Robert N. Peirce, Jr.
Robert N. Peirce, III (KY, OH, WV)
Robert F. Daley (OH, WV)
D. Aaron Rihn (WV)
Elizabeth A. Chiappetta (WV)
Scott M. Simon
Mark D. Troyan (WV)
Joseph Bellissimo
A. Michael Gianantonio
Adrian J. DeGori
Katelyn Dornburg Edwards (WV)
Margaret M. Cooney
Allison H. Greene
Adam P. Murdock
Sara J. Watkins
Zachary Carls
David Martin

Robert Peirce & Associates, P.C.

ATTORNEYS AT LAW

707 Grant Street • Suite 125 • Pittsburgh, PA 15219-1918
Telephone: 412-281-7229 • Telefax: 412-281-4229 • Toll Free: 1-800-543-9859

April 22, 2022

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

Re: Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company, for Approval of Their Default Service Programs; Docket Nos. P-2021-3030012; P-2021-3030013; P-2021-3030014; and, P-2021-3030021

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission is Sunrise Energy, LLC, and John P. Bevec's Response Pre-Served Testimony in this matter. The submitted testimony has been accepted into the evidentiary record. This Testimony includes:

-Direct Testimony of David Hommrich and Verification;

-Second Direct Testimony of David Hommrich and Verification; and

-Rebuttal Testimony of David Hommrich and Verification.

As demonstrated by the attached Certificate of Service, all parties to these proceedings are being duly served via electronic mail with a copy of this filing.

Thank you for your attention to this matter.

Respectfully,

A. MICHAEL GIANANTONIO

/sjp
Attachment

cc: The Honorable Jeffrey A. Watson (w/attachment)
All counsel of record (w/attachment)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition Of Metropolitan Edison Company,	:	
Pennsylvania Electric Company, Pennsylvania	:	P-2021-3030012
Power Company And West Penn Power	:	P-2021-3030013
Company For Approval Of Their Default	:	P-2021-3030014
Service Programs	:	P-2021-3030021

DIRECT TESTIMONY OF
DAVID N. HOMMRICH ON BEHALF OF
SUNRISE ENERGY, LLC AND JOHN P. BEVEC

List of Topics Addressed

Distributed Generation

AEPS Act Cost Recovery

Default Service Rate Calculations

AEPS Act Staffing Requirements

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I. Introduction and Background

Q: Please state your name for the record

A: David N. Hommrich

Q: Please state your title and the company you work for.

A: President, Sunrise Energy, LLC

Q: What is your business address?

A: 151 Evandale Drive, Pittsburgh, PA 15220

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Sunrise Energy, LLC and John P. Bevec

Q: Briefly describe your educational experience and relevant qualifications

A: I earned a Bachelor of Science in Chemistry from The Ohio State University, and a Bachelor of Science in Chemical Engineering from The University of South Carolina. I founded Sunrise Energy in 2009, and I have been intimately involved in the implementation of the AEPS Act through the successful deployment of solar power projects in the state. Sunrise Energy was formed to develop utility scale solar power facilities that operate under the net metering provisions of the AEPS Act. Since 2014, I have been engaged in various legal challenges associated with the interpretation of the AEPS Act. As a result, I am very familiar with the Act, and the associated PUC

regulations. A detailed look at my experience is contained in my CV, which I have attached to this testimony as Exhibit 1.

Q: What is the purpose of your direct testimony in this proceeding?

A: The purpose of my testimony is to address a number of shortcomings in the JP's proposed mechanism for recovering costs associated with compliance with the AEPS Act, and to explain the nuances of distributed generation and the impact on the JPs' default service rate calculations. I also plan to eventually suggest changes to the default service plan that will bring the plan into compliance with the AEPS Act.

Q. Have you reviewed any materials in preparation of offering your testimony today?

A. I have.

Q. What are those materials.

A. I have received the JPs proposed default service plans, as well as several of their prior default service plans. I have also review numerous online filings, including the PUC's 2020 AEPS Act annual report and various FERC filings from the JPs.

Q. To your knowledge, are these the types of materials one would review before testifying on these subject matters?

A. Yes.

Distributed Generation

Q: What does the term "distributed generation" mean?

A: Distributed generation is the process of generating electricity where it is needed. It is essentially the opposite of centralized generation, where electricity is generated at a central location and then distributed over long distances; sometimes hundreds of miles. Most renewable energy in Pennsylvania is distributed generation.

Q: Are there inherent benefits to distributed generation?

A: The short answer is yes. Centralized generation suffers from power losses associated with transformation of line voltage and from line losses due to resistance (ohmic losses) and other types of losses. From the generating plant to the customer's electric meter, these losses can be 10-15%. Centralized plants, as a result, can burn 10-15% more fuel.

Q: Do you know what are power losses, and what causes them?

A: Power losses are when electricity is lost in the movement from the generating site to the retail meter. There are numerous factors that result in power losses in the movement of electricity. One is in the process of voltage transformation. When a centralized power plant produces power, it must step up the voltage to prepare for the "journey" over transmission lines. High voltage transmission is essential to efficiently transmitting power over long distances. The trade-off for efficient transmission is transformer losses. Transformer losses are typically 1-2%, but the strategy is to gain efficiency in transmission by achieving a higher voltage. Once the power plant voltage is boosted to

transmission levels, the power is sent over transmission lines where line losses still occur, although to a lesser extent due to the increase in voltage. Transmission losses (after transformation) are primarily due to ohmic losses due to the resistance of the electrical wire. Ohmic losses are usually a function of voltage, conductor metal / size and distance. Depending on the scenario, these losses alone can result in 2-4% in line losses (depending on distance). When centralized power is transmitted to an electric utility's substation, the transmission voltage must be transformed back down to distribution voltage. This results in another 1-2% in transformation losses. Once the power is on the distribution system, losses incurred to the customer meter can be substantial. There are further ohmic losses as well as 1-2 voltage transformations. Based on the Petitioners' own tariffs, the following loss factors are applied to account for losses from the substation to the customer meter. It is notable that West Penn Power (the largest EDC among the JPs) has a Loss Factor nearly double that of Metropolitan Edison

Distribution Company	Commercial Loss Factor	Residential Loss Factor
West Penn Power	1.0899	1.0910
Penn Power	1.0661	1.0661
Metropolitan Edison	1.0515	1.0515
Penelec	1.0573	1.0573

Q: What is the total loss of power in the centralized power generation model?

A: That is difficult to answer precisely. As can be seen from the Joint Petitioners ("JP") own tariffs, distribution losses alone vary widely but are generally 5-9%. Those are the losses from the substation to the retail meter. When taking into account all losses from a centralized power plant to the customer's meter, 10-15% line losses are possible.

Q: Do you have any opinions as on distributed generation as it relates to the AEPS Act?

A. I do.

Q. Are those opinions held within a reasonable degree of professional certainty?

A. Yes.

Q. How does distributed generation compare from a power loss perspective?

A: Distributed generation has substantially lower power losses than centralized generation. Because the power is generated where it is needed, the losses can be as low as 2-3%, depending on the configuration and the distance to nearby customers. The Pennsylvania General Assembly included distributed generation in the AEPS Act because it can have a profound impact on power consumed (and therefore pollution reduction). A reduction of 15% in line losses (for example) results in a 15% reduction in pollution from a centralized power plant that runs on fossil fuels. Less losses equals less fuel burned.

Q: When distributed generation is produced, where does it go?

A: Distributed generation is first consumed onsite to meet the needs of a customer-generator. Excess energy then flows into the distribution system, where it is consumed by nearby JP customers. It is impossible to say which customer receives the power. By its nature, electricity flows where it is needed. It might be a microwave oven, or a toaster or a security light. In all cases, customers of the JPs use the power. There are no exceptions.

Q: Is it possible for distributed generation to go anywhere but to JP customers?

A: No, it is not. By definition, distributed generation is consumed locally by the customers of the JPs. No other scenario is possible, due to the nature of electricity and the laws of physics. Any claim stating otherwise is simply not true.

Q: Do you know why the JPs claim that distributed generation is sold on the PJM market?

A: The is a very good question. In the JPs objection to Sunrise Energy and John P. Bevec being granted intervenor status, they stated that excess renewable energy is not used to serve default service customers. They claim that the excess power somehow bypasses nearby load, and instead has an express lane to the substation and into the PJM grid.

Q: What is the impact of distributed generation on default service supply for JPs?

A: When renewable energy enters the JPs distribution systems, the load (as seen at the substation) is instantaneously reduced. The laws of physics dictate that less electricity will be required at the substation, because part of the substation's load is now being served locally. In fact, it is actually better than that. The 9% losses that West Penn Power customers contend with (substation to meter) are eliminated, at least for the amount of new energy being delivered, and replaced with only 2-3% losses from distributed generation. That benefit goes immediately to the JPs, and hopefully to default service customers eventually.

Q: How does the presence of distributed generation affect default service purchases

A: Deciding how much energy to purchase is a challenging task for the JPs or their Load Serving Entities ("LSE"). Energy demand is driven by many complex factors (e.g. economic, seasonality), but primarily it is driven by the weather and temperature. LSEs use historical load data and the predicted weather (among other things) to decide how much energy to purchase. Typically, the LSE is responsible for getting it right. If they purchase too little energy, they have to make it up with spot market purchases in real-time. If they purchase too much, they must sell excess energy on the spot market; again, in real-time. When a renewable energy system begins operation, the power it introduces is typically unaccounted for at first. Which is unfortunate, because the JPs know the projected energy production from the interconnection application that was filed. With a little planning, the new supply could be taken into account when energy purchases are made. When that is not done, the result, when viewed at the substation meter, is a reduction in demand on the day that a new system comes online. The substation simply needs less energy. In many ways, from the substation perspective, this drop in demand looks similar to a sizable retail customer ceasing operations. So for a brief period of time, unless the JPs notified the LSE of the new generation, more energy is being purchased than is needed. But the nature of load following is that the load profile is continually being updated to reflect the new conditions. If a retail customer were to go out of business, the LSE doesn't continue to blindly purchase power for them. The same is true for a new renewable energy source. Even if the JPs missed their chance to notify the LSEs of the new generation, eventually the load following process takes it into account and energy purchases are reduced accordingly.

Q: What happens to the excess energy that the LSE has purchased?

