

STATEMENTS OF POLICY

PENNSYLVANIA PUBLIC UTILITY COMMISSION

[52 PA. CODE CH. 69]

Interconnection Application Fees

The Pennsylvania Public Utility Commission on June 24, 2008, adopted a proposed policy statement which establishes standard fees for interconnection in this Commonwealth.

Public Meeting held
June 24, 2008

Commissioners Present: Wendell F. Holland, Chairperson;
James H. Cawley, Vice Chairperson; Tyrone J. Christy;
Kim Pizzingrilli

Interconnection Application Fees; M-00051865

Proposed Policy Statement

By the Commission:

The Commission's regulations regarding Interconnection Standards were finalized in 2006. See 52 Pa. Code §§ 75.21, 75.22, 75.31—75.40 and 75.51. Those regulations provide that an interconnection request may be reviewed under one of four separate and distinct review processes depending on the nameplate capacity and nature of the generation equipment involved. See 52 Pa. Code § 75.34 (relating to review procedures).¹ In a separate proceeding at this docket, the Commission is issuing a Tentative Order proposing and seeking comment on standard application forms for use by Customer-generators who wish to interconnect with an Electric Distribution Company's (EDC) distribution system pursuant to those Regulations. The necessary companion to the standard application forms are the appropriate fees to be charged by EDCs in connection with the interconnection applications.

The Commission's regulations set forth that the Commission will "determine the appropriate interconnection fees for Levels 1, 2, 3 and 4," referring to the different levels of review for interconnection requests. See 52 Pa. Code § 75.33 (relating to fees and forms). Similar to the standard interconnection application forms, standardization of interconnection application fees will serve to promote Customer-generator interconnections consistent with the policy set forth in the Alternative Energy Portfolio Standards Act (AEPS) at 73 P. S. §§ 1648.1, et seq. Standardization of interconnection application fees is also consistent with the AEPS Act § 1648.5 which directs the Commission to establish interconnection rules "consistent with rules defined in other states within the service region of the regional transmission organization that manages the transmission system in any part of this Commonwealth." 73 P. S. § 1648.5.

Consistent with our determination that standard interconnection application fees are in keeping with the AEPS Act, we find that it is appropriate to establish such fees through a policy statement. Similar to our findings in

¹ We note that the Alternative Energy Portfolio Standards Act, 73 P. S. §§ 1648.1, et seq., was amended by Act 35 of 2007, 2007 Pa. Laws 35, to, inter alia, increase the capacity limits for Customer-generators. This Proposed Policy statement is intended to conform to the higher capacity limits set forth in the Act 35 amendment. It is anticipated that the Commission's regulations in Chapter 75 of Title 52 of the *Pennsylvania Code* will be amended in the near future to conform to Act 35's increased capacity limits for Customer-generators.

Default Service and Retail Electric Markets, Docket No. M-00072009 (Proposed Policy Statement, Order entered February 9, 2007), we propose to establish standard fees which will serve as guidelines. The goal of the proposed fees is to address the expenses incurred by EDCs in processing interconnection applications. In a particular instance, the proposed interconnection application fee may be more or less than the actual expense incurred. However, it is anticipated that the fees will, on average, compensate the EDC for work performed.

The interconnection application fees which will be set forth in the final Policy Statement will be presumed to be appropriate. An EDC which wishes to deviate from the standard fees will be required to file for Commission approval of any deviations and will have the burden of proof to establish, through appropriate evidence in an on the record proceeding, that the proposed deviation is justified. In any such proceeding, various interested parties may appear and contest the EDC's showing. In similar fashion, any interested person will be able to petition the Commission to revise the standard fees upon an evidentiary showing that the standard fees are no longer appropriate.

Customer-generator interconnections, while not new, are expected to increase under the provisions of the AEPS Act. Also, as we found in *Default Service and Retail Electric Markets*, the fees established now may become "obsolete by changes in markets, applicable law, or advances in technology." Docket No. M-00072009, at 2 (Order entered February 9, 2007). Accordingly, the standard fees established in this proceeding will be periodically evaluated to ensure that the fee levels remain appropriate under all the circumstances. For that reason, the use of a policy statement to establish a uniform set of fees is appropriate because a policy statement is flexible and amenable to change as circumstances warrant. We reiterate that nothing prohibits an EDC from appearing before the Commission and attempting to show that a deviation from the standard fees is appropriate. Similarly, nothing would prohibit an interested person from petitioning the Commission to amend the standard fees upon an evidentiary showing that the standard fees are no longer appropriate.

