

¹⁶ R.D. at 6.

¹⁷ SP Exceptions at 3 (citing *Dauphin Cnty. Indus. Dev. Auth. v. Pa. PUC*, 123 A.3d 1124, 1134 (Pa. Cmwlth. 2015) ("*Dauphin County*").

a Commission holding because the Commonwealth Court deemed the underlying statutory issue of which entity must provide a service to customer-generators as unambiguous, and declined to give the Commission deference due to the statutory unambiguity; the Court held that "if the intent of the legislature is clear, effect must be given to the legislature's unambiguously expressed intent."¹⁸ Here, however, the Solar Projects argue that a vague standard of "encouraging" customer-generators has been violated. The Solar Projects do not even cite to statutory language to support their Exception or to show a policy that is being ignored by the R.D. Conversely, the Commission has already explained in substantial detail that an electric distribution company ("EDC") directing that net metering compensation be paid to large customer generators at hourly-priced rate is consistent with the AEPS Act and required by Sections 1307, 1308 and 2807 of the Public Utility Code. It would be entirely unreasonable to find that the Commission cannot adopt tariff changes simply because they may also impact customer-generators. Rates and rate structures are not frozen in time by the AEPS Act; and, as stated above, the policies of the AEPS Act and Commission Regulations continue to be fulfilled. The Commission should reject this Exception.

¹⁸ See *Dauphin County* (citing *Popowsky v. Pennsylvania Public Utility Commission*, 589 Pa. 605, 910 A.2d 38, 53 (Pa. 2006)).

B. Reply Exception No. 2: The Solar Projects' Exception No. 2 should be discarded; the R.D. correctly recognizes that customer-generators impose costs on the system and should pay a just and reasonable charge for their use of the distribution system. (R.D. at 40-41.)

Despite ALJ Long's reasoned analysis of the evidence presented by both Citizens' and the Solar Projects in this proceeding, the Solar Projects argue that Citizens' has produced "no tangible evidence of any actual increase in costs" from customer-generators and that the R.D. has therefore overlooked the "complete failure of Citizens' to carry its burden of proof."¹⁹ In this Exception, the Solar Projects do not distinguish clearly between the impact on (1) distribution rates as opposed to (2) default service supply rates, even though the analysis is somewhat different for each. To clearly address the Solar Projects' mistaken arguments, we will address each topic in order.

Distribution Rates

In the R.D., ALJ Long appropriately found Citizens' originally proposed definition of "Billing Demand" "ensures that customer generators bear a fair share of the distribution costs and are grouped with similar customers for default service pricing, net metering administration and annual cashouts."²⁰ To support that determination, the R.D. observes that:

New technologies continue to be introduced that are changing the nature of the distribution system to become increasingly bi-directional. There is an increasing expectation that the distribution utility will accommodate Distributed Energy Resources ("DERs"), electric vehicles, and other advancements. There is also a current trend of large customer-generators exporting substantially more power than they use. The new definition allows

¹⁹ SP Exceptions at 7.

²⁰ R.D. at 40.

the Company to begin adjusting to the changing landscape, while ensuring that it is providing non-discriminatory treatment to technology adopters and non-adopters. The tariff changes also ensure that residential and small commercial customers on the GSSR-1 are not paying generation rates that are unnecessarily and unreasonably inflated to compensate large customer generators.²¹

Nonetheless, this Exception, the Solar Projects reject Citizens' cost causation evidence showing that customer-generators' energy exports impact distribution system costs and that these impacts can only be captured by rate design changes to capture bi-directional energy flows on the Company's distribution system.²² In doing so, the Solar Projects assail Citizens' alleged "demonstrably false assertions," without providing any demonstration of their supposed falsity.²³ Specifically, they take issue with Citizens' position 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," and that customer exports are "more complicated because of potential variability, voltage sags/surges, and other issues."²⁴ Yet, the Solar Projects fail to address the fact that, as further detailed in Citizens' Main and Reply Briefs, Citizens' Witnesses Gorman and Johnson both explained, with credible justification, the necessity for redefining billing demand in their respective testimony.²⁵

²¹ *Id.*

²² SP Exceptions at 8.

²³ *Id.*

²⁴ *Id.* (quoting Citizens' Statement No. 4 at 17).