A: Excess energy purchases by the LSE must be sold on the spot market until the load profile is updated. The proceeds of that settlement typically go to the LSE, although it isn't clear who owns the excess power at that point. The JPs need to confirm ownership and who is responsible for the settlement of over/under purchasing electricity. When settlement occurs, the spot price may have been lower or higher than the LSE contract price, since spot pricing fluctuates. However, at least in the case of solar power, there is a high likelihood that the spot price will be higher than the contract price, since spot pricing is generally higher in the daytime. This would result in a benefit to the owner of the energy (either the LSE or the JPs). Regardless of the over or under on this transaction, it is only transient. The nature of load following, which is what LSEs do, is that eventually the load profile includes the new generation. As mentioned earlier, if the JPs make the LSE aware of the new generation, then there should be no surplus power to get rid of. But even if they fail to plan, the excess purchases work themselves out rather quickly. As of the writing of this testimony, it is not clear if the JPs bear the burden of excess power, or if that is passed on to their LSEs. If the JPs claim they make a practice of "selling" excess renewable energy into PJM, that is impossible. What may be happening is that a portion of the energy they contracted for with the LSE is "deflected", and someone must settle up between the contract price and the spot price in the PJM market.

Q: What happens after the load profile reflects the new renewable energy source?

A: Once the adjustment is eventually made to the load profile, the power from the renewable energy system is part of the total supply to customers served by a given substation.

Going forward it is part of the total energy for default service. Due to the language of the AEPS Act, the JPs are able to use this energy without paying for it until June 1st of each year. It is essentially an interest-free loan of electricity. At the end of the PJM year (May 31st), the JPs must pay the customer-generator for the energy they borrowed. For an entire year, the JPs receive this energy at zero cost. This savings should be reflected in the default service rate due to the avoided cost of capital that each company enjoys. There should also be recognition of the fact that the distributed generation they are using is inherently more efficient, since the Loss Factor is significantly lower than if the energy arrived from the substation. The cost basis is fundamentally lower due to the reduction of losses. By way of example, the losses from the substation to the meter alone are 9% in West Penn Power territory. It takes substantially less energy to supply a default service customer with distributed generation.

Q: Is distributed generation better than centralized for curtailing pollution?

A: Yes. Most distributed generation systems only have losses of 2-3%. That is compared to centralized generation which is often 10-15%. That means that, when compared to centralized fossil fuel generation, distributed generation results in 8-12% less power being generated. Which equates to 8-12% less pollution because 8-12% less fuel is burned. Lost energy simply requires that more fuel be burned (and more pollution as a result).

AEPS Act Cost Recovery

Q: Are you familiar with the costs JPs incur when complying with the AEPS Act

A. Yes.

Q. How are you familiar with that?

A. I have filed numerous applications for renewable energy projects, and I've interacted with many of the staff involved in reviewing and approving them. I have also managed numerous renewable energy projects that are designed to deliver power to the distribution grid.

Q. What are those costs?

A: The costs of complying with the AEPS Act are numerous, and only the JPs know them for certain. The General Assembly intended for compliance with the AEPS Act to be cost neutral to electric distribution companies. That is why they provided for broad (and mandatory) cost recovery mechanisms for the many costs that could be incurred. The list below shows a few of the many AEPS Act costs that the JPs are meant to incur, and then pass on to ratepayers.

1. Staffing to manage net metering applications
2. Staffing to manage interconnection applications
3. Impact studies
4. Feasibility studies
5. Engineering design
6. Construction
7. Legal review

Q: Does the AEPS Act allow for the JPs to recover AEPS Act expenses

A: Yes. The Act uses the term "resources" to describe the categories for which direct and indirect costs shall be recovered. At 73 P.S. § 1648.3(a)(3)(ii), the Act states that:

> [A]ny direct or indirect costs for the purchase by electric distribution [companies] of resources to comply with this section, including, but not limited to, the purchase of electricity generated from alternative energy sources, payments for alternative energy credits, cost of credits banked, payments to any third party administrators for performance under this act and costs levied by a regional transmission organization to ensure that alternative energy sources are reliable, shall be recovered on a full and current basis pursuant to an automatic energy adjustment clause under 66 Pa.C.S. § 1307 as a cost of generation supply under 66 Pa.C.S. § 2807. (emphasis added).

Q: Are there any AEPS Act resource costs that are not recoverable?

A: No, there are not. The statutory use of the words "direct or indirect" encompass all resource costs of any kind. Further, the use of the words "shall be recovered" make it clear that cost recovery is not optional. The General Assembly intended for the JPs to staff up and make expenditures to support the Act, and then pass those costs on to ratepayers. The JPs are obliged by statute to track and submit for recovery all direct and indirect costs of resources they use to comply with the AEPS Act. Based on the current version of the default service plan, it appears that the JPs are not aware of this requirement. The focus appears to be solely on alternative energy credits ("AEC").

Q: What constitutes a "resource" as the term is used in the AEPS Act?

A: The General Assembly listed a few examples of the types of AEPS Act resources whose direct and indirect costs must be recovered, but they made it clear that the list they provided was only a start through the use of the words "including but not limited to". The resources listed in the Act include:

1. the purchase of electricity generated from alternative energy sources

2. payments for alternative energy credits
3. cost of credits banked
4. payments to any third-party administrators for performance under this act
5. costs levied by a regional transmission organization to ensure that alternative energy sources are reliable

Q: Do you have any opinions as on what happens if a JP fails to submit for cost recovery?

A. I do.

Q. Are those opinions held within a reasonable degree of professional certainty?

A. Yes.

Q: What happens if the JPs fail to submit for cost recovery?

A: It might seem like a "victimless crime", but when the JPs fails to adequately recover costs for AEPS Act compliance, they might (in a bout of circular logic) view the lack of funds as a reason to "under hire" for this important function. A for-profit organization is loathe to hire people who add to overhead. This practice of understaffing in key AEPS Act roles results in slower adoption of renewable energy, because every step of the process takes longer than it should. Most JPs are woefully understaffed when it comes processing net metering and interconnection applications. This understaffing continues through the impact study and the engineering design and construction, in the cases where system improvements are required. "Taking one for the team" by understaffing to meet AEPS Act requirements doesn't help anyone. The General Assembly intended for these

costs to be incurred, and then recovered via an automatic cost recovery mechanism. The spending must occur, as must the cost recovery.

Q. How do you know JPs are understaffed when it comes to processing net metering and interconnection applications?

A. I know this through conversations that I have had with support staff. For example, I'm often told that an application will be delayed when an adverse weather event occurs. I'm told that the people who are processing applications must attend to weather-related events. The JPs provide this as (presumably) an acceptable excuse for delays in processing applications.

Q: What is an example of direct or indirect costs of a resource?

A: Any cost associated with the purchase of a resource is either a direct or indirect cost. Take the purchase of alternative energy for example. The AEPS Act mandates that EDCs must purchase all excess energy from the renewable energy systems on an annual basis. The actual purchase of the energy would be a direct cost. Indirect costs could include:

1. Interconnection costs and fees (application processing, administrative personnel)
2. Engineering studies and report production
3. Distribution system upgrades (substation improvements, safety equipment)
4. Internal EDC accounting costs (tracking of and payment for excess energy)
5. Other

Q: Is there one repository for all of the direct / indirect costs that must be recovered?

A: Unfortunately, the answer is no; at least not yet. There are certain resource costs that are obvious, such as the direct cost of AECs credits or the purchase of alternative energy itself. However, there are many indirect costs for which the JPs must seek cost recovery.

To some extent, it is the honor system today. At first blush, it appears that the JPs have sidestepped this obligation entirely and focused only on the purchase of AECs. Listed below are some costs that are likely incurred under two of the resource categories, but there are almost certainly more. Only the JPs can say for sure by conducting an internal review of all AEPS Act costs that they incur (or should incur).

Resource	Direct Cost	Indirect Cost
AECs	Credit purchase price	Brokerage fees, wire transfer costs, carrying costs, interest
Alternative energy purchases	Energy purchase price (net of cost of capital benefit from the interest-free loan of electricity and the savings due to distributed generation)	Interconnection application fees, feasibility studies, impact studies, system upgrades, safety equipment, accounting costs, custom software development

Default Service Rate Calculations

Q: Is there a mechanism for recovering AEPS Act resource costs?

A: The mechanism for cost recovery is governed by Section 3 of the AEPS Act, which states all direct and indirect costs for resources:

"[s]hall be recovered on a full and current basis pursuant to an automatic energy adjustment clause under 66 Pa.C.S. § 1307 as a cost of generation supply under 66 Pa.C.S. § 2807."

It is difficult to say with certainty how the JPs achieve this in their default service plan, because very little detail is given in the riders for Price to Compare ("PTC") and Hourly Pricing ("HP"). In each of the JPs riders, there are multi-variable formulas used to calculate the PTC and HP on an ongoing basis. Although numerous references are made to AEPS Act costs of one kind or another, no detail is given. Specifically, it is not clear that the JPs have been recovering "any direct and indirect resource costs" as set forth in the AEPS Act. In the default service riders for HP, the JPs apply a flat rate in $ / kwh to

recover AEPS Act resource costs. This is an inherently flawed approach, as it assumes that all AEPS Act costs are a function of kWh. They are not. The Act mandates that all direct and indirect costs must be recovered, and not all of those costs rise and fall with the amount of energy sold.

Q: How will the proposed default service plan ("DSP") differ from the current one?

A: In the new DSP, the JPs are proposing to shift nearly 100% of what they consider to be AEPS Act expenses to their LSEs (their EGS partners). This approach incorrectly reduces the AEPS Act compliance burden to the purchase of various types of AECs. The idea appears to be that the winning EGSs will supply all credits as part of the supply they provide. While this approach might take care of AEC obligations, it by no means addresses the remaining "direct and indirect costs" that must be recovered. The proposed DSP is an inaccurate simplification of the obligation that each of the JPs bear under the AEPS Act. Section 3 of the AEPS Act spells out in detail the various resource categories and the types of cost that must be recovered. Procurement of AECs is only part of that compliance obligation.

Q: How do the JPs currently calculate AEC obligations

A: Whether it be through the PTC formula or the HP formula, the JPs capture the AEPS Act expenses and then multiply them by the Loss Factor (Commercial or Residential). This is incorrect, and results in a multiplier being applied to costs that are not subject to line losses. The time for an administrative person to process net metering applications, for example, should not be grossed up for line losses. It is likely that the JPs have been

overcharging for the AEPS Act costs as a result of this formulaic error; perhaps for many years. The AEPS Act clearly states that EDCs must procure credits based on a percentage of electricity sold. The sale of electricity occurs at the customer meter. Line losses occur at the point that electricity enters the substation. The JPs appear to be confusing the amount of energy purchased with the amount of energy sold. Applying the Loss Factor to the purchase of credits creates an inflated value. The only acceptable methodology for determining the number of AECs to purchase is to sum up the energy delivered to all retail meters.

Q. How did you learn about this?

A. I learned how the JPs calculate their AEC obligations by reviewing their DSP, and by reviewing their respective online tariffs. The formulas (both existing and proposed) can be viewed in those documents.

AEPS Act Staffing Requirements

Q: Do the JPs employ adequate staff to support the AEPS Act?

