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November 13, 2006

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P. O. Box 3265
Commonwealth Keystone Building
Harrisburg, Pennsylvania 17105-3265

**RE: COMMENTS of THE ENERGY ASSOCIATION of PENNSYLVANIA on the
ALTERNATIVE ENERGY PORTFOLIO STANDARDS ACT OF 2004 –
SMALL GENERATOR INTERCONNECTION FORMS AND FEES
Docket No. M-00051865**

Dear Secretary McNulty:

The Energy Association of Pennsylvania (“EAPA”), on behalf of its member electric distribution companies (EDCs), is commenting on the Small Generator Interconnection Forms and Fees under the Alternative Energy Portfolio Standards Act of 2004.

Enclosed for filing is an original copy of the Association’s Comments. An electronic copy has been sent to Carrie Sheriff. The Comments address both the forms and the fee schedule.

Cordially,


J. Michael Love
President and CEO

CC: Chairman Wendell F. Holland
Vice Chairman James H. Cawley
Commissioner Kim Pizzingrilli
Commissioner Terrance J. Fitzpatrick
Carrie Sheriff (electronic mail)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Alternative Energy Portfolio Standards :
Act of 2004 : Docket No. M-00051865
Small Generator Interconnection Forms :
and Fees :

Comments of Energy Association of Pennsylvania

I. Introduction

By electronic mail sent on October 30, 2006, the Public Utility Commission (“PUC” or the “Commission”) scheduled a meeting of the Interconnection Standards Working Group on Friday, November 17, 2006. The purpose of the meeting is to address the forms and fees which will apply to small generator interconnection requests under the Alternative Energy Portfolio Standards Act of 2004 (the “Act”). The October 30 e-mail also invited parties to file written comments not later than Monday, November 13, 2006.

The Energy Association of Pennsylvania (“EAPA”) represents the interests of the Commonwealth’s PUC-regulated electric and natural gas energy distribution companies. EAPA has been an active participant in the stakeholder process that the Commission has established to address issues relevant to the implementation of the Act. In particular, EAPA has previously filed comments at Docket No. L- 00051865 in regard to the development of the Commission’s rules on small generator

interconnections. EAPA appreciates the opportunity to provide preliminary written comments on the matter of the forms and fees which will apply to small generator interconnection requests and looks forward to a discussion of these issues during the meeting on November 17.

II. Comments

For the sake of clarity, the following preliminary comments are grouped under separate headings for “forms” and “fees”.

A. Forms.

The October 30, 2006, e-mail states that the starting point for discussion of forms will be the model forms developed by the Mid-Atlantic Distributed Resource Initiative (“MADRI”). The EAPA member companies have been active participants in the MADRI effort to develop various protocols related to the technical and administrative activities necessary to connect small generators to the electric system. The PUC’s small generator interconnection rules (Docket No. L-00051865) were modeled after similar rules developed by MADRI and, in the opinion of EAPA, represent an appropriate balancing of the interests of electric distribution companies (“EDC’s”), electric ratepayers, developers, customer-generators, and environmental interests. To the extent that the MADRI model forms are consistent with the MADRI processes, EAPA believes them to be an excellent starting point. For example, where the MADRI rules establish a maximum time period for an EDC to review and respond to a request for interconnection, the MADRI forms require information to a level of specificity and veracity consistent with enabling an EDC to respond in the established time

frame. Consequently, given that Pennsylvania's rules for interconnection were modeled after the MADRI rules, the EAPA believes that it may be possible to adopt the MADRI forms for use in Pennsylvania with only minimal changes. The EAPA believes that the working group should focus first on differences between the MADRI process and the Pennsylvania rules, and then modify the MADRI forms only to the extent necessary to accommodate the differences in the two processes.