²⁵ *See* Citizens' Main Brief at 18-22; Citizens' Reply Brief at 5-10.

Mr. Gorman discussed the importance of aligning the Company's rate design to reflect cost-of-service principles in relation to customer-generators and distribution rates,²⁶ and Mr. Johnson offered similar comments to support the reasonableness and importance of the Company's proposal to apply the revised definition of Billing Demand to distribution demand charges.²⁷

Mr. Johnson's testimony in particular represents the experience of a professional engaged in the design and daily operations of the Citizens' system, with intimate knowledge of system design and operations, including the operational and economic impacts of customer-generators. Prior to his employment at Citizens', Mr. Johnson was employed at a larger Pennsylvania Electric Distribution Company.²⁸ In contrast, the Solar Projects' primary witness on this topic, Mr. Lucas, who works for a solar industry trade association, lacks any experience designing and operating a distribution system.²⁹ In reviewing the record in this proceeding, the Commission should consider that the Companies are the only party in this proceeding relying on the testimony of professionals with experience in electric distribution utility planning and ratemaking.

Finally, it is important to recognize that without the proposed change, large customer-generators will shift substantial distribution costs to the other customers on

²⁶ *Id.* at 16.

²⁷ Citizens' Statement No. 4R at 23.

²⁸ Citizens' Statement No. 4 at 2.

²⁹ Hearing Transcript at 221. Of note, while employed by the Solar Energy Association, Mr. Lucas was not able to confirm whether any of the Solar Projects were actually members of the Solar Energy Association.

Citizens' Rates GLP-1 and GLP-3. Company witness Mr. Johnson presented a table showing the combined customer and demand charges for various customer-generator configurations³⁰ The table demonstrates the magnitude of intra-class cost shifting that could occur if the billing demand measurement remains unchanged – with the most egregious outcome being the hypothetical customer-generator with 5 kW of usage but producing 1,000 kW of exported generation. The Company's approach will result in the customer-generator contributing tens of thousands of dollars in additional support for the operation of the distribution system, meaning other customers on GLP-1 would bear less of the GLP-1 class distribution revenue requirement burden.³¹

Default Service Rates

In addition to referencing the distribution rate impacts discussed above, the Solar Projects also argue that the reduction in the Supplier Adder portion of the Company's GSSR rates in the last default service bid process shows there are no cost impacts on the Company's default service rates.³² The Solar Projects completely ignore the response in the Company's Rejoinder and Supplemental Rejoinder testimony refuting Mr. Lucas' inaccurate analysis and clarifying that the historic usage data made available to suppliers in the Company's recent default service proceeding covered a time frame up to January 2025, which precedes the recent influx of customer generator applications in its service

³⁰ Citizens' Statement No. 4R at 17.

³¹ *Id.*

³² SP Exceptions at 7.

territory.³³ Because of such timing, the wholesale suppliers participating in the Company's most recent default service proceeding had no knowledge of the impending increase in larger customer generators that manifested throughout 2025. Moreover, as addressed in the Company's Main Brief, the Company provided the cost causation basis for the proposal by addressing how the revised billing demand definition aligns large customer generators with other similarly situated customers for purposes of default service procurement.³⁴ As stated by Mr. Johnson:

In the case of an account hosting a 480 kW generator, the customer-generator is *more* similar to loads of similar magnitude than to much smaller generators or loads. For non-residential GSSR-1 customers, the average demand is only 18 kW and 93% of GSSR-1 customers have demands of 50 kW or less, so while a 480 kW generator may be different than a 480 kW load, it differs far more from the majority of GSSR-1 customers.³⁵

The R.D. also relied on the Company's presentation of evidence showing that the status quo practice of paying large customer generators net metered output at the GSSR-1 shifts capacity and transmission costs to residential and small commercial customers.³⁶ These arguments found credible by the R.D. are wholly unaddressed in the Solar Projects' Exceptions.

³³ Citizens' Reply Brief at 29 *citing* Citizens' Statement No. 4RJ at 8.

³⁴ Citizens' Main Brief at 39.

³⁵ *Id.* *citing* Citizens' Statement No. 4R at 29.

³⁶ R.D. at 15 *citing* Citizens' Statement No. 4SRJ at 4.