In our view, New Jersey, a state within the Regional Transmission Organization (RTO) managed by PJM Interconnection, L.L.C., which also manages the vast majority of Pennsylvania's transmission system, has an interconnection policy remarkably close to that set forth in the AEPS Act and this Commission's Regulations. The current fees for interconnection applications in New Jersey are set forth in Section 14:8-4.10 of the New Jersey Administrative Code (N.J.A.C.):

(a) An EDC or supplier/provider shall not charge an application or other fee to an applicant that requests level 1 interconnection review. However, if an application for level 1 interconnection review is denied because it does not meet the requirements for level 1 interconnection review, and the applicant resubmits the application under another review procedure in accordance with N.J.A.C. 14:8-4.7(p), the EDC may impose a fee for the resubmitted application, consistent with this section.

(b) For an level 2 interconnection review, the EDC may charge fees of up to \$50 plus \$1 per kilowatt of

the customer-generator facility's capacity, plus the cost of any minor modifications to the electric distribution system or additional review, if required under N.J.A.C. 14:8-4.8(o) 3 or 4. Costs for such minor modifications or additional review shall be based on EDC estimates and shall be subject to case by case review by the Board or its designee. Costs for engineering work done as part of any additional review shall not exceed \$100 per hour.

(c) For a level 3 interconnection review, the EDC may charge fees of up to \$ 100.00 plus \$2 per kilowatt of the customer-generator facility's capacity, as well as charges for actual time spent on any impact and/or facilities studies required under N.J.A.C. 14:8-4.9. Costs for engineering work done as part of an impact study or facilities study shall not exceed \$100 per hour. If the EDC must install facilities in order to accommodate the interconnection of the customer-generator facility, the cost of such facilities shall be the responsibility of the applicant.

For purposes of issuing a proposed policy statement for comment, we propose to adopt the structure of the New Jersey interconnection fee schedule, but we will modify the base fee for each level of review. New Jersey currently does not impose a fee for Level 1 interconnection applications. While Level 1 reviews are designed to be the most basic type of reviews involving low nameplate capacity ratings and pre-certified generation equipment, EDCs will still incur costs to process these applications. Accordingly, we will propose to institute a flat fee of \$250 for each Level 1 application.² Similarly, we will propose a base fee for Level 2 applications of \$250 and a base fee for Level 3 applications of \$350.

The structure of the New Jersey fee schedule provides for a base fee (discussed above) and a per-kW fee to account for the nameplate capacity of a given generating facility. That per-kW fee escalates through the levels of review because the levels of review apply to increasingly higher capacity levels and more complex equipment. For Level 2, the per-kW fee in New Jersey is \$1 and the Level 3 per-kW fee is \$2. We propose to adopt the same per-kW fees for Levels 2 and 3 in this Commonwealth.

The New Jersey fee schedule also provides for various studies and analyses that may be required for particular installations. Because many of these higher level projects will be unique and not all projects will require all possible studies, it is not possible to establish a set fee. In those instances, New Jersey has set caps on the hourly charges required for the studies. In addition, like our regulations at 52 Pa. Code §§ 75.38(e) and 75.39(b)(5) (relating to Level 2 interconnection review; and Level 3 interconnection review), the New Jersey fee schedule provides for good faith EDC estimates for some specific studies that may be required. The Commission will adopt the New Jersey model in these instances.

New Jersey does not provide for a Level 4 interconnection review while Pennsylvania does. The Level 4 interconnection review was developed as a compromise within the Pennsylvania Interconnection Working Group to accommodate those interconnection requests which may fit within the other levels of review, but which are not intended to export power beyond the point of common coupling to the distribution system. See 52 Pa. Code § 75.40 (relating to Level 4 interconnection review). Because these types of interconnections are not expected

to export power, there is the potential for expedited processing. See 52 Pa. Code § 75.34(4).