A: No, they do not. Net metering and interconnection applications are chronically late. The PUC has regulations governing these application timelines but they are not enforced. As a result, the JPs are free to take as long as they want with little risk of repercussions. The main reason given for delays is a lack of manpower. This is a self-inflicted wound, and also disingenuous. Since the JPs are free to pass along every dollar of direct and indirect costs for compliance, they have no reason not to hire appropriately. A net metering application takes approximately one hour to review. Same for an interconnection

application. Yet these applications often take months to process currently. The simple reason is a lack of staffing. The JPs work on AEPS Act tasks when they get around to it. This thwarts the intent of the AEPS Act. Costs to comply with the Act were expected by the General Assembly and they were meant to be incurred, and then paid for through cost recovery. The JPs are defeating the purpose of the Act when they fail to staff up.

Q. Have all of the opinions you offered here today been rendered within a reasonable degree of professional certainty?

A. Yes.

Q. Do this conclude your direct testimony?

A. Yes.

EXHIBIT 1

David N. Hommrich

Experience and Accomplishments

Sunrise Energy, LLC September, 2009 to Present
Utility-Scale Solar Power

President

Founded Sunrise Energy in late 2009. Leveraged experience that was developed while deploying solar power as an adjunct to wireless video surveillance systems (Community Networks). Responsible for the creation of the Smith Township Solar Park; the first 1 MW_{DC} solar array in western Pennsylvania. Numerous additional projects have been constructed; each of which included the responsibilities below

- Created electrical design and site layout
- Design and oversight of structural steel racking system installation
- Negotiated pricing for solar panels and all other balance of system materials
- Managed each phase of construction; from ground-breaking to commissioning
- Developed a deployment blueprint that was leveraged in subsequent projects
- Navigated regulatory hurdles, including challenging regulations in *Hommrich v. PUC*

Community Networks, LLC September, 2004 to December 2009
Wireless Networking / Video Surveillance

President

Founded Community Networks in late 2005 to develop an Intelligent Traffic System (ITS) for use on the Pennsylvania Turnpike. Through extensive business development activity, was successful in securing first contract. Subsequently became the "gold standard" for construction camera systems throughout the turnpike system. Extended capability to include wireless networking and solar power.

- Penetrated the PA Turnpike, and won initial contract from incumbent provider
- Fundamentally improved remote surveillance in turnpike construction zones
- Brought VoIP technology to remote construction trailers across state
- Provided new/valuable tool for oversight of complex construction projects

ReturnCentral, LLC November, 1999 to June, 2004
Reverse Logistics Software

President

Founded ReturnCentral to solve a logistics problem in the emerging online retail market. No easy way to create a merchandise return and manage it back to the source. Recruited software development team from prior company to provide sweat equity for a new software product for managing reverse logistics. Successfully created prototype, and secured $10 million in venture financing. Grew company, and navigated its successful acquisition by a publicly-traded software company (Manhattan Associates, NASDAQ:MANH)

- Created first release of new software product with a personal investment of $50,000
- Secured two rounds of venture capital over a three year period
- Created an industrial-class software solution using the newest Java-based technology
- Successfully transitioned development to an off-shore development model
- Closed the sale of company to large, multi-national software development company

EnviroMetrics Software, LLC August, 1991 to September, 1998
Emissions Management & Regulatory Compliance

President

Founded software firm to provide standards-based reporting to the Environmental Protection Agency, and to similar state agencies. Began development while working as an engineer for Dupont Corporation. Identified market for environmental software, and convinced Dupont to fund the formation of EnviroMetrics Software via a $10,000 seed grant. Company founded on the premise of "TurboTax for Pollution". Created government mandated reports in a fraction of the time it took to produce them manually. Developed significant market-share, and eventually sold firm.

- Started company in spare room at home. Grew it to $5.0 million in revenue
- Successfully deployed product throughout the chemical and petroleum refining industry
- Formulas for calculating emissions became standard in industry
- Leveraged "Designed By Engineers For Engineers" to win market share

Dupont Corporation June, 1987 to August 1991
Petrochemical and Environmental Engineering

Chemical Engineer

Began chemical engineering career at large carpet fiber manufacturing facility in Aiken, South Carolina. Significant manufacturing experience, with emphasis on instrumentation and process control. Deployed a new volumetric approach to dye application that achieved significant improvement in yarn color metrics. Benefited from diverse, on-the-job training in real-world applications of process control.

Accepted transfer to Orange, TX to join environmental engineering group. Large petrochemical facility, with complex challenges for emissions management and reporting. Yearly emissions inventory was a chore that all dreaded. Formulated the idea for an emissions management system, with the ability to automate complex engineering calculations. Dubbed it "Turbo Tax for Pollution" because it automatically generated state emissions inventory report. Designed and developed system, with support from in-house development team. Saw opportunity, and convinced Dupont to grant rights to software and provide seed funding for the formation of EnviroMetrics Software.

Awards, Community Service and Activities

- 2nd term member of the Keystone Oaks School Board (2011 to present)
- Fundraising, Keystone Oaks Marching Band (2013 to present)

Education

- Bachelor's Degree in Chemical Engineering, University of South Carolina
- Bachelor's Degree in Chemistry, The Ohio State University
- Extensive coursework in strategic sales and marketing

VERIFICATION

I, **David N. Hommrich**, individually and as a member of Sunrise Energy, LLC, hereby state that the facts contained in the foregoing testimony are true and correct to the best of my knowledge, information and belief, that I am duly authorized to make this Verification, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 10 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: February 25, 2022 By: 

David N. Hommrich

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition Of Metropolitan Edison Company,	:	
Pennsylvania Electric Company, Pennsylvania	:	P-2021-3030012
Power Company And West Penn Power	:	P-2021-3030013
Company For Approval Of Their Default	:	P-2021-3030014
Service Programs	:	P-2021-3030021

SECOND DIRECT TESTIMONY OF DAVID N. HOMMRICH ON BEHALF OF SUNRISE ENERGY, LLC AND JOHN P. BEVEC

List of Topics Addressed

Default Service Rate Calculations

Computation of Loss Factors

Distributed Generation Impact

AEPS Act Compliance

Second Direct Testimony
March 23, 2022

TABLE OF CONTENTS

Introduction and Background

Q: Please state your name for the record

A: David N. Hommrich

Q: Please state your title and the company you work for.

A: President, Sunrise Energy, LLC

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Sunrise Energy, LLC and John P. Bevec

Q: Have you previously submitted testimony in this matter?

A: Yes.

Q. Since your previous testimony, have you received discovery responses from JPs?

A. Yes.

Q: Do you have supplemental testimony to provide, based on the results of discovery?

A: Yes, I do. Although incomplete responses from the JPs may result in the need for further supplemental testimony. Based on an initial round of discovery, and the information provided by the JPs, I have identified several critical errors with the proposed default service plans with respect to the AEPS Act. In my testimony, I will highlight these errors and provide suggestions for improvements in the following areas.

1. Price to Compare ("PTC") Calculations
2. Hourly Pricing ("HP") Calculations
3. Computation of Loss Factors
4. Distributed generation impacts
5. Tracking and recovery of AEPS Act expenses

Q: What issues have you discovered regarding the JPs' PTC calculations?

A: Each of the JPs use the formula below to compute the PTC, or one very similar to it.

$$PTC_{Default} = [(PTC_{Current} + E)] \text{ X } [1 / (1 - T)]$$

$$PTC_{Current} = (PTC_{Current\ Cost\ Component} \text{ X } PTC_{\ LossCurrent}) + PTC_{Adm} + PTC_{NITS}$$

$$E = [((DS_{Exp1} + DS_{Exp2}) - PTC_{Rev} + DS_{Int})/DS_{Sales}]$$

Each of the JPs formulas contain the same two fundamental flaws.

1. AEPS Act expenses are being multiplied by $PTC_{LossCurrent}$; a factor that the JPs use to represent loss factors by customer class. By doing this, the JPs are effectively grossing up AEPS Act expenses for line losses.

2. Gross receipts tax is impermissibly being collected based on AEPS Act expenses, since the (1 – T) expression applies to the entire PTC formula.

Both of these practices result in ratepayers being overcharged for the cost of AEPS Act compliance, and should be corrected.

Q: How does applying loss factors to AEPS Act costs affect ratepayers?

A: The direct impact is that more money is recovered than the underlying cost. This in turn results in a higher PTC for default service customers.

Q: Are you certain that this is occurring?

A: Yes. The error is easily confirmed by looking closely at the individual variables that make up the JPs PTC formulas. The problem occurs when the current cost component,

represented by $PTC_{Current\ Cost\ Component}$, is multiplied by the loss factor, represented by $PTC_{LossCurrent}$. Each component within $PTC_{Current\ Cost\ Component}$ is multiplied by the loss factor. Per the information provided in the JPs' default service plan ("DSP"), $PTC_{Current\ Cost\ Component}$ includes "any AEPS expenses that may be incurred by the Company related to amendments to the AEPS Act that may occur subsequent to the effective date of the Supplier Master Agreement for the Default Service Supply Plan." When $PTC_{LossCurrent}$ is applied to $PTC_{Current\ Cost\ Component}$, everything inside of it is grossed up for line losses; including the AEPS Act expenses.

Obviously, AEPS Act expenses do not ***actually*** suffer from line losses; a fact that the JPs have confirmed in Set I – Interrogatory No. 34.

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 34 [1]

"Please confirm that AECs do not suffer from line losses. If you do not confirm, please explain."

RESPONSE:

Confirmed.

Yet the JPs PTC calculation clearly does just that. The math used in the formula is plain to see. Despite this obvious problem, the JPs insist via their response to interrogatories that they are ***not*** doing what their own formula clearly shows to be true.

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 33 [2]

"Please confirm that the JPs' have been multiplying the JPs' Loss Factor times the cost of AEPS Act resources in the default service rate calculations, and then passing this marked up cost on to default service customers. If you do not confirm, please explain."

[1] *See*, Exhibit 2
[2] *See*, Exhibit 3

RESPONSE:

No. The Companies do not gross up AECs nor the compliance obligation for line losses.

It is worth noting that the DS_{Exp2} variable also contains, "AEPS expenses incurred by the Company related to amendments to the AEPS Act occurring subsequent to the effective date of the Supplier Master Agreement for the Default Service Supply Plan excluding such costs that are recovered through the Company's Solar Photovoltaic Requirements Charge Rider." But unlike the current cost component, DS_{Exp2} is not grossed up for line losses. It is not clear how the JPs allocate AEPS Act costs among these two variables.

Q: You also mentioned the gross receipts tax. What are your concerns there?

A: When the JPs apply the gross receipts tax in their PTC formula, they apply it to all of the terms in the formula; including AEPS Act expenses. I am not aware of any statutory authority that would allow this to occur. The authority for an EDC to recover the direct and indirect costs of AEPS Act resources is derived directly from Section 3 of the Act. Nowhere in that section is it stated or implied that a gross receipts tax can or should be collected on AEPS Act costs. Presumably, the JPs simply made this assumption many years ago in their current default service plan, and it has gone unnoticed until now.

