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May 29, 2015

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: ***Implementation of the Alternative Energy Portfolio Standards Act of 2004;***
Docket No. L-2014-2404361

Dear Secretary Chiavetta:

Pursuant to the Commission's Advance Notice of Final Rulemaking Order entered April 23, 2015 in the above-referenced proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Tori L. Giesler

dlm
Enclosures

c: As Per Certificate of Service
Scott Gebhardt, Bureau of Technical Utility Services
Kriss Brown, Law Bureau

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of the Alternative Energy Portfolio Standards Act of 2004	:	**Docket No. L-2014-2404361**

COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

I. INTRODUCTION

On April 23, 2015, the Pennsylvania Public Utility Commission ("Commission") issued an Advance Notice of Final Rulemaking Order ("April 2015 Order") at the above-captioned docket. This issue was published in the Pennsylvania Bulletin on May 9, 2015, providing for a twenty-day public comment period. The purpose of the April 2015 Order is to address various modifications and clarifications to the Commission's existing regulations at Chapter 75 supporting the Alternative Portfolio Standards Act of 2004, as amended, 73 P.S. § 1648.1, et seq. ("AEPS Act"). Specifically, the April 2015 Order makes additional revisions based upon comments received in response to the Commission's original Proposed Rulemaking Order issued on February 20, 2014 ("February 2014 Order") at this docket. In total, all of the proposed revisions are aimed to update the Commission's regulations to comply with the 2007 and 2008 amendments to the AEPS Act, as well as clarify certain implementation issues which have arisen over the course of implementation.

Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively "the Companies") submitted comments on September 3, 2014 to the February 2014

Order. The Companies respectfully submit the following comments in response to the April 2015 Order. Furthermore, while not restated here, the Companies' comments filed on September 3, 2014 still remain as active concerns to the current draft revisions, and are incorporated herein by reference as Attachment A.

II. COMMENTS

The Companies generally support the idea that revisions are necessary in order to provide efficiency and clarity in the application of the AEPS Act and Chapter 75 of the Commission's regulations. As such, the Companies support the April 15 Order's proposed revisions to the definitions found at § 75.1, as well as the clarifications to the provisions associated with the availability of virtual meter aggregation and the alignment of the net metering term year to the PJM Interconnection, LLC ("PJM") planning year, found at §§ 75.12 and 75.14. However, the Companies offer specific recommendations pertaining to several of the items revised by the April 2015 Order, outlined below.

§ 75.13 – General Provisions.

The Commission has proposed increasing the size limit of an alternative energy system from their originally proposed 110 percent to now 200 percent, thereby increasing the number of systems that would qualify for net metering under the proposed regulations. While a limit should be established with regard to the size of such systems, an increase to 200 percent over the previous proposal's limit of 110 percent of customer-generator's annual electric consumption should be rejected for several reasons.

In its April 2015 Order, the Commission cites the Maryland Public Service Commission regulation which establishes 200% limit on such systems. However, a comparison of Pennsylvania's calculation of the amount paid for excess generation is significantly different than

Maryland's, making the limit more critical to ensure that the impact to other ratepayers on an electric distribution company's ("EDC") system are not unduly burdened. In Maryland, the dollar value of net excess generation is to be equal to the generation or commodity portion of the rate that the Customer would have been charged by the Company averaged over the previous twelve-month period multiplied by the Kilowatt-hours ("kWh") of net excess generation. Transmission is listed separately and is not included in the calculation. Conversely, net metering customers in Pennsylvania are paid an amount for excess generation kWh that is equal to the Price to Compare, which includes certain transmission costs. As a result, the compensation paid in Pennsylvania is in excess of that paid in Maryland. Because of this distinction, allowing for a 200% limit in Pennsylvania will result in a higher level of cross-subsidization whereby default service customers, who currently pay net metering costs as part of default service charges, would be required to pay an increased amount through the Price-to-Compare. Because there are few, if any, net-metering customers that also shop, the cross-subsidization is contained to non-shopping customers, who are bearing the entirety of this burden.

