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PA P.U.C.
LAW OFFICE
April 26, 2006

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

Re: Proposed Rulemaking Re Interconnection Standards for Customer-Generators Pursuant to Section 5 of the Alternative Energy Portfolio Standards Act, 73 P.S. § 1648.5; Docket No. L-00050175

Dear Secretary McNulty:

Enclosed for filing with the Commission are an original and fifteen (15) copies of Comments of Citizens' Electric Company of Lewisburg, PA, and Wellsboro Electric Company.

Please feel free to contact us with any questions you may have regarding this filing. Copies of this filing are being served upon the parties indicated below and on the attached Certificate of Service. Please date stamp the extra copy of this letter and Comments and kindly return them to us for our filing purposes. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By *Pamela C. Polacek*

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Counsel to Citizens' Electric Company
of Lewisburg, PA and Wellsboro Electric
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INDEPENDENT REGULATORY
REVIEW COMMISSION

PCP/nk
Enclosure

- c: Certificate of Service
- Greg Shawley, CEEP (via e-mail and Hand Delivery)
- H. Kirk House, OSA (via e-mail and Hand Delivery)

CERTIFICATE OF SERVICE

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

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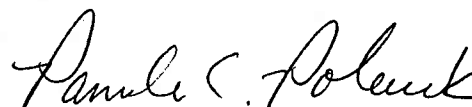
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Dated this 26th day April, 2006, in Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PROPOSED RULEMAKING :
RE INTERCONNECTION STANDARDS FOR :
CUSTOMER-GENERATORS PURSUANT : **DOCKET NO. L-00050175**
TO SECTION 5 OF THE ALTERNATIVE :
ENERGY PORTFOLIO STANDARDS ACT, :
73 P.S. § 1648.5 :

**COMMENTS OF CITIZENS' ELECTRIC COMPANY
AND WELLSBORO ELECTRIC COMPANY**

At the Public Meeting November 10, 2005, the Pennsylvania Public Utility Commission ("PUC" or "Commission") adopted a Proposed Rulemaking Order issuing proposed regulations to implement the interconnection standards for customer-generators under the Alternative Energy Portfolio Standards Act of 2004, 73 P.S. § 1648.1-1648.8 ("AEPS Act"). See Proposed Rulemaking re Interconnection Standards for Customer-Generators pursuant to Section 5 of the Alternative Energy Portfolio Standards Act, 73 P.S. §1648.5, Docket No. L-00050175, Proposed Rulemaking Order entered Nov. 16, 2005 (hereinafter "Proposed Interconnection Rulemaking Order").¹ The Proposed Interconnection Rulemaking Order was published in the Pennsylvania Bulletin on February 25, 2006. See 36 Pa. Bull. 942. Pursuant to Ordering Paragraph 5, interested parties may submit Comments within 60 days of publication. In accordance with the adopted schedule, Citizens' Electric Company of Lewisburg, PA ("Citizens"), and Wellsboro Electric Company ("Wellsboro") (collectively, "the Companies") hereby submit these Comments.

¹ All citations to the Proposed Rulemaking Order herein are to the relevant pages in the slip opinion entered on November 16, 2005, and available on the PUC's website.

I. INTRODUCTION

Under Section 5 of the AEPS Act, the Commission must "develop technical and net metering interconnection rules for customer-generators intending to operate renewable onsite generators in parallel with the electric utility grid." 73 P.S. § 1648.5. The Commission has bifurcated this inquiry into two rulemakings – net metering and interconnection standards. Citizens' and Wellsboro previously commented on the proposed net metering regulations to ensure that the Commission understands and considers the interests of smaller Electric Distribution Companies ("EDCs"). As the Commission recognizes, the AEPS Act "provides a great deal of flexibility to the Commission regarding net metering and interconnection." See Proposed Interconnection Rulemaking Order, p. 5. The Commission should exercise this discretion to ensure that the proposed regulations: (a) do not unreasonably impose excessive technical or economic burdens on the impacted EDCs; and (b) ensure the continued provision of safe and reliable service to all customers.

The Commission is relying primarily on the model interconnection procedures developed by the Mid-Atlantic Distributed Resource Initiative ("MADRI"). Although reliance on MADRI is generally acceptable, the PUC must recognize the potential burdens on smaller EDCs created by the implementation of interconnection. The interests of smaller EDCs in Pennsylvania may not have been represented in the processes that led to the MADRI standards adopted in other states. As Citizens' and Wellsboro previously explained in the Comments on net metering, due to the rural nature of portions of the Companies' service territories, it is likely that customer-generators in their territories could install generators that will produce electricity from farm by-products in amounts that substantially exceed the needs of the associated accounts. The expenses and other burdens created for a smaller EDC to review and implement such an interconnection

may not be adequately reflected in the procedures, timelines and fees used elsewhere. Citizens' and Wellsboro trust that the Commission will acknowledge the unique and substantial impact that the implementation of interconnection may have on smaller EDCs and will reflect appropriate flexibility in the final regulations to meet the Companies' needs, as outlined herein.