Q: Can you propose a solution to fix these problems

A: Yes. A simple change to the formula can fix this problem, and it will have the added benefit of being much more transparent regarding AEPS Act expenses. I propose the following new formula be used:

$$PTC_{Default} = [(PTC_{Current} + E)] \text{ X } [1 / (1 - T) + PTC_{AEPS}]$$

$$PTC_{Current} = (PTC_{Current\ Cost\ Component} \text{ X } PTC_{\ LossCurrent}) + PTC_{Adm} + PTC_{NITS}$$

$$E = [((DS_{Exp1} + DS_{Exp2}) - PTC_{Rev} + DS_{Int})/DS_{Sales}]$$

Where:

PTC_{AEPS} = Any direct or indirect costs to purchase resources pursuant to Section 3 of the AEPS Act.

This new variable would be the sole repository for all AEPS Act costs. Breaking out the AEPS Act cost components in this manner will eliminate the opportunity to gross them up for line losses or the collection of gross receipts tax. Additionally, the auditing group in the PUC would benefit if these expenses were broken down in the 1307(e) reports submitted by the EDCs.

Q. How would this solution affect the PTC calculation?

A. All other variables would retain their same meanings, except that the JPs would be required to remove all references to AEPS Act expenses in them, since those costs would be captured within PTC_{AEPS}. Importantly, PTC_{AEPS} cannot be embedded in the cost of default service supply; at least not entirely. There are too many costs that simply cannot be covered via default service suppliers; indirect costs in particular.

Q: Are you aware of how other EDCs calculate their default service rates?

A: Yes. In preparing my testimony, I researched how some of the other Pennsylvania EDCs calculate their default service rates. There are differences; both in formula and in nomenclature. This creates needless confusion. There should be consistency across the

state, since all EDCs are in the same business of purchasing and distributing electricity. There is no reason why there cannot be uniformity, and it can begin with making certain that all of the JPs in the present default service plan use the same formulas and nomenclature. As other default service plans are adopted for other EDCs, they can also be brought into compliance with the new standard.

Having uniformity would make the auditing function of the PUC staff much easier. Electricity is the same everywhere. There is no reason why Pennsylvania cannot have a uniform and consistent formula for calculating default service rates; one that is used consistently by all EDCs.

Further, the PUC should begin performing forensic audits via the 1307(e) reporting process to ensure that all direct and indirect costs are being tracked and recovered, pursuant to Section 3 of the AEPS Act. Again, these practices can and should be identical amongst the EDCs in Pennsylvania. This auditing can only happen if sufficient detail exists, which is why the JPs proposed solution is inadequate.

Q: Are you aware if the PUC audits cost recovery under the AEPS Act?

A: In 2014, I submitted an inquiry to see if the PUC staff could explain how cost recovery under the AEPS Act is audited. Under a Right to Know request, I received an internal e-mail chain which I have included with this testimony. [3] The e-mail chain shows that the PUC was not conducting a thorough audit of AEPS Act cost recovery eight years ago. Based on my findings as presented in this testimony, it is apparent that they should have been.

[3] *See*, Exhibit 4

Q. Do you have any suggestions regarding the JPs' HP calculations?

A. Yes. The JPs all utilize the following HP formula, or one that is very similar.

$$\text{Hourly Pricing Service Charges} = (HP_{\text{Energy Charge}} + HP_{\text{Cap-AEPS-Other Charge}} + HP_{\text{Administrative Charge}} + HP_{Unc} + HP_{\text{Reconciliation Charge}}) \times [1 / (1-T)]$$

Where the following variable definitions are used:

HP Energy Charge per kWh:

$$HP_{\text{Energy Charge}} = \sum_{t=1}^{n} (kWh_t \times (LMP_t + HP_{Oth}) \times HP_{\text{Loss Multiplier}})$$

Where:

n	=	Total number of hours in the billing period
t	=	An hour in the billing period
LMP_t	=	the "Real Time" PJM load-weighted average Locational Marginal Price for the ME Transmission Zone.
HP_{Oth}	=	$X.XXXXX per kWh for estimate of capacity, ancillary services, NITS, AEPS compliance and other supply components.

As is the case with the JPs' PTC formula, AEPS Act expenses are captured in more than one variable; namely HP_{Oth}, $HP_{\text{Cap-AEPS-Other Charge}}$ and $DSHP_{Exp2}$. No detail is provided to explain how the expenses are allocated across the three variables. This makes keeping track of the AEPS Act costs very difficult. It is clear that those AEPS Act expenses that are captured within HP_{Oth} are being impermissibly grossed up for line losses, as is the case with the JPs' PTC calculations. Also, the gross receipts tax is being applied to all AEPS Act expenses, just like in the PTC calculation. Additionally, the JPs are proposing a fixed rate as a means of estimating AEPS Act expenses. This approach is not compliant with Section 3 of the AEPS Act.

Q: Can you suggest a solution here as well?

A: Yes. The formula below would solve the problem, in a similar manner to the suggestion for the PTC calculation.

$$\text{Hourly Pricing Service Charges} = (HP_{\text{Energy Charge}} + HP_{\text{Cap-Other Charge}} + HP_{\text{Administrative Charge}} + HP_{Unc} + HP_{\text{Reconciliation Charge}}) \times [1 / (1-T)] + HP_{AEPS}$$

Where:

HP_{AEPS} = All AEPS Act expenses under the hourly pricing plan
NOTE: All other variables would be stripped of any reference to AEPS Act expenses.

By moving all expenses for AEPS Act compliance outside of the gross receipts part of the formula, they can be accounted for separately. With sufficient details from the JPs, it would be much easier for the PUC to audit compliance on HP rates going forward.

Q: What about default service suppliers taking on AEPS Act obligations?

A: The JPs are proposing to push the cost of AEPS Act compliance out to their default service supply partners. Given the lack of visibility into AEPS Act costs currently, this is a bad idea. It seems clear to me that the JPs are falling short of their compliance obligations under the AEPS Act today. They should correct this shortcoming before discussing ways to outsource their AEPS Act compliance obligations.

For example, JPs are proposing to eliminate the AEPS Act expenses embedded in their PTC calculation entirely, opting instead to procure credits from their default service suppliers. The cost of the credits would presumably be embedded in what the default service suppliers charge the JPs. This proposed action is based on the JPs' flawed belief

that this will achieve full and complete compliance with the Section 3 AEPS Act mandate below:

> "After the cost-recovery period, <u>any direct or indirect costs</u> for the purchase by electric distribution of resources to comply with this section, including, but not limited to, the purchase of electricity generated from alternative energy sources, payments for alternative energy credits, cost of credits banked, payments to any third party administrators for performance under this act and costs levied by a regional transmission organization to ensure that alternative energy sources are reliable, shall be recovered on a full and current basis pursuant to an automatic energy adjustment clause under 66 Pa.C.S. § 1307 as a cost of generation supply under 66 Pa.C.S. § 2807."

The JPs proposed change reveals a flaw in their understanding of EDC obligations under the AEPS Act. By way of example, I turn to one of the responses provided by the JPs in the first round of interrogatories.

> **SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 4** [4]
>
> "Please provide a yearly breakdown for the past three years of all direct and indirect costs to procure AEPS Act resources for JPs' pursuant to 73 P.S. § 1648.3(a)(3)(ii) of the Act, along with their respective quarterly and annual costs represented as a percentage of the overall Price to Compare ("PTC"). This breakdown should include the JPs' designation of a cost as either direct or indirect. If direct or indirect costs are not being recovered, please explain why they are not."
>
> **RESPONSE (in part)**
>
> The Companies also have direct costs for AECs that are embedded in the default service suppliers' bids. The Companies have no knowledge of the direct costs of the AEC components of the default service suppliers' bids. Therefore, the Companies do not have the ability to determine the quarterly and annual costs as a percentage of the overall PTC.
>
> ***Indirect costs are not tracked and are recovered in the Companies' base rates.***

(***emphasis*** added)

[4] *See*, Exhibit 1

The JPs believe that they can consolidate their entire compliance obligation under the AEPS Act into the direct costs of Alternative Energy Credits ("AECs") and purchases of excess generation from net-metered customer-generators. It is clear on its face that this practice is non-compliant with the AEPS Act, since the JPs have already confirmed that indirect costs are not being recovered in the manner mandated by the Act.

In fact, the JPs confirm that they do not track indirect AEPS Act costs at all; opting instead to embed them in their base rate expenses. Not only does this approach violate the clear mandate of the AEPS Act, it also makes it impossible to assess if the JPs are adequately staffing for the necessary support for customer-generators during the net metering and interconnection application processes.

Q: What are your thoughts on allowing this to occur?

A: Before they are granted the ability to outsource any portion of their AEPS Act obligation to a third party, the JPs must first accurately account for any direct and indirect costs for resources to comply with Section 3 of the AEPS Act. Only then can it be determined if the JPs' proposed solution will be in compliance with the Act. The JPs must acknowledge (as all EDCs must) that "any direct and indirect costs" basically means all costs. If a cost is necessary in order to purchase an AEPS Act resource (e.g. excess energy from a net-metered customer-generator), then it must be tracked and recovered, pursuant to Section 3 of the AEPS Act.

Q. Do you have any suggestions about the use of loss factors?

A. The use of a flat loss factor across an entire service territory is a primitive approach to determining line losses; especially based on the tools that are currently available to the JPs. By the JPs own affirmation, their current loss factors have not been revised recently.

> **SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 30** [5]
>
> "Please provide an explanation for why the Loss Factor in West Penn Power service territory is nearly twice that of Metropolitan Edison."
>
> **RESPONSE:**
>
> The Companies have not performed a recent analysis on loss factors.

It is my belief that the current approach of utilizing flat loss factors across an entire region results in a windfall to the JPs. If that proves to be true, it is not surprising that this practice has remained in place so long when a better method exists.

Q: What do you mean when you say that a better method exists?

A: With advances in metering technology, it is possible to compute losses in real-time down to the substation level. The JPs all own dozens of substations, each with their own unique loss characteristics. Using a flat loss factor, all of those losses are blended together. With metering technology that is available today, it is possible to compute an energy balance around individual substations.

