

December 21, 2018

VIA e-FILING

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

Re: *Pennsylvania Power Company Tariff Electric Pa. P.U.C. No. 36 – Rate Changes in Compliance with Pennsylvania Power Company’s Distribution System Improvement Charge Rider, Docket No. P-2015-2508931*

Dear Secretary Chiavetta:

Enclosed for filing at the above-referenced docket are: (1) Supplement No. 53 to Pennsylvania Power Company’s (“Penn Power”) Tariff Electric Pa. P.U.C. No. 36, bearing an issue date of December 21, 2018. The tariff changes contained in Supplement No. 53 are proposed to be effective with bills rendered on or after January 1, 2019.

The purpose of Tariff Supplement No. 53 is to reflect changes to the Distribution System Improvement Charge (“DSIC”) Rider. The rate change is consistent with the Commission’s Order entered June 9, 2016 at Docket No. P-2015-2508931.

As support for the rate change, the following schedules accompany this tariff filing:

- Schedule 1 shows the calculation of the DSIC rate set forth in Supplement 53.
- Schedule 2 details the DSIC-eligible property that was placed in service.

If you have any questions regarding the enclosed documents, please feel free to contact the undersigned.

Sincerely,



Charles V. Fullem
Director of Rates & Regulatory Affairs-PA
610-921-6525

Enclosures

c: Per Certificate of Service
Paul T. Diskin, Bureau of Technical Utility Services
Lori Burger, Bureau of Audits

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PENNSYLVANIA :
POWER COMPANY FOR APPROVAL : **Docket No. P-2015-2508931, et al.**
TO AND IMPLEMENT A DISTRIBUTION :
SYSTEM IMPROVEMENT CHARGE :

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54:

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Respectfully submitted:



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Dated: December 21, 2018

Supplement No. 53
Electric Pa. P.U.C. No. 36

PENNSYLVANIA POWER COMPANY
READING, PENNSYLVANIA

Electric Service Tariff

Effective in

**The Territory as Defined on
Page Nos. 8 - 9 of this Tariff**

Issued: December 21, 2018

Effective: January 1, 2019

**By: Samuel L. Belcher, President
Reading, Pennsylvania**

NOTICE

This Supplement 53 makes changes to Rider O.
See Fiftieth Revised Page 2

LIST OF MODIFICATIONS

Riders

Rider O – DSIC Rider rates have been changed and increased (See Eighth Revised Page 160).

RIDERS

RIDER O
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 1.65% will apply (I)
consistent with the Commission Order dated June 9, 2016 at Docket No. P-2015-2508931,
approving the Distribution System Improvement Charge (“DSIC”). This charge will be effective (C)
during the period January 1, 2019 through March 31, 2019.

1. General Description

A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide Pennsylvania Power Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

B. Eligible Property: The DSIC-eligible property will consist of the following:

- Poles and towers (account 364);
- Overhead conductors (account 365) and underground conduit and conductors (accounts 366 and 367);
- Line transformers (account 368) and substation equipment (account 362);
- Any fixture or device related to eligible property listed above, including insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets, relays, capacitors, converters and condensers;
- Unreimbursed costs related to highway relocation projects where an electric distribution company must relocate its facilities; and
- Other related capitalized costs.

C. Effective Date: The DSIC will become effective July 1, 2016.

(I) Increase
(C) Change

Pennsylvania Power Company
Computation of DSIC Rate
To be effective January 1, 2019 through March 31, 2019

Line No.		1/1/2019 Quarterly Rate
1	Incremental Plant Additions	\$ 7,807,533
2	Cumulative Plant	19,084,600
3	Accumulated Depreciation	163,528
4	Retirements	<u>-</u>
5	Distribution System Improvement Projects net of Accumulated Depreciation	\$ 18,921,072
6	Quarterly Pre-tax return rate (Page 2) applied to DSIC-eligible property (Line 5)	454,106
7	Weighted Average Depreciation rate (Page 4) applied to DSIC-eligible property (Line 2) divided by 4	117,666
8	(Over)/Under collection of revenues	<u>-</u>
9	Net Amount to be recovered w/o GRT	\$ 571,771
10	Net Amount to be recovered w GRT ¹	\$ 607,621
11	Projected Quarterly Revenue (Page 3)	\$ 36,808,685
12	DSIC Rate (Line 10 divided by Line 11)	1.65%