While the Commission references that Maryland has established a limit of 200% of a customer's load for alternative energy systems for purposes of net metering, no other jurisdiction within PJM Interconnection, LLC has adopted such a model. From a policy perspective, limiting alternative generation to at or near that level properly aligns the incentive of installing systems with the primary goal of offsetting a customer's own load, rather than enabling the customer to become a market participant while end-running the prescribed process for doing so. A customer's sale of excess generation into the market is already appropriately addressed by the Public Utility Regulatory Policies Act ("PURPA").[1] PURPA's specific intent was to stimulate markets for

[1] 16 U.S.C. § 2601, et seq.

electricity. Because customer-generators are able to obtain protection under PURPA as nonutility generators and are paid market prices for the excess generation, there is no need to expand the parameters of Pennsylvania's net metering provisions to enable market access, which would only provide preference to some generators over others, to the detriment of ratepayers.

Finally, the Commission has specifically noted that existing systems shall not be held subject to this limitation, as well as that applicants who have submitted their paperwork within 180 days of the effective date of these revisions will be grandfathered in and not held subject to these restrictions. This grandfathering provision should be revised to clarify that, where a customer can no longer demonstrate load independent of the alternative energy system, that customer shall no longer be considered a "customer-generator" under the regulations for purposes of net metering. To permit this type of exclusion unfairly would advantage small merchant generators who seek to bypass the established avenues to market access at the expense of their competitors and EDCs' default service ratepayers.

§ 75.17 - Process for obtaining Commission Approval of Customer-Generator Status.

In its February 2014 Order, the Commission proposed to revise the application process such that it would become involved in the application approval process for all applications associated with nameplate capacities of 500 kilowatts or greater. The April 2014 Order went on to propose revisions to the February 2014 Order's draft regulations to reduce the timeframe by which an EDC must submit its recommendations on such applications from twenty to fifteen days.

While the Companies support the proposal to involve the Commission in the application approval process, the shortened, revised timeframe does not permit adequate time for an effective EDC review of the application. In fact, the reduced timeframe as proposed is inconsistent with the regulations for the standard interconnection process. As a starting point, any application associated

with a proposed system having nameplate capacity greater than or equal to 500 kW is subject to a Level 2 review or greater, as outlined by Section 75.34 of the Commission's regulations – a requirement that has not been subject to a proposed change. The regulations go on to specify at Section 75.38(c)(4) that an EDC shall, within twenty business days of receipt of a completed application, provide the interconnection customer with the results of the EDC's application review. Therefore, to impose a fifteen day requirement upon EDCs under the proposed revisions would create a direct conflict within the regulations themselves.

Furthermore, if the intent of the EDCs' approval process is to include the results of the technical review, then requiring an EDC to submit its recommendation as to whether an application should be granted to the Commission's Bureau of Technical Utility Services ("TUS") prior to the completion of the review would be inappropriate. The Companies currently attempt to make a determination as to eligibility of the project under the regulations during the initial review of the application and prior to notifying the customer that the application is complete. The current process minimizes the need to spend engineering resources on projects that are not eligible. In order to avoid unnecessary expenditures of EDC engineering resources on projects that are not eligible to move forward, the Companies suggest that all projects greater than 500 kilowatts be submitted to TUS at the same time they are submitted to the EDC. The EDC would then proceed with its review of the application's completeness and eligibility and copy TUS on any correspondence to the applicant up to and including the notice that the application is complete. The EDC would then wait for TUS to rule on the applicant's eligibility prior to proceeding with the full engineering review.

§ 75.34 – Review procedures.

Related to the Companies' concern regarding the reduced timeframe for providing a recommendation to the Commission under Section 75.17, the Companies have very serious concerns about the proposed changes to the level of review process for generators with electric nameplate capacity between 2 and 5 megawatts. The existing regulations call for Level 3 review for any application over 2 megawatts, whereas under the current proposal, virtually all applications greater than 10 kilowatts, with the exception of rotating equipment, would be eligible for a Level 2 review. Reducing the level of review for projects exceeding 5 megawatts implicates the safety and reliability of an EDC's system, and therefore, this revision should be rejected.