The energy balance (in kWh) around a substation can be defined as follows:

[5] *See*, Exhibit 5

$E_{SOLD} = E_{DSS} + E_{DG} - E_{LF} - E_{UFE}$

Or

$E_{SOLD} = E_{DSS} + E_{DG} - E_{AL}$

Where:

E_{SOLD}	=	Energy sold to retail customers served by a substation, including actual meter readings from metered accounts and estimates for unmetered accounts.
E_{DSS}	=	Energy purchased from default service suppliers
E_{DG}	=	Energy delivered to the area served by a substation from distributed generation sources.
E_{LF}	=	Energy lost due to line losses
E_{UFE}	=	Unaccounted for energy losses
E_{AL}	=	$E_{LF} + E_{UFE}$

As a first step, I would like to ask the JPs to provide E_{SOLD} and E_{DSS} data for several of their substations. With unmetered accounts, estimates would have to suffice. Ideally, it would be best to find substations that do not currently have a distributed generation component for simplicity. With these two pieces of information available, it would be a simple matter to compute E_{AL}. Knowing that value, in comparison to the loss factors utilized today, would be an invaluable first test to see if the current loss factors are still accurate.

Q: Why are you so concerned about the JPs current use of loss factors?

A: It appears that the JPs loss factors have not been updated for many years. We also do not have visibility into how they were even derived in the first place. But it seems logical that given the improvements in the JPs infrastructure over the last decade, loss factors may have come down. Perhaps substantially. If that is true, then making use of more accurate loss factors would benefit ratepayers.

The JPs receive significant subsidies from ratepayers to improve their infrastructure, as is illustrated by the following quote from the First Energy website in a press release about Long Term Infrastructure Improvement Plans ("LTIIP") funded by Distribution System Improvement Charges ("DSIC").

> "Both LTIIPs and DSICs were authorized by Pennsylvania Act 11, which was approved in 2012 and established a process to encourage electric, natural gas, water and sewer utilities in Pennsylvania to accelerate investments in aging infrastructure and help create economic benefits." [6]

These subsidies almost certainly have had, or will have, a measurable impact on line losses. I believe the time is ripe to take a hard look at the practice of applying one single factor for line losses across an entire EDC service territory with diverse grid topologies; the smallest of which, Penn Power, spans 1,100 square miles[1]. It is inherently unfair for the JPs to accept ratepayer subsidies designed to improve their aging infrastructure, and then collect a windfall from those same ratepayers if line losses are reduced. The JPs, in total, were granted nearly $1.0 billion in ratepayer subsidies to be paid out from 2016 through 2024.

The tools exist today to provide a much more accurate picture of energy losses, and the JPs should be required to use a 21st century approach to computing and applying them. Tracking substation level loss factors would have the added benefit of spotlighting areas within the JPs distribution system that need efficiency improvements and would guide the future LTIIP spending.

Q. Do the JPs' proposed default service plans account for distributed generation?

[6] *See*, https://firstenergycorp.com/newsroom/news_articles/firstenergy-s-pennsylvania-utilities-receive-approval-for-intras.html

A. No they do not, and that is disconcerting. The General Assembly included distributed generation in its list of approved alternative energy sources because of the inherent benefits to ratepayers in the form of lower line losses. Producing power where it is needed is inherently more efficient than providing it from a centralized power plant. The reduction in line losses also correlates directly with a reduction in fuel consumption, which in turn results in less pollution.

The JPs consistently refuse to acknowledge the impact that net-metered customer-generators have on their need to purchase default service energy supply. Their responses to interrogatories have been muddled and inconsistent. The JPs acknowledge that they receive excess generation from net-metered customer-generators into their distribution systems, but they will not acknowledge that any of their customers use it.

The best they will do is acknowledge that excess energy is consumed, but not by whom.

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 7 [7]

"When excess energy generated by customer-generators enters the JPs' distribution systems, is the excess energy consumed by JP customers? If the answer is no, explain what happens to the excess energy."

RESPONSE:

The Companies do not track who actually "consumes" excess generation from customer-generators.

Q: Why is this important?

[7] *See*, Exhibit 6

A: It is important because distributed generation should be embraced as a means of lowering ratepayer costs while reducing pollution. When customer-generators produce excess energy, the immediate result is that less energy must be purchased by the JPs at the substation. This benefit should accrue to ratepayers, but it will not so long as the JPs refuse to acknowledge that it even exists. Even after admitting that the excess energy from net-metered customer-generators is consumed, the JPs' refuse to acknowledge that any of their customers are the recipients. Who else could it be?

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 9 [8]

"Please confirm that the excess energy from customer-generators that is sold to JP customers has a cost basis to the JPs' of zero at the time it is sold. If the Answer to this Interrogatory is no, please explain."

RESPONSE:

No. First, excess energy from customer-generators is not sold to other retail customers. Second, the default service providers serve 100% of the load consumed by non-shopping customers. Third, the Companies credit load reductions associated with net metering to financially reduce aggregate load at Locational Marginal Price ("LMP"). Finally, the Companies debit the cost of default service financially for the impacts associated with providing customer-generators on default service with credits for their excess generation. (emphasis added).

Stating that excess energy is "consumed" but is not sold to other retail customers makes no sense. It is physically impossible for excess energy that enters the JPs' distribution systems to be consumed by anyone other than the JPs' customers.

[8] *See*, Exhibit 7

The JPs must be compelled to produce a detailed accounting of energy consumed and energy saved, and to pass along the resulting benefits to ratepayers. The explanations provided so far do not add up.

Q: Are you convinced that the JPs are complying with Section 3 of the AEPS Act?

A: I am not. In fact, the JPs appear to barely be making an effort to comply at all. Section 3 of the AEPS Act mandates that:

> "After the cost-recovery period, any direct or indirect costs for the purchase by electric distribution of resources to comply with this section, including, but not limited to, the purchase of electricity generated from alternative energy sources, payments for alternative energy credits, cost of credits banked, payments to any third party administrators for performance under this act and costs levied by a regional transmission organization to ensure that alternative energy sources are reliable, shall be recovered on a full and current basis pursuant to an automatic energy adjustment clause under 66 Pa.C.S. § 1307 as a cost of generation supply under 66 Pa.C.S. § 2807."

The JPs have confirmed that they are required to comply with all relevant obligations under the AEPS Act, yet when asked specific questions, they confirm that they are falling short of full compliance.

> **SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 4** [9]
>
> "Please provide a yearly breakdown for the past three years of all direct and indirect costs to procure AEPS Act resources for JPs' pursuant to 73 P.S. § 1648.3(a)(3)(ii) of the Act, along with their respective quarterly and annual costs represented as a percentage of the overall Price to Compare ("PTC"). This breakdown should include the JPs' designation of a cost as either direct or indirect. If direct or indirect costs are not being recovered, please explain why they are not."

[9] *See*, Exhibit 1

RESPONSE (in part):

Indirect costs are not tracked and are recovered in the Companies' base rates.

(emphasis added).

Q: What does this mean?

A: The JPs have confirmed that they do not track indirect AEPS Act costs, and that they are not recovering them in the manner mandated by Section 3 of the AEPS Act. Before the JPs are granted the ability to make any changes to their current default service plans, they should be compelled to track and recover all AEPS Act costs pursuant to Section 3 of the Act.

The General Assembly cast a wide net when they described the cost recovery that must be implemented by EDCs. The term "any direct or indirect costs for the purchase by electric distribution of resources to comply with this section" means that all resource costs must be tracked and recovered. If a cost is necessary in any way for the purchase of a resource, it is by definition either a direct or an indirect cost. This includes many costs that the JPs appear to ignore entirely.

Q: Is there anything else you would like to add.

A: No, not at this time.

EXHIBIT 1

JOINT PETITION OF METROPOLITAN EDISON COMPANY PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY FOR APPROVAL OF THEIR DEFAULT SERVICE PROGRAMS
Docket Nos. P-2021-3030012, P-2021-3030013, P-2021-3030014, and P-2021-3030021

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 4

"Please provide a yearly breakdown for the past three years of all direct and indirect costs to procure AEPS Act resources for JPs pursuant to 73 P.S. § 1648.3(a)(3)(ii) of the Act, along with their respective quarterly and annual costs represented as a percentage of the overall Price to Compare ("PTC"). This breakdown should include the JPs designation of a cost as either direct or indirect. If direct or indirect costs are not being recovered, please explain why they are not."

RESPONSE:

The Companies' direct costs of alternative energy credit ("AEC") purchases (compliance year):
2019 – $ 7,232,000
2020 – $12,540,000
2021 – $ 9,054,000

The Companies' direct costs for PJM Generation Attribute Tracking System ("GATS") account:
2019 - $6,000
2020 - $6,000
2021 - $6,000

The Companies' direct costs for solar photovoltaic alternative energy credit ("SPAEC") request for proposals ("RFPs")
2019 - $ 95,000
2020 - $ 8,000
2021 - $103,000

The Companies also have direct costs for AECs that are embedded in the default service suppliers' bids. The Companies have no knowledge of the direct costs of the AEC components of the default service suppliers' bids. Therefore, the Companies do not have the ability to determine the quarterly and annual costs as a percentage of the overall PTC.

Indirect costs are not tracked and are recovered in the Companies' base rates.

EXHIBIT 2

JOINT PETITION OF METROPOLITAN EDISON COMPANY PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY FOR APPROVAL OF THEIR DEFAULT SERVICE PROGRAMS
Docket Nos. P-2021-3030012, P-2021-3030013, P-2021-3030014, and P-2021-3030021

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 34

"Please confirm that AECs do not suffer from line losses. If you do not confirm, please explain."

RESPONSE:

Confirmed.

EXHIBIT 3

JOINT PETITION OF METROPOLITAN EDISON COMPANY PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY FOR APPROVAL OF THEIR DEFAULT SERVICE PROGRAMS
Docket Nos. P-2021-3030012, P-2021-3030013, P-2021-3030014, and P-2021-3030021

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 33

"Please confirm that the JPs have been multiplying the JPs Loss Factor times the cost of AEPS Act resources in the default service rate calculations, and then passing this marked up cost on to default service customers. If you do not confirm, please explain."

RESPONSE:

No. The Companies do not gross up AECs nor the compliance obligation for line losses.

EXHIBIT 4

recommendation. It strikes me as interesting that every time a reporter calls asking for documents – we refrain from the RTK process – but Mr. Hommrich is only asking some questions – not asking for documents.

Attached is his email framing his questions – please respond to me by tomorrow NOON with the answers – then I will get back to Mr. Hommrich.
Thanks RC

From: Brown, Kriss
Sent: Monday, April 28, 2014 3:31 PM
To: Hosler, Dennis; Young, Robert F; Lion Januzzi, Elizabeth
Cc: Kocher, Jennifer R; Gill, Darren; Pankiw, Bohdan; Gebhardt, Scott; Sherrick, Joseph; Burger, Lori; Schwab, Thomas; Keen, Robert; Shuey, Brian; Charles, Thomas; Diskin, Paul; Beene, Thomas; Perry, June; Chiavetta, Rosemary; Trout, Doreen
Subject: RE: Draft response to Auditing question

I read his question as an inquiry in whether the PUC is auditing the costs EDCs are recovering from ratepayers for their payments to net metering customers. I don't believe he is asking whether the EDCs are paying the net metering customers correctly. It is a cost recovery issue. Per the AEPS Act, EDCs can recover the purchase of electricity generated from alternative energy sources, including costs of the regional transmission organization, in excess of the RTO real-time locational marginal pricing, pursuant to an automatic energy adjustment clause under 66 Pa.C.S. 1307 (relating to sliding scale of rate; adjustments). See 73 P.S 1648.3(a)(3). So as I read his question, he is seeking who is auditing the 1307 cost recovery riders submitted by EDCs to recover their AEPS Act costs?