The EAPA also believes that the working group should consider the process by which the forms it develops will be revised in the future. As EAPA previously noted in earlier comments regarding the working group's consideration of technical issues: small generator technologies continue to evolve and it is desirable that the rules and forms be modified from time to time, especially, in the circumstance that increased standardization of generator equipment can lead to efficiencies in the review and processing of requests and, ultimately, in the expense and timeliness of interconnections. Accordingly, EAPA recommends that the Commission establish a standing working group, similar to what was established regarding Electronic Data Interchange issues. The establishment of such a group would, from time to time, permit a review of the forms and recommend appropriate changes to the Commission for approval.

B. Fees.

The October 30, 2006, e-mail states that the starting point for the working group's discussion of fees will be the fee schedule used in New Jersey. EAPA notes that, in contrast to the situation that exists with the use of MADRI forms to

support a process which is very similar to the one defined by MADRI, the New Jersey process is sufficiently different from that of MADRI or Pennsylvania, that the use of New Jersey's fee schedule might be argued to be inappropriate. New Jersey's fee schedule represents a public policy choice, relative to New Jersey's process, regarding the extent to which the cost of processing requests for interconnection will be recovered directly from the generator making the request, as opposed to those costs being spread among other ratepayers. In Pennsylvania, costs not recovered directly from generators will be recovered either from other customers as a cost of compliance with the Act through a reconcilable charge, or through an allowable cost in a basic rate case.

EAPA believes that the only approach to assure that generators are not subsidized by other ratepayers is to require generators to pay the actual cost, rather than fees in accordance with a pre-established schedule. EAPA acknowledges complexity with such an approach. An issue, in need of review, is whether the complexity will deter some customer from pursuing otherwise viable installations. Accordingly, EAPA believes that it is appropriate for the working group to develop a fee schedule, but that the fee schedule developed should reflect Pennsylvania's specific choices regarding the degree to which customer generators are held responsible for the costs they create. Those choices include:

- Whether any class of customer-generators should be subsidized or not.
- The amount of any subsidies.
- Which customer groups should provide the subsidies.

In this regard, EAPA believes that there is no class of customer-generators for which fees should be waived. In all other matters related to electric service, customers are required to either pay some amount towards special accommodations they require or provide a guarantee that an appropriate amount will be recovered. EAPA believes that the fee schedule for small generator interconnections should reflect a similar approach.

In order to facilitate the recovery of costs associated with the review, the Association would suggest that the application fees be charged to every interconnection service customer, and recommends the following fee schedule:

- For all Level I generators, the application fee should be \$200 for photovoltaic installations and \$300 for all other generator types.
- For all Level II, III, and IV generators up to 50 kW, the application fee should be \$350 minimum, with a \$5 increase per kW for larger systems.
- For all generators 50 kw and larger, the application fee should be as above, but all actual impact study costs should be recovered directly from the generator.

EAPA also strongly recommends that all applicants, as part of their application, need to represent that they have insurance and can provide indemnification for costs incurred by customers and EDCs as a result of actions and/or inactions by the interconnection service customer.

In certain instances, the interconnection service customers will require construction and other upgrades to the system. Such upgrade costs, together with any costs related to required periodic inspection and maintenance performed by the EDC to protect safety and reliability of the system, should be recovered directly from the interconnection service customer.

III. Conclusion

The EAPA appreciates the opportunity to provide preliminary comments on the matter of the forms and fees which apply to small generator interconnection requests under the Act. In summary, EAPA believes:

1. That the MADRI forms, with those modifications necessary for them to be consistent with Pennsylvania's rules, will be workable in Pennsylvania.
2. That a mechanism must be established to allow those forms to be efficiently modified from time to time.
3. That it is appropriate to establish a fee schedule for the processing of interconnection requests and recommends such a schedule.
4. That there is no class of customer generators for which fees should be waived.
5. All applicants, as part of their application, need to represent that they both have insurance and can provide indemnification for costs incurred by customers and the EDCs as a result of actions or inactions by the interconnection service customer.

EAPA looks forward to discussing these matters further with the Commission and other parties at the November 17 meeting.

Respectfully submitted,


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Dated: November 13, 2006