The Commission's regulations which apply to Level 4 reviews indicate that some Level 4 applications will be conducted under the Level 1 process (52 Pa. Code § 75.40(c)(3)(i)). Other Level 4 applications may be conducted under the Level 2 process (52 Pa. Code § 75.40(c)(7)(i)). Some Level 4 applications may be conducted under the Level 3 process (52 Pa. Code § 75.40(f)). In those instances, the appropriate application fee will default to the referenced base level application fee applicable to the level of review used, although the actual review occurs under Level 4. For example, a Level 4 review which uses the Level 2 review process would incur a \$250 base fee, with caps on hourly work of \$100 for engineering work performed in required studies.

Our regulations do provide for a specific Level 4 review level at 52 Pa. Code § 75.40(d). This review level is performed when both the EDC and the Customer-generator agree that such a review level is appropriate. The Level 4 review is designed for larger capacity systems. Accordingly, we will propose to apply the Level 3 fees (base fee of \$350) to the Level 4 review.

There is the potential for situations in which an industrial park or residential development may wish to meet with an EDC and develop an interconnection plan for several generation facilities at one time. The facilities may be of the same or different type and capacity rating. In those instances, both the EDC and the other party may find it advantageous to negotiate a different fee and process which would result in lower fees to the party desiring the interconnections. Nothing in this Policy Statement would preclude such negotiations so long as the technical requirements of our interconnection regulations at 52 Pa. Code Chapter 75 (relating to alternative energy portfolio standards) are met and the safety and reliability of the distribution system are maintained. In the event the EDC and the other party in these types of situations cannot reach agreement on fees, this Policy Statement may serve as the default fee schedule in those instances. Alternatively, the parties may use the Commission's dispute process set forth at 52 Pa. Code § 75.51 (relating to disputes).

It should be noted that when an application fails a particular review level and is then resubmitted under a new review level, the resubmitted application will be subject to the application fee for the new review level. Since the EDC has already performed review work on the initial application, the initial fee will not be credited to the resubmitted application. Any completed studies that remain useful to the subsequent review should not be repeated.

Based on the foregoing discussion, the Commission proposes the following standard fee schedule for interconnection applications in this Commonwealth:

Level 1—flat fee of \$250. If an application is denied because it does not meet the requirements of a Level 1 review, and the applicant resubmits the application under another review procedure in accordance with the Commission's regulations, the EDC may impose a fee for the resubmitted application consistent with the fees established for the new level of review.

Level 2—base fee of \$250 plus \$1 per kW of the nameplate capacity rating of the Customer-generator's facility, plus the cost of any minor modifications to the EDC's distribution system or additional review if required under 52 Pa. Code § 75.38. Costs for the minor modifica-

² It should be noted that a \$250 application fee for a Level 1 interconnection application is between .05% and 2% of the over-all project cost for that type of installation, depending on the size of the unit.

tions or additional review shall be based on EDC estimates and shall be subject to review by the Commission at the request of either party. Costs for engineering work done as part of any additional review shall not exceed \$100 per hour. If an application is denied because it does not meet the requirements of a Level 2 review, and the applicant resubmits the application under another review procedure in accordance with the Commission's regulations, the EDC may impose a fee for the resubmitted application consistent with the fees established for the new level of review.

Level 3—base fee of \$350 plus \$2 per kW of the nameplate capacity rating of the Customer-generator's facility, plus the cost of any feasibility studies, system impact studies and/or facilities studies required under 52 Pa. Code § 75.39. Costs for engineering work done as part of a feasibility study, system impact study or facilities study shall not exceed \$100 per hour. If the EDC must install facilities in order to accommodate the interconnection of the Customer-generator facility, the cost of such facilities shall be the responsibility of the Customer-generator. If an application is denied because it does not meet the requirements of a Level 3 review, and the applicant resubmits the application under another review procedure in accordance with the Commission's regulations, the EDC may impose a fee for the resubmitted application consistent with the fees established for the new level of review.