From: Hosler, Dennis
Sent: Monday, April 28, 2014 3:19 PM
To: Young, Robert F; Brown, Kriss; Lion Januzzi, Elizabeth
Cc: Kocher, Jennifer R; Gill, Darren; Pankiw, Bohdan; Gebhardt, Scott; Sherrick, Joseph; Burger, Lori; Schwab, Thomas; Keen, Robert; Shuey, Brian; Charles, Thomas; Diskin, Paul; Beene, Thomas; Perry, June; Chiavetta, Rosemary; Trout, Doreen
Subject: FW: Draft response to Auditing question

Bob/Kriss/Betty;

FYI – Mr. Hommrich quickly responded to my email that we were going to refer his "Auditing Question" to be treated as a RTK request. He indicates that he has asked Senator Solobay to help him get his information. It does seem that he may have a point about how to rework his request into a RTK request. If he just wants to know whose auditing/verifying what's related to the accuracy of alternative energy billings, based on what I know at this point, the answer seems to be no section or contractor of the PUC is currently doing this. Potentially, the Audit Bureau may be expanding its Default Service adj. clause audits to take a look at the net metering aspects – he has triggered us to discuss/look at this.

However, that leaves some questions – what might he do with this information? Should the PUC be verifying the accuracy or is this something the customer should be monitoring and contacting the company as necessary and then us when there is a dispute? Are net metering customers retail customers or wholesale customers/generators? How do/should we treat them? How complex are these computations? I don't think the Audit Bureau has thought that we have a roll beyond the auditing of any adj. clause revenues and expenses applicable to these customers. We audit the compilation of the expenses, but we haven't been proofing the accuracy of the bills received (or generated) for the payment of those expenses, only that the dollars included were expensed incurred by/amounts paid by the utility.

Dennis P. Hosler
Director, PUC Bureau of Audits
ph# 717-772-0312

Chiavetta, Rosemary

From: Hosler, Dennis
Sent: Monday, April 28, 2014 1:02 PM
To: dhommrich@sunrise-energy.net
Subject: FW: Draft response to Auditing question

Mr. Hommrich, sorry for the delay, but as indicated in my earlier email I wasn't sure how the Commission would handle your inquiry. During the process of trying to identify who would have the requested information, the answer(s) to your question, and what section should be providing a response, the conclusion was that we should be treating your email as a Right to Know (RTK) Request. Use of the Commission's established process for handling RTK requests will preserve your rights to appeal if you are unsatisfied with the response. Accordingly, I will be forwarding your email to the Secretary's Bureau and asking that they treat it as a RTK request. Consequently, you may be contacted by them to facilitate that effort. All future inquiries should be handled as RTK requests submitted to the Commission Secretary at RA-PUCRightToKnow@pa.gov or:

If using U.S. Postal Service:	If using overnight delivery service
Secretary Pennsylvania Public Utility Commission P.O. Box 3265 Harrisburg, PA 17105-3265	Secretary Pennsylvania Public Utility Commission 400 North Street Commonwealth Keystone Building, 2nd Floor Harrisburg, Pennsylvania 17120

Dennis P. Hosler
Director, PUC Bureau of Audits
ph# 717-772-0312

From: David N. Hommrich [mailto:dhommrich@sunrise-energy.net]
Sent: Wednesday, April 23, 2014 9:08 AM
To: Hosler, Dennis
Subject: RE: Auditing question

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Thanks.

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To: 'Hosler, Dennis'
Subject: RE: Auditing question

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From: Hosler, Dennis [mailto:DEHOSLER@pa.gov]
Sent: Wednesday, April 16, 2014 10:48
To: David N. Hommrich
Subject: RE: Auditing question

FYI – yes I got your email.

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Dennis P. Hosler
Director, PUC Bureau of Audits
ph# 717-772-0312

> **From:** David N. Hommrich [mailto:dhommrich@sunrise-energy.net]
> **Sent:** Wednesday, April 16, 2014 10:16 AM
> **To:** Hosler, Dennis
> **Subject:** RE: Auditing question
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>
> Thanks.
>
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> **Sent:** Tuesday, April 15, 2014 12:32
> **To:** 'dehosler@pa.gov'
> **Subject:** Auditing question
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performing this calculation.....and whose job it is to ensure that they do it correctly. I wasn't sure where to start looking for answers, so I began with the Bureau of Audits.

If you could have someone in your staff explain how this function is audited, I'd appreciate it. Thanks.

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73 P.S. § 1648.3. Alternative energy portfolio standards

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(2) Electric distribution companies and electric generation suppliers shall satisfy both requirements set forth in subsections (b) and (c), provided, however, that an electric distribution company or an electric generation supplier shall be excused from its obligations under this section to the extent that the commission determines that force majeure exists.

(3) All costs for:

(i) the purchase of electricity generated from alternative energy sources, including the costs of the regional transmission organization, in excess of the regional transmission organization real-time locational marginal pricing, or its successor, at the delivery point of the alternative energy source for the electrical production of the alternative energy sources; and

(ii) payments for alternative energy credits,

in both cases that are voluntarily acquired by an electric distribution company during the cost recovery period on behalf of its customers shall be deferred as a regulatory asset by the electric distribution company and fully recovered, with a return on the unamortized balance, pursuant to an automatic energy adjustment clause under 66 Pa.C.S. §1307 (relating to sliding scale of rates; adjustments) as a cost of generation supply under 66 Pa.C.S. § 2807 (relating to duties of electric distribution companies) in the first year after the expiration of its cost-recovery period. After the cost recovery period, any direct or indirect costs for the purchase by electric distribution of resources to comply with this section, including, but not limited to, the purchase of electricity generated from alternative energy sources, payments for alternative energy credits, cost of credits banked, payments to any third party administrators for performance under this act and costs levied by a regional transmission organization to ensure that alternative energy sources are reliable, shall be recovered on a full and current basis pursuant to an automatic energy adjustment clause under 66 Pa.C.S. § 1307 as a cost of generation supply under 66 Pa.C.S. § 2807.

Chiavetta, Rosemary

From: Burger, Lori
Sent: Thursday, April 24, 2014 10:00 AM
To: Gebhardt, Scott; Gill, Darren
Cc: Hosler, Dennis
Subject: RE: Quick question

That is the type of information the Bureau of Audits will be asking the EDCs. If the costs are included in the 1307(e) filings, then yes, our audits will need to look at this more closely. If the EDCs do not include any renewable energy or Net Metering costs in their 1307(e) filings, then it would be outside the scope of our audits. At least that is our thoughts at the moment. As we learn more that could change.

From: Gebhardt, Scott
Sent: Thursday, April 24, 2014 9:52 AM
To: Gill, Darren
Cc: Burger, Lori
Subject: RE: Quick question

CORRECTION/ADDITION to Previous email.

If the EDCs are including the costs for renewable energy purchases in their cost recovery with 1307 filings then yes they are reviewed by audits and other parties like OCA & OSBA. At this time I do not know if EDCs have put those costs in 1307 filings.

> **From:** Gebhardt, Scott
> **Sent:** Thursday, April 24, 2014 9:35 AM
> **To:** Gill, Darren
> **Cc:** Burger, Lori
> **Subject:** RE: Quick question
>
> FYI – When Dennis Hosler mentioned that Lori Burger found out from TUS . . . it is because I called her (as suggested by Kriss) to try and find out if Audits looks at anything relative to Dave's questions. From the discussions I had with Lori, it seems that the short answer is, no. We do not know where he gain assurance of oversight.
>
> Lori – please chime in if you have something to add or if you think I misspoke.
>
> > **From:** Gill, Darren
> > **Sent:** Wednesday, April 16, 2014 2:56 PM
> > **To:** Gebhardt, Scott; Sherrick, Joseph
> > **Subject:** FW: Quick question
> >
> > I seek your input on this inquiry
> >
> > **From:** David N. Hommrich [mailto:dhommrich@sunrise-energy.net]
> > **Sent:** Tuesday, April 15, 2014 11:23 AM
> > **To:** Gill, Darren
> > **Subject:** RE: Quick question

Morning, Darren. Hope you are doing well. Had another thought on AEPS Act cost recovery that I wanted to run past you.

Listed below is the section of the AEPS Act that defines the mechanism for cost recovery for EDC's. According to this section, the EDC must do a real-time reconciliation of the price they pay for electricity from a renewable energy facility (the PTC) versus the LMP at the delivery point of the alternative energy source for the electrical production of the alternative energy source. This has got to be an incredibly complex calculation. One that is likely to contain errors (or let's face it.....even fraud).

Given the importance of this process in the EDC's compliance with the AEPS Act, surely someone must be auditing this function. Right? Do you have any idea where I could go to gain some assurance that this important function of the AEPS Act is being overseen properly?

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From: David N. Hommrich [mailto:dhommrich@sunrise-energy.net]
Sent: Monday, April 28, 2014 2:12 PM
To: Hosler, Dennis
Subject: RE: Draft response to Auditing question

Thanks, Dennis. By the way.....I was speaking to Ty Christy the other day and he said hello. Ty had nothing but good things to say about you and your organization.

I'm a little puzzled how the RTK route will yield an answer to my question. I'm interested in knowing if the PUC audits the process I described in my prior e-mails. Given the complexity of the financial calculations, it would seem important that there be Commission oversight. Since RTK requests have to do with access to public records, how will I get an answer to my question? I'm not asking for any public records..... I guess I can ask for the results of an audit, and then have you guys tell me they don't exist. That might give me my answer.....or it might just mean I asked the question wrong. It's difficult to ask for the correct document when you don't know its name (or if it even exists). I really would like to avoid a game of "Regulatory 20 Questions". Especially since I have a hunch the answer to my question is readily available. Have you been specifically told not to answer my question? If so, I find that troublesome.

Anyhow.....I've asked Sen. Solobay to look into this for me. Perhaps the Commission will be more accommodating when he asks the question.