Conclusion

As recognized by the R.D., the evidence presented in this proceeding supports the Company's proposal to treat similarly situated customers in a similar manner, pursuant to its duty under the Public Utility Code and Commission precedent. The Solar Projects' bombastic and unsupported claims of a "complete failure"³⁷ by Citizens' to offer proof that customer-generators increase costs commensurate to the proposed billing demand charge are, therefore, incorrect. What the Solar Projects attempt to characterize as adverse to cost causation principles, is simply a method of measurement intended to address the reality that, in an environment of increasing adoption of Distributed Energy Resources ("DER"), utilities must continue to ensure cost-of-service principles are applied to all customers and rate designs. In their Exception No. 2, the Solar Projects acknowledge the cost causation principle that "all approved energy rates reflect to some degree the costs actually caused by the customers who must pay for them."³⁸ Incidentally, this precise principle underlies the evidence offered by Citizens' in both its Main Brief and Reply Brief to support the proposed bi-directional measure of billing demand.

The billing demand proposal is not an attempt by Citizens' to punish customer-generators. To the extent the Company's proposal increases costs for customer-generators, that is simply the result of such projects paying for their fair share of the

³⁷ SP Exceptions at 9.

³⁸ *Id.*

distribution services and equipment they use, in accordance with cost causation principles. ALJ Long's conclusion in the R.D. supports that reality, and so should the Commission's Order.

C. Reply Exception No. 3: The Solar Projects' Exception No. 3 should be denied in favor of the R.D., which correctly finds that the Public Utility Code does not prohibit the proposed changes for net metering customer-generators. (R.D. at 44-48.)

The R.D. finds "nothing in Sections 1307, 1308, or 2807 of the Public Utility Code which precludes Citizens' from proposing the change in its tariff definition of 'Billing Demand.'"³⁹ The R.D. continues:

Many utilities in the past have requested permission to change the language in their tariffs outside the purview of both base rate requests and default service plan petitions. The Commission has approved these tariff supplements, often without opposition or a hearing, even where customer bills will be affected by the change. Here, Citizens' elected to propose the change in the context of its base rate proceeding where all parties had an opportunity to support or oppose the new language.⁴⁰

According to the Solar Projects, this finding is both a "major" and "egregious" flaw, and "nothing in the AEPS Act nor the Code permits the reclassification of customer-generators for the purpose of diminishing their compensation."⁴¹ Without addressing the extensive analysis in the Citizens' briefs supporting the Company's compliance with the AEPS Act⁴², the Solar Projects' continue repeating the same rampant mischaracterizations throughout this Exception No. 3.

³⁹ R.D. at 45.

⁴⁰ *Id.*

⁴¹ SP Exceptions at 10-11.

⁴² *See* Citizens' Main Brief at 22-26 and 38-44.

First, Act 129 is silent on rate design and defers the development of such mechanisms to the Commission.⁴³ Second, contrary to the claims of the Solar Projects, Citizens' has continuously stated and supported with evidence that the definition change was implemented to ensure fairness for all customers in Citizens' territory in the face of a rapidly-evolving energy market. Third, Citizens' briefs addressed in detail how Sections 1307, 1308 and 2807 require approval of the Company's proposal.

The Commission's Regulations state, in Section 54.187(h), "Default service rates may not be adjusted more frequently than on a quarterly basis for all customer classes with a maximum registered peak load up to 25 kW, to ensure the recovery of costs reasonably incurred in acquiring electricity at the least cost to customers over time."⁴⁴ With regard to customer-generators that would not register peak loads above 25 kW based on energy consumption, but are placing substantially higher amounts of power onto the grid, the Commission's Order in the recent UGI default service proceeding affirmed that EDCs can incorporate the customer-generator's exports to determine whether the customer is a "small business customer" for purposes of assigning a default service rate.⁴⁵ A customer-generator with a potential to export more than 25 kW to the EDC's system is not entitled to a "small business customer" designation under Section 54.187(h). This is consistent with the Commission's Regulations, as Section 54.182 of the Commission's Regulations allows

⁴³ See Citizens' Main Brief at 38-39; see also UGI Order at 60, 62-63.

⁴⁴ 52 Pa. Code § 54.187(h).