There is no linkage between the maximum size of a project and the level of review contemplated by Act 35. Today's 2 megawatts limit for a Level 2 application was the product of stakeholder input, and is based in part on the amount of generation that could be connected to most distribution circuits (15 kV and below) without the need for major system upgrades. This limit was, and still is, consistent with the limits for a Level 2 review set by surrounding states and the Federal Energy Regulatory Commission ("FERC").[2] There are a number of significant operational reasons that such projects should continue to be given a more critical eye under the Level 3 review:

- A 5 megawatt or larger project would likely exceed a circuit's load under light load conditions on many distribution circuits. As a result, additional analyses of existing substation circuit relays and, in some instances, substation transformer relays, are required. This is because many existing relays were originally installed without consideration to bidirectional power flows that are presented by alternative energy systems.
- Renewable generation is not considered dispatchable, and can provide fluctuating and intermittent output. Larger projects in particular present a significantly higher potential impact to voltage fluctuations. For instance, on a windy day, solar output can deviate from 100% to as little as 10% as often as thirty or more times per hour.

[2] FERC rules do permit Level 2 reviews greater than 2 megawatts, but only for systems installed at higher distribution voltages due to the fact that the level of power that can be supported by a system increases as distribution voltage increases.

Therefore, consideration for the impacts of this deviation on large systems to reliability and power quality issues must be addressed, including potential flicker implications.

- Larger projects need to be evaluated as to the limitations they will place on reconfiguring circuits during system emergencies and the processes approved for reconfiguration during emergencies need evaluated for projects between 3 and 5 megawatts. Such projects also might prevent workable system reconfiguration to accommodate future load growth.
- Larger units may affect the aggregate generation limit in a way that will prevent other customers from being eligible to interconnect. For instance, one customer's large project could consume the total circuit or station limits or require reverse power relaying at the affected substations to reduce or prevent export at the customer generator's location. In such instances, an EDC must investigate the option of limiting export capabilities based on aggregate generation limits, which a Level 2 application does not address.
- Larger installations present the potential for negative impacts to other customers connected to the distribution circuit related to overvoltage and loss of voltage regulation, as well as additional fault current contributions and loss of protective device coordination. Therefore, a more detailed review of protective schemes and voltage regulation is required.
- Larger installations require additional monitoring and control via supervisory control and data acquisition ("SCADA") technology. The level of monitoring necessary must be reviewed on a case-by-case basis. Any such SCADA systems require additional engineering study and installation resources to develop and install the appropriate communication equipment.

In each of these examples, a 5 megawatt project could pass the Level 2 screens on many distribution circuits, while creating the unsafe and unreliable conditions cited above. Most of these instances require additional consideration by the operating company engineers when reviewing applications, and the Level 3 review provides for this additional review time, as well as a larger application fee to help offset engineering costs associated with these considerations. Not giving applications for systems over 2 megawatt the additional consideration permitted under a Level 3 review today could lead to conditions where equipment cannot operate as designed, or cause power quality problems and service reliability issues to arise on the affected circuits, which means that EDCs simply cannot forego this more intense review. Meanwhile, allowing projects up to 5 megawatt to undergo only a Level 2 review will require EDCs to spend this additional engineering

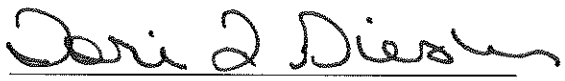
time without adequate compensation, thereby inappropriately shifting these costs to other ratepayers.

III. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company appreciate the opportunity to provide comments on this important set of topics. Most significantly, the Companies share the Commission's interest in properly aligning the regulations with the intent of the AEPS Act such that the benefits of net metering are provided to true customer-generators rather than the merchant generator community, which already has access to wholesale energy markets through other means and should not be subsidized by other ratepayers.

Respectfully submitted,

Dated: May 29, 2015



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CERTIFICATE OF SERVICE

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

Service by first class mail, as follows:

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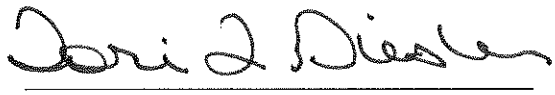
Dated: May 29, 2015



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