Level 4—in those instances when a Level 4 application is processed using the Level 1, Level 2 or Level 3 review process, the fees set forth for those particular review levels shall apply. No fee shall be assessed for an area network impact study conducted pursuant to 52 Pa. Code § 75.40. A Level 4 application reviewed pursuant to 52 Pa. Code § 75.40(d) shall be subject to a base fee of \$350 plus \$2 per kW of the nameplate capacity rating of the customer-generator's facility. If an application is denied because it does not meet the requirements of a Level 4 review, and the applicant resubmits the application under another review procedure in accordance with the Commission's regulations, the EDC may impose a fee for the resubmitted application consistent with the fees established for the new level of review.

Conclusion

Based on the foregoing discussion, the Commission will issue this proposed policy statement regarding standard fees for interconnection in this Commonwealth. The Commission welcomes comments on all aspects of this proposed policy statement. To the extent that comments advocate different fees, or a different fee structure, such comments should include cost analyses with sufficient specificity to support the requested modification. It is highly recommended that interested persons review both the Commission's regulations at 52 Pa. Code §§ 75.21, 75.22, 75.31—75.40 and 75.51 as well as our Tentative Order at M-00051856 (Order adopted June 24, 2008) (relating to Interconnection Applications) before commenting on the proposed policy statement. We will provide for a 30 day comment period following publication in the *Pennsylvania Bulletin*;

Therefore, it is Order that:

1. The proposed amendments to 52 Pa. Code Chapter 69 as set forth in Annex A, are issued for comment.

2. The Secretary shall submit this order and Annex A to the Governor's Budget Office for review of fiscal impact.

3. The Secretary shall certify this order and Annex A and deposit them with the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin*.

4. Interested persons may submit an original and 15 copies of written comments to the Office of the Secretary, Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265 within 30 days of publication in the *Pennsylvania Bulletin*. Reply comments will be submitted not later than 10 days after the initial comment deadline.

5. A copy of this order shall be posted on the Commission's public internet domain and served on the Office of Consumer Advocate, the Office of Small Business Advocate, and all participants in the Commission's Interconnection Standards Working Group.

6. The contact persons for this matter are Greg Shawley, Bureau of Conservation, Economics and Energy Planning, (717) 787-5369 (technical), and H. Kirk House, Office of Special Assistants, (717) 772-8495 (legal).

By the Commission,

JAMES J. MCNULTY,
Secretary

Fiscal Note: 57-263. No fiscal impact; (8) recommends adoption.

Statement of Vice Chairman Cawley

Before this Commission is a proposed policy statement regarding standard interconnect application fees which would provide guidance for electric distribution companies regarding charges for applications for new distributed generation projects.

The proposed policy statement includes a charge of \$250 per application for the simplest of interconnect projects, mainly level 1 interconnect requests that would likely include new residential solar photovoltaic projects. In New Jersey, there is no fee for this type of application. Given our drive to help consumers mitigate future energy prices, strongly encourage comments on this proposal so that we may have the benefit of a full record from which to issue a final policy statement. In particular, it would be helpful to understand any barriers or inefficiencies this policy may create.

JAMES H. CAWLEY,
Vice Chairperson

Annex A

TITLE 52. PUBLIC UTILITIES

PART I. PUBLIC UTILITY COMMISSION

Subpart C. FIXED SERVICE UTILITIES

CHAPTER 69. GENERAL ORDERS

POLICY STATEMENTS AND GUIDELINES ON FIXED UTILITIES

INTERCONNECTION APPLICATION FEES

§ 69.2101. Statement of scope.

Sections 69.2102—69.2104 provide guidelines to electric distribution companies and customer-generators regarding appropriate fees to be used in filing and processing interconnection applications under section 5 of the Alternative Energy Portfolio Standards Act (73 P. S. § 1648.5) regarding alternative energy and interconnection standards and §§ 75.21, 75.22, 75.31—75.40 and 75.51 (relating to interconnection standards; and dispute resolution).

§ 69.2102. Statement of purpose.

(a) This section and §§ 69.2101, 69.2103 and 69.2104 (relating to interconnection application fees) are intended to provide guidance to electric distribution companies and customer-generators seeking to interconnect with an electric distribution company's distribution system under §§ 75.21, 75.22, 75.31—75.40 and 75.51 (relating to interconnection standards; and dispute resolution). The application fees set forth under these sections are deemed appropriate. An electric distribution company which seeks to impose fees other than those set forth in § 69.2104 (relating to interconnection application fees) is required to file for Commission approval and make an evidentiary showing that deviation from these sections is appropriate.