⁴⁵ See UGI Order at 60, 62-63.

EDCs to define the applicable "maximum registered peak load."⁴⁶ To comport with the statute, true "small business" customers served on a classification designed for small business activity will, indeed, be offered a rate that changes no more than quarterly; but large customer-generators, whose electric profiles look quite different than small business activity (with dramatically higher use of the distribution system) should be placed in the GSSR-2 rate classification.

As established by the arguments in its Reply Brief, Citizens' proposed basis for the revisions to the definition of "Billing Demand" derives from cost of service principles that are common to both the rate provisions in Section 1308 of the Public Utility Code and the Default Service Plan rules set forth in Section 2807(e) of the Public Utility Code.⁴⁷ The fact that the Commission addressed similar issues in the context of a default service proceeding in UGI does not prohibit the Commission from addressing and ruling on such cost allocation matters in this distribution rate case.⁴⁸ As explained in the Company's briefs, forcing large generation projects into the GSSR-1 class risks unjust, unreasonable, and unduly discriminatory rates for other GSSR-1 customers, and the escalation of DER across the Citizens' territory only heightens this risk. It is appropriate for Citizens' to address such risk in a base rate proceeding and act to protect residential and small commercial customers from unreasonable cost subsidization of customer-generators.

⁴⁶ See 52 Pa. Code § 54.182; see also UGI Order at 60, 62-63.

⁴⁷ Citizens' Reply Brief at 14-15.

⁴⁸ See Citizens' Reply Brief at 16.

The Company's proposal is consistent with the AEPS Act's small business requirement and aligns with Commission precedent in the UGI Order. The R.D. correctly found that Citizens' approach is reasonable under the Code and the AEPS Act and is, therefore, appropriately situated for approval by the Commission. The Commission should uphold this finding and deny Exception No. 3 accordingly.

D. Reply Exception No. 4: The Solar Projects' Exception No. 4 is incorrect; Citizens' proposal to compensate net metered output from large customer generators at its GSSR-2 rate does not violate the AEPS Act. (R.D. at *passim*.)

The R.D. correctly determined that the Company's GSSR-2 is a retail rate consistent with the AEPS Act.⁴⁹ Nevertheless, in the Solar Projects' fourth Exception, they argue that the R.D. "fails to address the fact that Citizens' proposed distribution rates violate the letter of the AEPS Act." The crux of their claim is that because the AEPS Act does not define the term "energy," it should be understood to incorporate both kilowatt-based and kilowatt-hour-based rates. However, this argument (1) violates both a technical and plain meaning reading of the term "energy"; and (2) fails explain how "netting" of a demand-based charge comports with reality.

The entire premise of the Solar Projects' argument is woefully misguided and inaccurate. The Solar Projects argue that in lieu of a defined term in the AEPS Act or a "settled legal meaning," the Pennsylvania Statutory Construction Act requires the Commission to adopt their interpretation that the "plain meaning of 'energy' includes both

⁴⁹ R.D. at 48.

kilowatt-based and kilowatt-hour-based rates."⁵⁰ The Solar Projects' recitation of the applicable rule of statutory construction is incorrect. The Rules of Statutory Construction apply the "plain meaning" rule to general terms. With regard to technical terms, the Solar Projects misstate the rule in claiming that the plain meaning applies unless a technical term is defined by the legislature or has acquired a "settled legal meaning."⁵¹ Rule 1903 of the Pennsylvania Rules of Statutory Construction makes no reference to a "settled legal meaning" and instead states that "technical words and phrases and such others as have acquired a *peculiar and appropriate meaning* or are defined in this part, shall be construed according to such peculiar and appropriate meaning or definition."⁵² Citizens' submits that regardless of whether "energy" is considered a plain meaning general term or a technical term with a peculiar and appropriate meaning, the Solar Projects' arguments must fail.⁵³ As extensively addressed in the Citizens' Main Brief, both the AEPS Act and the Commission's Regulations consistently refer to energy as a commodity. As described in the Company's Reply Brief:

The relevant language of Section 5 of the AEPS Act is "**Excess generation** from net-metered customer-generators shall receive full retail value for all **energy produced** on an annual basis."⁵⁴ The context of this statement is generation—the production of energy. While energy is not specifically defined, it is something that is "produced"—a term that fits neatly with the

⁵⁰ SP Exceptions at 11.