Dave

From: Hosler, Dennis [mailto:DEHOSLER@pa.gov]
Sent: Monday, April 28, 2014 13:02
To: dhommrich@sunrise-energy.net
Subject: FW: Draft response to Auditing question

Mr. Hommrich, sorry for the delay, but as indicated in my earlier email I wasn't sure how the Commission would handle your inquiry. During the process of trying to identify who would have the requested information, the answer(s) to your question, and what section should be providing a response, the conclusion was that we should be treating your email as a Right to Know (RTK) Request. Use of the Commission's established process for handling RTK requests will preserve your rights to appeal if you are unsatisfied with the response. Accordingly, I will be forwarding your email to the Secretary's Bureau and asking that they treat it as a RTK request. Consequently, you may be contacted by them to facilitate that effort. All future inquiries should be handled as RTK requests submitted to the Commission Secretary at RA-PUCRightToKnow@pa.gov or:

If using U.S. Postal Service:	If using overnight delivery service
Secretary Pennsylvania Public Utility Commission P.O. Box 3265 Harrisburg, PA 17105-3265	Secretary Pennsylvania Public Utility Commission 400 North Street Commonwealth Keystone Building, 2nd Floor Harrisburg, Pennsylvania 17120

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EXHIBIT 5

JOINT PETITION OF METROPOLITAN EDISON COMPANY PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY FOR APPROVAL OF THEIR DEFAULT SERVICE PROGRAMS
Docket Nos. P-2021-3030012, P-2021-3030013, P-2021-3030014, and P-2021-3030021

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 30

"Please provide an explanation for why the Loss Factor in West Penn Power service territory is nearly twice that of Metropolitan Edison."

RESPONSE:

The Companies have not performed a recent analysis on loss factors.

EXHIBIT 6

JOINT PETITION OF METROPOLITAN EDISON COMPANY PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY FOR APPROVAL OF THEIR DEFAULT SERVICE PROGRAMS
Docket Nos. P-2021-3030012, P-2021-3030013, P-2021-3030014, and P-2021-3030021

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 7

"When excess energy generated by customer-generators enters the JPs distribution systems, is the excess energy consumed by JP customers? If the answer is no, explain what happens to the excess energy."

RESPONSE:

The Companies do not track who actually "consumes" excess generation from customer-generators.

EXHIBIT 7

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Docket Nos. P-2021-3030012, P-2021-3030013, P-2021-3030014, and P-2021-3030021

SUNRISE ENERGY, LLC AND JOHN BEVEC Set I, No. 9

"Please confirm that the excess energy from customer-generators that is sold to JP customers has a cost basis to the JPs of zero at the time it is sold. If the Answer to this Interrogatory is no, please explain."

RESPONSE:

No. First, excess energy from customer-generators is not sold to other retail customers. Second, the default service providers serve 100% of the load consumed by non-shopping customers. Third, the Companies credit load reductions associated with net metering to financially reduce aggregate load at Locational Marginal Price ("LMP"). Finally, the Companies debit the cost of default service financially for the impacts associated with providing customer-generators on default service with credits for their excess generation.

VERIFICATION

I, **David N. Hommrich**, individually and as a member of Sunrise Energy, LLC, hereby state that the facts contained in the foregoing testimony are true and correct to the best of my knowledge, information and belief, that I am duly authorized to make this Verification, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 10 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: 3/23/2022

By: _____
David N. Hommrich

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Joint Petition Of Metropolitan Edison Company,	:	
Pennsylvania Electric Company, Pennsylvania	:	P-2021-3030012
Power Company And West Penn Power	:	P-2021-3030013
Company For Approval Of Their Default	:	P-2021-3030014
Service Programs	:	P-2021-3030021

REBUTTAL TESTIMONY OF DAVID N. HOMMRICH ON BEHALF OF SUNRISE ENERGY, LLC AND JOHN P. BEVEC

List of Topics Addressed

Rebuttal to Edward B. Stein's Testimony

Rebuttal Testimony
April 6, 2022

TABLE OF CONTENTS

Introduction and Background

Q: Please state your name for the record

A: David N. Hommrich

Q: Please state your title and the company you work for.

A: President, Sunrise Energy, LLC

Q: On whose behalf are you testifying?

A: I am testifying on behalf of Sunrise Energy, LLC and John P. Bevec

Q: Have you previously submitted testimony in this matter?

A: Yes.

Q. What is the purpose of this current testimony?

A. I am providing testimony in response to the Supplemental Rebuttal Testimony of Mr. Edward Stein.

Q: Why do you feel the need to offer rebuttal testimony with respect to Mr. Stein?

A: I found what I believe to be several errors. The first error I discovered is in reference to Mr. Stein's testimony beginning at line 14, page 3. Mr. Stein explains in detail how the Joint Petitioners (the "JPs") derive their Alternative Energy Credit ("AEC") obligations from their wholesale power purchases. He is on the record that the JPs are only

estimating their AEC requirements, and he describes in great detail how that is done. He supports this approach by asserting that it is "reasonable".

Q: Do you disagree with the Mr. Stein's assertion regarding reasonableness?

A: I do. But much more important than my opinion is the plain language of the Pennsylvania Alternative Energy Portfolio Standards Act [1] (the "AEPS Act" or the "Act").

Q: What do you mean by that?

A: The AEPS Act is replete with references to the quantities of AECs that must be obtained by electric distribution companies ("EDCs") in order to maintain compliance. In no case does the Act allow for the application of loss factors (or any other factor) to determine the compliance levels for AECs. For example, 73 P.S. § 1648.3(b)(2) states in part that:

"The total percentage of the electric energy sold by an electric distribution company or electric generation supplier to retail electric customers in this Commonwealth that must be sold from solar photovoltaic technologies is:"

(emphasis added).

Q: How does this apply to Mr. Stein's "reasonableness" assumption?

A: Because the plain language in the Act is clear. AEC obligations are based on the **sale** of electricity to retail customers. A sale occurs at a meter, not at some wholesale point in the transmission grid. Or in the case of unmetered accounts, sales are estimated. The JPs have acknowledged that they have not revisited their line loss factors in years. But even

[1] 73 P.S. §§ 1648.1-1648.8

if the loss factors were above reproach, they are only an estimate. The JPs are obliged to purchase AECs commensurate with their sales to retail customers. Ironically, it would or should be a very simple task to sum up all of energy sold through the JPs meters, and use that as the basis for determining the required AEC purchases. Unmetered accounts would need to be estimated, but those estimates have been thoroughly documented by the JPs and should present no difficulty. The current process being used does not comply with the statutory language of the AEPS Act.

Q: Mr. Stein believes that the JPs approach is "reasonable". Do you agree?

A: No, I don't. The term "reasonableness" is ubiquitous in the Public Utility Code, and given Mr. Stein's extensive utility industry experience it does not surprise me that he uses it. But it is not a term that is used in the AEPS Act. This is an important distinction because in *Hommrich v. Commonwealth*, 231 A.3d 1027 (PaCmwlth.. 2020), affirmed, 245 A.3d 637 (Pa. 2021), the Commonwealth Court ruled that:

> *The Alternative Energy Act is not part of the Public Utility Code. The legislature has authorized the PUC to develop "technical and net metering interconnection rules." See Section 5 of the Alternative Energy Act, 73 P.S. §1648.5. This limited authority does not give the PUC jurisdiction to decide eligibility for net metering. Eligibility has been fully established by the legislature in the Alternative Energy Act.*

(*emphasis* added).

Q: What does that mean to you?

A: In plain terms, it means that the JPs are obliged to comply with the AEPS Act. The Public Utility Code, and its "reasonableness" criteria do not apply. The plain language of the Act makes it clear that the JPs must buy AECs in proportion to the amount of energy

they **sell** to retail customers. Sales occur at a meter, or in the case of unmetered accounts they are estimated. The estimating scheme described by Mr. Stein, in my opinion, does not comply with the Act.

Q: What about Mr. Stein's assertion that the PUC approves the JPs methodology?

A: The PUC possesses no authority to make that decision. In *Hommrich*, the Commonwealth Court opined that:

> *Under the AEPS Act, the PUC's authority is limited to developing "technical and net metering interconnection rules." Section 5 of the AEPS Act, 73 P.S. §1648.5.*

(*emphasis* added).

The JPs may not rely on any statement or ruling from the PUC when it comes to compliance with the AEPS Act. The Act is separate from the Public Utility Code, and the JPs compliance obligations derive directly from the Act.

Q: What are your thoughts on Mr. Stein's assertion regarding "procuring the AECs necessary to satisfy AEPS Act requirements associated with default service load".

A: I think Mr. Stein is tailoring his testimony so that it is in line with the JPs strategy of outsourcing AEPS Act obligations. But the Act is clear when it comes to determining the number of AECs that an electric distribution company ("EDC") must be procure in a given year. The requirement is not based on "default service load". It is based on sales to retail customers. Since the JPs routinely sell to retail customers, the best data that they have is likely to be their billing data. It would be a simple matter to sum up all energy sales to determine their AEC compliance levels.

Q: What are your thoughts on Mr. Stein's testimony regarding excess energy from net-metered customer-generators under the AEPS Act?

A: I think that Mr. Stein's testimony is designed to proffer an accounting explanation for the treatment of excess renewable energy, rather than one based in engineering.

Q: Can you provide an example?

A: Yes. At Line 5 on page 8 of his testimony, Mr. Stein states that "Excess energy from intermittent net-metered customer generators is not used as supply to serve default service load and instead is properly recognized financially as aggregate load reduction." It appears he attempts to reconcile basic engineering principles with the JPs' own views on how energy should be recognized financially. The two statements that net-metered energy is not used to serve default load, but instead is an aggregate load reduction cannot be reconciled.

Q: What do you mean when you say that the two statements cannot be reconciled?

A: Distributed generation is consumed locally. That is the nature of electricity; it serves the closest load first. If aggregate load is being reduced by excess net-metered energy, then the load that is being reduced is local, nearby where the energy was produced. Excess net-metered energy is consumed by default service customers. There is no place else for it to go.

Q: Do you agree with Mr. Stein's assessment that net metering is a "retail load reduction mechanism"

A: I do. When load is served by net metered energy, it is by definition a "retail load reduction mechanism". But that retail load can only be served when retail customers use the net metered energy.

Q: Mr. Stein refutes your claim that the JPs know the amount of projected energy from a customer-generator. Do you agree?

A: Mr. Stein's statement is incorrect. When a customer-generator submits an application for interconnection under the AEPS Act, they must provide an estimate of their annual power production and the amount they will export to the grid. An application is deemed incomplete without this data. The information in interconnection application gives the JPs an idea, at least on an annual basis, of the amount of energy that will be exported into their distribution systems. Moreover, systems that are larger than 500 kW are required by the JPs to install sophisticated SCADA systems that allow them to monitor distributed generation in real-time. There is ample data available to the JPs to know precisely how much energy they are receiving.

Q: What are your thoughts on Mr. Stein's discussion of the JPs "financial netting paradigm"?

A: The JPs are free to employ whatever paradigms they wish, but not when they conflict with the AEPS Act. It is clear that the JPs are attempting to set up a system of compliance that is convenient for them, but the General Assembly did not write the AEPS Act with an EDC's convenience in mind.