(b) Electric distribution companies and entities such as industrial parks or residential developers may negotiate different fees for multiple interconnections.

§ 69.2103. Definitions.

The following words and terms, when used in this section and §§ 69.2101, 69.2102 and 69.2104 (relating to interconnection application fees), have the following meanings, unless the context clearly indicates otherwise:

Area network impact study—An engineering study conducted by an Electric Distribution Company of a local area network under § 75.40 (relating to Level 4 interconnection review).

Customer-generator—A nonutility owner or operator of a net metered distributed generation system as defined in § 75.1 (relating to definitions).

Facility study—A study conducted by an electric distribution company or a third party consultant for the customer-generator as defined in § 75.22 (relating to definitions).

Feasibility study—A preliminary evaluation of the system impact and cost of interconnecting the small generator facility to the electric distribution company's electric distribution system, as defined in § 75.22.

Level 1 review—The interconnection application review level in § 75.37 (relating to Level 1 interconnection review).

Level 2 review—The interconnection application review level in § 75.38 (relating to Level 2 interconnection review).

Level 3 review—The interconnection application review level in § 75.39 (relating to Level 3 interconnection review).

Level 4 review—The interconnection application review level in § 75.40 (relating to Level 4 interconnection review).

System impact study—An engineering study that evaluates the impact of the proposed interconnection on the safety and reliability of an electric distribution company's electric distribution system, as defined in § 75.22.

§ 69.2104. Interconnection application fees.

The following fee structures and fees will be deemed appropriate for use by electric distribution companies when processing interconnection applications filed under

§§ 75.21, 75.22, 75.31—75.40 and 75.51 (relating to interconnection standards; and dispute resolution):

(1) *Level 1 applications*—\$250. If an application is denied because it does not meet the requirements of a Level 1 review, and the applicant resubmits the application under another review procedure in accordance with this title, the electric distribution company may impose a fee for the resubmitted application consistent with the fees established for the new level of review.

(2) *Level 2 applications*—Base fee of \$250 plus \$1 per kW of the nameplate capacity rating of the customer-generator's facility, plus the cost of any minor modifications to the electric distribution company's distribution system or additional review if required under § 75.38 (relating to Level 2 interconnection review). The costs for minor modifications or additional review shall be based on electric distribution company estimates and shall be subject to review by the Commission at the request of either party. The costs for engineering work done as part of any additional review should not exceed \$100 per hour. If an application is denied because it does not meet the requirements of a Level 2 review, and the applicant resubmits the application under another review procedure in accordance with this title, the electric distribution company may impose a fee for the resubmitted application consistent with the fees established for the new level of review.

(3) *Level 3 applications*—Base fee of \$350 plus \$2 per kW of the nameplate capacity rating of the customer-generator's facility, plus the cost of any feasibility studies, system impact studies or facilities studies required under § 75.39 (relating to Level 3 interconnection review). Costs for engineering work done as part of a feasibility study, system impact study or facilities study should not exceed \$100 per hour. If the electric distribution company must install facilities to accommodate the interconnection of the customer-generator facility, the cost of the facilities shall be the responsibility of the customer-generator. If an application is denied because it does not meet the requirements of a Level 3 review, and the applicant resubmits the application under another review procedure in accordance with this title, the electric distribution company may impose a fee for the resubmitted application consistent with the fees established for the new level of review.

(4) *Level 4 applications*—In those instances when a Level 4 application is processed using the Level 1, Level 2 or Level 3 review process, the fees set forth for those particular review levels should apply. A fee will not be assessed for an area network impact study conducted under § 75.40 (relating to Level 4 interconnection review). A Level 4 application reviewed under § 75.40(d) should be subject to a base fee of \$350 plus \$2 per kW of the nameplate capacity rating of the customer-generator's facility. If an application is denied because it does not meet the requirements of a Level 4 review, and the applicant resubmits the application under another review procedure in accordance with this title, the electric distribution company may impose a fee for the resubmitted application consistent with the fees established for the new level of review.

[Pa.B. Doc. No. 08-1413. Filed for public inspection August 1, 2008, 9:00 a.m.]