⁵¹ *Id.*

⁵² 1 Pa. C.S. § 1903(a) (emphasis added).

⁵³ There is no expert testimony on the definition of energy in the record because this issue was not raised by any of the Solar Projects' witnesses during the evidentiary phase of this proceeding.

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

idea of energy as a commodity, not including capacity charges and distribution services, which cannot be "produced." The AEPS Act elsewhere refers to energy as something that is generated by facilities (Section 6, "regarding facilities generating energy from alternative energy sources"); as something that can have an alternative source or be "derived" from various sources (Section 2, "Energy derived from: (1) Waste coal. (2) Distributed generation systems..."); and that can be derived from various locations (Section 4, "energy derived from alternative energy sources located outside the geographical boundaries of this Commonwealth").⁵⁵

The Commission implemented this use of "energy" in its Regulations by authorizing a "kilowatt-hour rate" for crediting and reimbursement of customer-generators in Section 75.13.⁵⁶ The Solar Projects acknowledge the Regulations, but they argue that the Commission's Regulations violate the AEPS Act and have been in violation of that Act since adoption in 2008.⁵⁷ Accordingly, the Solar Projects' Exception No. 4 lacks any legal basis.

⁵⁵ Citizens' Reply Brief at 43.

⁵⁶ Subsection 75.13(d) states, in relevant part:

(d) An EDC and DSP shall credit a customer-generator at the full retail kilowatt-hour rate, which shall include generation, transmission and distribution charges, for each kilowatt-hour produced by a Tier I or Tier II resource installed on the customer-generator's side of the electric revenue meter, up to the total amount of electricity used by that customer during the billing period. If a customer-generator supplies more electricity to the electric distribution system than the EDC and DSP deliver to the customer-generator in a given billing period, the excess kilowatt hours shall be carried forward and credited against the customer-generator's kilowatt-hour usage in subsequent billing periods at the full retail rate. Any excess kilowatt hours that are not offset by electricity used by the customer in subsequent billing periods shall continue to accumulate until the end of the year....

⁵⁷ SP Exceptions at 11. The Act explicitly delegates authority to the Commission to develop technical and net metering interconnection rules. 73 P.S. § 1648.5.

Finally, although the Solar Projects often criticize the use of an hourly retail rate for net metering compensation, this rate mechanism is available and could be used under the existing tariff for some customer-generators. Specifically, as Mr. Johnson explained, a current customer with an imported demand that exceeds 400 kW would receive payment for net exports under the GSSR-2 if it installs on-site generation that qualifies for net metering.⁵⁸ Citizens' has not "transformed" a wholesale rate into a retail rate—Citizens' and most other Pennsylvania utilities charge larger customers an hourly default service rate. Citizens' proposal here corrects a misapplication to ensure that larger customer generators designed to produce (and potentially export to the Citizens' distribution system) 400 kW or more are treated similar to the larger customers on Citizens' system. The non-unanimous settlement, as modified by the R.D., results in just, reasonable and non-discriminatory rates for all of its customer classes and should be approved without further modification.

⁵⁸ Citizens' Reply Brief at 41.

III. CONCLUSION

WHEREFORE, Citizens' Electric Company of Lewisburg, PA respectfully requests that the Pennsylvania Public Utility Commission grant these Reply Exceptions and adopt the Recommended Decision.

Respectfully submitted,

McNEES WALLACE & NURICK LLC



By _____
Adeolu A. Bakare (P.A. I.D. No. 208541)
Matthew L. Garber (P.A. I.D. No. 322855)
Rebecca Kimmel (P.A. I.D. No. 335097)
Victoria A. Geddis (P.A. I.D. No. 335500)
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 260-1744
abakare@mcneeslaw.com
mgarber@mcneeslaw.com
rkimmel@mcneeslaw.com
vgeddis@mcneeslaw.com

Pamela C. Polacek (PA I.D. No. 78276)
C&T Enterprises, Inc.
P.O. Box 129
Venetia, PA 15367
Phone: (570) 724-9469
Fax: (570) 724-3996
ppolacek@ctenterprises.org

*Counsel to Citizens' Electric Company of
Lewisburg, PA*

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