Q: Are you familiar with the term Load Serving Entity ("LSE"), and if so how does it apply in the context of excess net metered generation?

A: I am familiar with it. An LSE in this context is a winning bidder for default service supply. The JPs outsource their LSE obligations to their default service supply partners. One important job of an LSE is to predict future energy needs and arrange for delivery as it is needed. This is a complex process, and one that makes extensive use of historical load profiles. Mr. Stein correctly states that excess net-metered energy acts as a reduction in aggregate load. Absent any knowledge of the load reduction, for a period of time, an LSE might mistakenly procure too much energy. The excess would have to be sold into the PJM market at the locational marginal price ("LMP"). However, over time the reduction in demand eventually makes its way into the historical load profile used by an LSE to schedule default service supply. It is no different than what happens if a large default service customer were to cease operations. An LSE does not continue purchasing energy for customers that no longer exist. In reality, the LSE's procurement process "learns" via a revised load profile that the load it serves has been reduced. Otherwise, LSEs would be buying energy for companies that went out of business long ago.

Q: If what you say is true, then how can the LSE sell excess power into PJM?

A: The short answer is, it cannot. Once an LSE has adopted a load profile that reflects excess net-metered energy production, it is back to scheduling the correct amount of energy again. It still will struggle with the inherent complexity of predicting future loads, but the presence of the net metered energy is being accounted for. Much in the same way that an LSE adapts to a retail customer ceasing operation. If the JPs' LSEs are being

compensated for excess renewable energy, it is a windfall for them. As Mr. Stein correctly points out, aggregate load is reduced by the presence of excess net-metered energy. It naturally follows from Mr. Stein's statement that the load the LSE is serving is also reduced. Given Mr. Stein's statements about aggregate load reduction, the LSE is not in a position to sell excess net-metered energy. The excess net-metered energy is what accounts for the reduction in aggregate load. In short, if an LSE is being paid for excess net-metered energy, they are selling something that they do not possess.

Q: So does the aggregate load reduction from net metered energy have a basis of zero?

A: Yes it does; at least initially. When excess net-metered energy is used to reduce the JPs' aggregate load, which Mr. Stein confirms is the case, default service customers are consuming the excess energy. There is nowhere else for it to go except into a retail customer's meter. Once it enters a retail customer's meter, the JPs bill that customer at the default service rate (in the case of non-shopping customers). Shopping customers have a separate arrangement with their preferred energy supplier. When a default service customer is billed for excess net-metered energy, the cost for that energy is zero. On an annual basis, the JPs pay customer-generators for the energy that they borrowed. At that point, it is a wash transaction. The default service customer is charged the Price to Compare ("PTC"), and the customer-generator is paid the PTC. Between the time that the energy is produced and the time that a customer-generator is paid for its power, the JPs cost basis for excess net-metered energy is zero.

Q: Do you agree with Mr. Stein's assessment of what he refers to as the "Net Meter Rate" in Figure 6 of his testimony.

A: I do not. Mr. Stein has made an erroneous assumption in his calculations. In Figure 6 of his testimony, he presents a net metered rate of $0.14 / kwh. Presumably, he is asserting that this is the rate paid to a customer-generator for their excess energy. But that number is more than twice the default service rate of $0.06 / kwh displayed in the same table, which is impossible. Customer-generators are only paid the default service rate for their excess energy production. Mr. Stein appears to have mistakenly included the distribution component in his example of the rate that JPs pay for net-metered energy. If that is the case, then he has grossly exaggerated the customer-generator payment. Customer-generators do not receive compensation for distribution in the payment for excess generation, pursuant to 52 Pa. Code § 75.13.

> *At the end of each year, the DSP shall compensate the customer-generator for any remaining excess kilowatt hours generated by the customer-generator that were not previously credited against the customer-generator's usage in prior billing periods at the DSP's price to compare rate.*

(emphasis added).

When excess power enters the JPs distribution system, by definition, the customer-generator's load "behind the meter" has been met. It is not a practice in Pennsylvania to pay customer-generators for distribution charges once onsite load needs are met.

Q: Has Mr. Stein adequately addressed your concerns about the JPs use of Loss Factors?

A: No. Mr. Stein appears to be answering a question that I did not ask. In the JPs proposed default service plan, they make reference to Loss Factors as follows:

PTC $Loss_{Current}$ = Distribution line losses for energy that are determined by the applicable Loss Factors specified below:

Customer Class	Loss Factor
Commercial Customer Class	1.0899
Residential Customer Class	1.0910

Figure 1: West Penn Power Loss Factors [2]

These factors account for losses on the distribution systems for the JPs; in Figure 1, the loss factors displayed are for West Penn Power. In plain terms, this means that West Penn Power estimates that 9.10% of the LMP energy purchased is lost in its distribution system. I noted in my original testimony that West Penn Power's Loss Factors are significantly higher than Metropolitan Edison's. For example:

PTC $Loss_{Current}$ = Distribution line losses for energy that are determined by the applicable Loss Factors specified below:

Customer Class	**Loss Factor**
Commercial Customer Class	1.0515
Residential Customer Class	1.0515

Figure 2: Metropolitan Edison Loss Factors [3]

Mr. Stein's testimony appears to go in a different direction than the questions I raised in my testimony. Therefore, I have difficulty responding to it. But my concerns about loss factors remain. If a loss factor is off by only a small amount, the windfall to the JPs is significant. By way of example, the Load-Weighted LMP for West Penn Power's commercial class customers was 4,953,188 MWh in 2016, which equates to

[2] *See* page 605 of 793 in the JPs' proposed default service plan
[3] *See* page 584 of 793 in the JPs' proposed default service plan

$150,177,602 in energy charges to the West Penn's commercial class customers. [4] If the West Penn Power loss factor, were reduced from 1.091 to 1.081, the savings to ratepayers would have been approximately $1.5 million in 2016. Since the JPs acknowledge that they have not revisited their loss factors in some time, it is a relevant question to ask how they can be certain of what their current loss factors are. The only way to know for sure is to do a more current, and more frequent, assessment of loss factors. Based on Mr. Stein's testimony at Line 4 of page 15, the JPs know that their loss factors are appropriate based on their knowledge of unaccounted for energy ("UFE"). If that is the case, then it will be a simple matter for the JPs to produce that data and lay this matter to rest.

Q: Mr. Stein asserts that you are claiming that the JPs Supplier Tariff loss factors have not been updated for many years. Is that correct?

A: No. The focus in my testimony was and is the loss factors employed by the JPs when calculating their default service rates, and the fact that they have not been revisited in years. These are distribution-level loss factors, as I have explained in this testimony.

Q: Do you agree with Mr. Stein's testimony regarding windfalls arising from an error in loss factor?

A: No. Mr. Stein deviates from the issues raised in my testimony when he talks about Supplier Tariff losses. My focus is on the commercial and residential loss factors, which are used in the JPs' default service rate calculations. If West Penn's loss factor were reduced in the example I posed earlier in this testimony, the excess revenue would go to

[4] *See* page 672 of 793 in the JPs' proposed default service plan

West Penn Power, and no one would even know about it. Which is why knowing the loss factor is so important. Otherwise, there is an opportunity for the JPs to make a profit, which Mr. Stein claims at Line 16 of page 15 in his testimony does not occur.

Q: Is there anything else you would like to add.

A: No, not at this time.

VERIFICATION

I, **David N. Hommrich**, individually and as a member of Sunrise Energy, LLC, hereby state that the facts contained in the foregoing testimony are true and correct to the best of my knowledge, information and belief, that I am duly authorized to make this Verification, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 10 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: 4/6/2022

By: _____
David N. Hommrich

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct 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 Only:

Kenneth M. Kulak, Esquire
Catherine G. Vasudevan, Esquire Brooke E. McGlinn, Esquire
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
Ken.kulak@morganlewis.com
Catherine.vasudevan@morganlewis.com
Brooke.mcglinn@morganlewis.com

Allison C. Kaster, Esquire
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120
akaster@pa.gov

Tori L. Giesler, Esquire
Darshana Singh, Esquire
FirstEnergy Service Company
2800 Pottsville Pike
PO Box 16001
Reading, PA 19612-6001
tgiesler@firstenergycorp.com
singhd@firstenergycorp.com

Susan E. Bruce, Esquire
Charis Mincavage, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108
sbruce@mcneeslaw.com
cmincavage@mcneeslaw.com

Patrick M. Cicero, Esquire
Darryl A. Lawrence, Esquire
Christy M. Appleby, Esquire
Harrison W. Breitman, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
OCAFEDSP2021@paoca.org

Elizabeth R. Marx, Esquire
Lauren N. Berman, Esquire
Ria M. Pereira, Esquire
John W. Sweet, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@pautilitylawproject.org

Erin K. Fure, Esquire
Office of Small Business Advocate
555 Walnut Street
1st Floor, Forum Place
Harrisburg, PA 17101
efure@pa.gov

Todd S. Stewart, Esquire
Hawke McKeon & Sniscak, LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmslegal.com

Thomas J. Sniscak, Esquire
Whitney E. Snyder, Esquire
Phillip D. Demanchick, Jr., Esquire
Hawke McKeon & Sniscak, LLP
100 North Tenth Street
Harrisburg, PA 17101
tjsniscak@hmslegal.com
wesnyder@hmslegal.com
pddemanchick@hmslegal.com

Colleen P. Kartychak, Esquire
John White, Esquire
Exelon Corporation
1310 Point Street
Baltimore, MD 21231
Colleen.kartychak@exeloncorp.com
John.White@exeloncorp.com

John F. Lushis, Jr., Esquire
David Berger, Esquire
Norris McLaughlin, P.A.
515 W. Hamilton Street, Suite 502 Allentown, PA 18101
jlushis@norris-law.com
dberger@norris-law.com

Michael A. Gruin, Esquire
Stevens & Lee
17 N. Second Street, 16th Floor
Harrisburg, PA 17101
michael.gruin@stevenslee.com

Robert D. Knecht
Industrial Economics, Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140
rdk@indecon.com

James Laskey, Esquire
Norris McLaughlin, P.A.
400 Crossing Blvd., 8th Floor
Bridgewater, PA 08807
jlaskey@norris-law.com

Serhan Ogur
Exeter Associates, Inc.
10480 Little Patuxent Parkway, Suite 300
Columbia, MD 21044
sogur@exeterassociates.com

Barbara R. Alexander
Barbara Alexander Consulting, LLC
83 Wedgewood Drive
Winthrop, ME 04364
barbalexand@gmail.com

Dated: 04/22/22

By: A. M Gianantonio IV
A. MICHAEL GIANANTONIO, ESQUIRE
Counsel for Petitioners John Bevec and Sunrise Energy, LLC