The Commission's implementation of interconnection should not undermine safety and reliability. The Commission has an overarching duty under the Public Utility Code to ensure the adequacy, safety and reliability of service. For example, by absolving all customer-generators of the requirement to maintain appropriate insurance, the Commission may be sanctioning a degradation of service safety and reliability to other customers. A malfunctioning generator and/or interconnection equipment could have a significant impact on service and safety to customers, for which the customer-generator should obtain insurance. This should be modified in the final regulations. In addition, the timelines and fees for processing applications should reflect the active expenses and resources of the particular EDC.

II. COMMENTS

A. **Customer-Generators Should Be Required to Maintain Appropriate Insurance.**

Section 75.13(k) of the net metering regulations states that an EDC may not require a customer-generator to obtain insurance unless "specifically authorized under these regulations or by Order of the Commission." Proposed Net Metering Regulation § 75.13(k). The Notice of Proposed Rulemaking regarding interconnection also requests comments on whether customer generators should be required to maintain general liability insurance. Proposed Interconnection Rulemaking Order, p. 15.

As the Commission is aware, the net metering and interconnection regulations address generation units as large as 2000 kW. The malfunction of a parallel generating unit of any size

may have detrimental impacts on the operation of the Companies' distribution systems and on service to other customers. Customer-generators should be required to provide general liability insurance to protect the EDC and other ratepayers. Accordingly, as advocated in Citizens' and Wellsboro's Comments on the Net Metering Rulemaking, Section 75.13(k) of the proposed Net Metering regulations should be modified to read as follows:

(k) An EDC may not charge a customer-generator a fee or other type of charge unless the fee or charge would apply to other customers that are not customer-generators. The EDC may not require additional equipment [or insurance] or impose any other requirement unless the additional equipment, [insurance] or other requirement is specifically authorized under these regulations or by order of the Commission. The EDC may require a customer-generator to obtain appropriate insurance protecting the EDC and other customers from harm for customer-generators of sufficient size to potentially cause significant harm or liability.

The Commission also should take whatever actions it deems necessary in this rulemaking to implement an insurance requirement for customer-generators.

B. The Regulations Should Specify an Automatic Extension of Application Review Timelines During Emergencies When EDC Employees are Attending to Emergency Functions.

During the stakeholder process, West Penn Power suggested that the timelines for application review may need to be extended when the employees that review applications are temporarily assigned to emergency functions. Proposed Interconnection Rulemaking Order, p.

11. The Commission requested comments on whether West Penn Power's concern can be addressed on a case-by-case basis through a waiver or whether a regulatory treatment should be specified. Id.

Citizens' and Wellsboro share West Penn Power's concern regarding this issue. In fact, because Citizens' and Wellsboro each have only 16 employees this issue is of particular relevance to the Companies. Specifically, emergency situations in the Companies' service territories often

require the attention of all technical and engineering employees that otherwise would be reviewing an interconnection application. In addition, one of the primary benefits of the association of Citizens' and Wellsboro with the C&T Enterprises, Inc., family of companies (i.e., Citizens', Wellsboro, Valley Energy, Inc., Tri-County Rural Electric Cooperative and Claverack Rural Electric Cooperative) is the ability to call upon the employees of the other associated companies in emergency restoration situations. As a result, it is highly possible that the attention of the Citizens' or Wellsboro employees who will be responsible for processing interconnection applications may be diverted by an emergency situation during the review process.

The proposed regulations place a priority on the timely review of interconnection requests. EDCs should not face the uncertainty of requesting a waiver of the timelines when necessary personnel are diverted to emergency activities. Rather, the EDC should gain an automatic extension of the timelines that is equal the number of business days that its employees were engaged in emergency restoration activities (including any comp time that is required due to after-hours, weekend or holiday work). This should be accomplished through a notification process that assumes an automatic extension, rather than a waiver process (which is not effective until granted by the Commission).

C. Interconnection Request Review Should Be Based on the Total Generation Capacity, Rather than Incremental Capacity.

The proposed regulations base the procedures and timelines for review of an interconnection request on the total nameplate capacity of the generator. Proposed Interconnection Rulemaking Order, pp. 9-10. During the stakeholder process, Penn Future and the other parties suggested that the regulations should base the review process on the incremental capacity addition, rather than the total generation capacity of the facility. The Commission requested comment on this topic. Id.