¹ Gross up for Gross Receipts Tax = Net Amount x (1/ (1-5.9%))

Pennsylvania Power Company
Computation of Composite DSIC Pre-tax Rate of Return

Line No.	Description	Capitalization Ratio	¹⁾ Embedded Cost	Pre-tax Rate of Return	Tax Multiplier	Pre-Tax Rate of Return (PTRR)
1	Long-Term Debt	47.92%	5.27% ²⁾	2.52%	-	2.52%
2	Common Equity	<u>52.08%</u>	9.65% ³⁾	5.03%	1.406313504	<u>7.07%</u>
3	Total	<u>100.00%</u>		<u>7.55%</u>		<u>9.59%</u>
Quarterly Pre-Tax Rate of Return (Line No 3, Col. 7 / 4)						<u>2.40%</u>

Footnotes:

- 1) Capitalization Ratio from the actual capitization structure as of November 30, 2018
- 2) Long-Term Debt Cost from the Company's actual embedded debt cost as of November 30, 2018
- 3) Common Equity Cost from the Commission's Bureau of Technical Utility Services Report on the Quarterly Earnings of Jurisdictional Utilities dated July 17, 2018
- 4) Last Quarterly Earnings Report dated September 30, 2018, Schedule D-2, Line 15 - Return on Common Equity

5.80%

Meets Test Yes

**Pennsylvania Power Company
Revenue Forecast**

Jan-19	12,986,495
Feb-19	12,246,943
Mar-19	<u>11,575,247</u>
Total	36,808,685

Pennsylvania Power Company
Weighted Average Depreciation rate

	March 2018 Capital Additions	April 2018 Capital Additions	May 2018 Capital Additions	June 2018 Capital Additions	July 2018 Capital Additions	August 2018 Capital Additions	September 2018 Capital Additions	October 2018 Capital Additions	November 2018 Capital Additions	Total Capital Additions	% of Total	Book Dep. For	Weighted Average Depreciation
355- Poles and Fixtures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,568	\$ 135	\$ 1,703	0.022%	1.77%	0.000%
356.1- Overhd Conductr, Devices	-	-	-	-	-	-	(99)	17,031	1,091	18,023	0.231%	1.57%	0.004%
361 - Structures, Improvements	-	-	-	-	-	-	-	6	5	11	0.000%	1.31%	0.000%
362 - Station Equipment	-	-	-	-	-	-	20,017	1,559,809	427,171	2,006,997	25.706%	2.76%	0.709%
364 - Poles, Towers And Fixtures	1,183	6,206	(8,275)	70	-	738	486,142	560,017	413,636	1,459,716	18.696%	2.24%	0.419%
365 - Overhd Conductr, Devices	72,037	38,151	(17,512)	464	(0)	42,694	1,164,901	1,171,332	782,855	3,254,922	41.690%	2.40%	1.001%
366 - Underground Conduit	-	-	0	-	-	-	593	(291)	15	317	0.004%	1.85%	0.000%
367 - Underground Conductor, devices	13,626	31,333	36,081	15,512	0	3,396	56,718	87,329	261,971	505,966	6.480%	2.23%	0.145%
368 - Line Transformers	2,626	15,955	(2,177)	(34)	-	-	315,792	90,461	123,887	546,510	7.000%	2.66%	0.186%
369 - Overhead Services	-	6,432	(0)	-	-	-	2,305	3,399	(85)	12,051	0.154%	1.35%	0.002%
373.1 - Street Light - Oh, Ug Lines	1,203	109	5	-	-	-	783	-	(783)	1,317	0.017%	2.88%	0.000%
Total	\$ 90,675	\$ 98,187	\$ 8,122	\$ 16,012	\$ -	\$ 46,828	\$ 2,047,152	\$ 3,490,661	\$ 2,009,898	\$ 7,807,533	100.000%		2.466%

¹ March through August 2018 include only incremental additions that were not included in the October 2018 Rate Calculation

