

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

**Interconnection and Tariffs
For Large Load Customers**

**Public Meeting of April 30, 2026
Agenda No. 3054271-TUS**

MOTION OF CHAIRMAN STEPHEN M. DeFRANK

Before us for consideration today is a Final Order adopting a Model Tariff for Large Load Customers. This is the culmination of a long process that began with my motion calling for an *en banc* on March 27, 2025. At the hearing, held on April 24, 2025, the Commission received testimony from statutory advocates, electric distribution companies (EDCs), and representatives of large load customers including data centers. We also opened a paper record that includes hundreds of comments and reply comments from legislators, public advocates, EDCs, generation companies, large load customers, environmental groups, and existing residential and commercial ratepayers from all over the Commonwealth.

I would like to extend my deep appreciation to everyone who participated in this year-long process. I must also express my gratitude to Commission staff who have worked quickly and diligently to consider the thousands of pages of input that were submitted throughout the process and turn that into the Final order we are considering today.

I have said on several occasions that we are at a critical juncture for our electrical grid. Data centers and advanced manufacturing are causing explosive load growth that our system has not seen in generations. Without clear rules and protections, however, generations of Pennsylvanians could be burdened by the cost of abandoned or unused infrastructure.

This Model Tariff makes several recommendations to our EDCs based on emerging best practices for interconnecting new large loads. It establishes a definition of Large Load Customers, puts in place strong credit and collateral requirements, creates schedules for load ramping as projects expand and fees for those that terminate their contracts before our EDCs have fully recovered the costs of any investments they make. It also creates firm schedules for interconnection studies to provide certainty to developers and make Pennsylvania an attractive location to invest. And finally, it requires contributions from Large Load Customers to universal service programs, not just the Commission's jurisdictional hardship funds, to assist struggling customers at a time when utility bills are increasing.

Overall, I believe that the recommended Order before us strikes a careful balance that encourages economic development in Pennsylvania while protecting our ratepayers. Having said that, there are two specific areas in which I believe the proposed Model Tariff could be improved.

First, regarding Contributions in Aid of Construction (CIAC), our Tentative Order sought input on the allocation of costs for network upgrades. The questions of CIAC and cost allocation for network upgrades are fairly settled with respect to investments that solely benefit a single customer – the beneficiary pays. Network Improvements that have broader benefits to the grid as a whole are generally socialized across the rate base, at least in part. And when upgrades occur on the transmission rather than the distribution system, questions of state versus federal jurisdiction arise.

The Federal Energy Regulatory Commission (FERC) established a seven-factor test to differentiate between distribution and transmission system assets in FERC Order 888. Transmission tariffs and rates fall under federal jurisdiction and are the purview of FERC. Regulation of retail customers, however, fall under state jurisdiction. As Natural Resources Defense Council noted in its comments, the Commission has jurisdiction over interconnection for retail customers within the Commonwealth, regardless of whether the interconnection is to the distribution or transmission system.¹

Several commenters, including members of the General Assembly and the Office of Consumer Advocate (OCA), suggested that the Commission take a broader view of cost causation principles when allocating costs. Specifically, the OCA suggested the use of a “but-for” cause test. By this standard, if a Network Improvement would not have been needed “but for” the interconnection of the Large Load Customer, then the costs of the upgrade would be allocated to that customer irrespective of whether other customers would benefit from it.²

I would also note that while it was specifically on the issue of increased capacity and generation costs, this but-for test would also align with the statement of principles agreed to by the governors of the thirteen states that comprise PJM Interconnection, which stated that state utility commissions should use their authority to allocate all costs necessitated by new large loads to those customers and to protect existing ratepayers.³ Other commenters, including Senator Lindsey Williams, PennFuture, CAUSE-PA, and TURN recommend adopting a rebuttable presumption that assumes all costs associated with interconnecting a Large Load Customer are solely for that customer’s benefit.⁴

However, Large Load Customers may be concerned about paying costs of current planned improvements that are needed for an aging grid. Yet, these same customers have also indicated their support for paying for infrastructure improvements they are requiring, or CIAC.

¹ NRDC comments at page 6

² OCA Comments at page 16

³ Statement of Principles Regarding PJM

⁴ Order at page 34

I believe both sides have a valid argument, however I am ultimately persuaded by the arguments of the OCA and others regarding cost causation. Therefore, the EDC should assess a CIAC for Large Load Customer additions to recover all distribution and transmission costs necessary to interconnect the new Large Load Customer except for any upgrades or additions that were already planned by the EDC before the Large Load Customer requested service. However, future network improvements made to interconnect these Large Load Customers that would not have been made but for the interconnection of these customers should be paid by the Large Load Customer in the form of CIAC. Given the unprecedented nature of this load growth, I believe the Commission's approach to cost allocation must adapt to shield ratepayers from socialization of costs that are properly attributed to Large Load Customers while protecting the Large Load Customer from paying for previously planned improvements.

The second area that could be improved, in my opinion, addresses the question of customer self-construction. Our Tentative Order suggested Large Load Customers should be permitted to self-construct infrastructure upgrades, even if those upgrades would be network upgrades impacting the broader grid rather than infrastructure on the customer side of the meter. I recognize that this was an out-of-the-box proposal. Network infrastructure will affect ratepayers on the system beyond the Large Load Customer. Our EDCs apply stringent and uniform standards to maintain a safe and reliable system. I would never propose any action that I felt would erode those standards.

In the current environment, however, with serious constraints on workforce and supply chains, I find it is warranted to allow Large Load Customers to directly construct infrastructure upgrades if they have the resources to do so. Some of the developers of large load projects are large, sophisticated companies that may have their own access to equipment that is difficult to acquire quickly due to high demand. Constellation and Google commented that self-construction may improve speed to market for Large Load Customers while reducing costs to other ratepayers.⁵ Any self-construction would be required to meet all EDC standards for safety and reliability. Those upgrades would also have to comply with all applicable FERC and North American Energy Reliability Corporation (NERC) regulations.

I appreciate the concerns raised by some commenters including many of the EDCs. Nevertheless, I find that on balance our Commonwealth would be better served by allowing self-construction. Several commenters, including the OSBA and OCA, pointed out that customer construction can reduce costs for the overall system and protect ratepayers, as any assets constructed by the customer would not be included in utility rate bases. I believe and have publicly stated the same. In my opinion, a policy that makes Pennsylvania a more attractive place for investment and economic development while simultaneously insulating ratepayers from stranded costs is in the public interest.


⁵ Order at page 92

This is an unprecedented time for our electrical grid – one that presents both large challenges and large opportunities. Meeting this moment will require dynamic thinking from all those with a stake in our shared infrastructure, including this Commission. I believe this Model Tariff, as amended by this motion, is an important step in that direction.

THEREFORE, I MOVE THAT:

- 1. The Contribution in Aid of Construction provisions in the Interconnection and Tariffs for Large Load Customers Final Order and Appendix is revised to recover all transmission and distribution costs necessary to interconnect the new Large Load Customers except for any upgrades or additions that were already planned by the electric distribution company before the Large Load Customer requested service.
- 2. That the Self-Construct Option provisions in the Interconnection and Tariffs for Large Load Customers Final Order and Appendix is revised to permit self-construction of infrastructure upgrades by Large Load Customers.
- 3. The Bureau of Technical Utility Services draft a revised Final Order and Appendix consistent with this Motion.

April 29, 2026
Date



Stephen M. DeFrank
Chairman