Citizens' and Wellsboro agree that the review process and timeline should be determined based on the total generating capacity of the facility. To determine the appropriate engineering and safety design for a facility, an EDC must consider the "maximum" potential adverse impact of the facility on the distribution system. When the incremental addition to a facility results in the total nameplate capacity exceeding the next review level, the EDC must have sufficient time and information to evaluate the potential impact of the entire generating facility. This will occur only if the review is based on the total nameplate capacity. Citizens' and Wellsboro urge the Commission to retain this requirement in the final regulations.

D. Forms and Fees May Need to be EDC-Specific.

The Proposed Interconnection Rulemaking Order references a future proceeding to establish uniform agreements and fees for interconnection and net metering purposes. Proposed Interconnection Rulemaking Order, p.16. Citizens' and Wellsboro agree that addressing many issues in a generic manner may be preferable; however, the Commission should provide appropriate flexibility to address the unique situations of particular EDCs. Most importantly, because smaller EDCs such as Citizens' and Wellsboro may rely on outside consultants to review and process interconnection requests, the Commission should ensure that any fees charged to the customer-generator fully recover all EDC expenses. Establishing a uniform fee for all Level 1,2, 3 or 4 requests may not adequately compensate each EDC for the cost incurred to review and process applications. To the extent the fees are not fully compensable, then the EDC's other customers will be required to subsidize the activities of customer-generators. As a result, in addition to acknowledging the necessary flexibility in the future development of standardized forms, the first sentence of Section 75.33 should be revised to read as follow: "The Commission will determine the appropriate interconnection fees for each EDC for Levels 1, 2, 3 and 4 that

fully recover the EDC's actual expenses related to the customer's decision to install the generation."

E. Each EDC Should Be Permitted to Seek Waivers of the Standard Review Timelines and Procedures Based on its Individual Circumstance.

The proposed regulations rely heavily on the MADRI interconnection processes and timelines. Citizens' and Wellsboro are very concerned that smaller EDCs may not be able to meet the review deadlines set forth in the proposed regulations. Until the regulations are finalized, it is not prudent for the Companies to analyze, in depth, whether they will be able to comply. In the absence of a more detailed analysis, Citizens' and Wellsboro do not desire to prejudge whether complying with the regulations will create an excessive economic or technical burden. In addition, Citizens' and Wellsboro recognize that the majority of the EDCs in the state have significantly more technical and financial resources, which may make their compliance with the regulations and timelines easily attainable.

At this time, Citizens' and Wellsboro suggest that the Commission memorialize in the proposed regulations standard review procedures and timelines for the various request levels that will balance the needs of the larger EDCs and the customer-generators. The regulations also should recognize that an EDC can petition the Commission to apply different timelines or procedures based on the most cost-effective and resource-effective method for that EDC to review applications. Section 75.23(k) should be added to the regulations, stating as follows:

Section 75.23(k): Notwithstanding the foregoing, an EDC may petition the Commission to establish different procedures and/or timelines for review of Level 1, 2, 3 and/or 4 requests based on the EDC's individualized plan for processing such requests. The Commission shall grant such petition if the proposed procedures and/or timelines are more cost-effective or resource-effective for the EDC and the customer generator's installation will not be unreasonably delayed.

III. CONCLUSION

Although the General Assembly directed the Commission to adopt interconnection regulations that are consistent with those used in neighboring states, the Commission also has flexibility to ensure that the final regulations reflect the unique and specific needs of Pennsylvania. The modifications discussed here reflect changes that are necessary to ensure that the interests of the smaller EDCs in Pennsylvania, the interests of other ratepayers and fundamental requirements for safety and reliability are accommodated in this process. Citizens' and Wellsboro respectfully urge the Commission to implement the changes to the proposed regulations discussed above to ensure that the interests of all stakeholders are adequately reflected in the final regulations.

Respectfully submitted,

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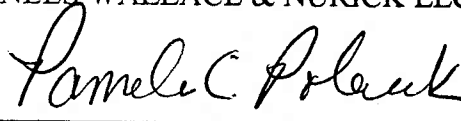
Dated: April 26, 2006

III. CONCLUSION

Although the General Assembly directed the Commission to adopt interconnection regulations that are consistent with those used in neighboring states, the Commission also has flexibility to ensure that the final regulations reflect the unique and specific needs of Pennsylvania. The modifications discussed here reflect changes that are necessary to ensure that the interests of the smaller EDCs in Pennsylvania, the interests of other ratepayers and fundamental requirements for safety and reliability are accommodated in this process. Citizens' and Wellsboro respectfully urge the Commission to implement the changes to the proposed regulations discussed above to ensure that the interests of all stakeholders are adequately reflected in the final regulations.

Respectfully submitted,

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