

September 24, 2018

**VIA e-FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> 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. M-2018-3004820***

Dear Secretary Chiavetta:

Enclosed for filing at the above-referenced docket is a Revised Schedule 1 showing the calculation of the Distribution System Improvement Charge (“DSIC”) rate set forth in Supplement No. 49. The revised schedule corrects the depreciation rates used in calculation of the DSIC rate effective October 1, 2018. There is no change to the DSIC charge that was filed September 20, 2018.

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:

**FIRST CLASS MAIL**

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Respectfully submitted:



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Dated: September 24, 2018

**Pennsylvania Power Company**  
**Computation of DSIC Rate**  
**To be effective October 1, 2018 through December 31, 2018**

Line No.		10/1/2018 Quarterly Rate
1	Incremental Plant Additions	\$ 3,042,479
2	Cumulative Plant	11,277,067
3	Accumulated Depreciation	95,067
4	Retirements	<u>-</u>
5	Distribution System Improvement Projects net of Accumulated Depreciation	\$ 11,182,000
6	Quarterly Pre-tax return rate (Page 2) applied to DSIC-eligible property (Line 5)	285,141
7	Weighted Average Depreciation rate (Page 4) applied to DSIC-eligible property (Line 2) divided by 4	68,462
8	(Over)/Under collection of revenues <sup>2</sup>	<u>18,929</u>
9	Net Amount to be recovered w/o GRT	\$ 372,532
10	Net Amount to be recovered w GRT <sup>1</sup>	\$ 395,889
11	Projected Quarterly Revenue (Page 3)	\$ 27,098,761
12	DSIC Rate (Line 10 divided by Line 11)	<b>1.46%</b>

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

<sup>2</sup> Reversal of July 2018 reconciliation mistakenly included in that rate calculation

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

Line No.	Description	Capitalization Ratio	<sup>1)</sup> Embedded Cost	Pre-tax Rate of Return	Tax Multiplier	Pre-Tax Rate of Return (PTRR)
1	Long-Term Debt	42.13%	5.58% <sup>2)</sup>	2.35%	-	2.35%
2	Common Equity	<u>57.87%</u>	9.65% <sup>3)</sup>	5.58%	1.406313504	<u>7.85%</u>
3	Total	<u>100.00%</u>		<u>7.94%</u>		<u>10.20%</u>
Quarterly Pre-Tax Rate of Return (Line No 3, Col. 7 / 4)						<u>2.55%</u>

Footnotes:

- 1) Capitalization Ratio from the actual capitization structure as of August 31, 2018
- 2) Long-Term Debt Cost from the Company's actual embedded debt cost as of August 31, 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 June 30, 2018, Schedule D-2, Line 15 - Return on Common Equity

Meets Test 7.57%  
Yes

**Pennsylvania Power Company  
Revenue Forecast**

Oct-18	8,681,673
Nov-18	8,615,922
Dec-18	<u>9,801,167</u>
Total	27,098,761

**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	Total Capital Additions	% of Total	Book Depreciation Rate	Weighted Average Depreciation
355- Poles and Fixtures	\$ -	\$ 1,654	\$ 0	\$ 124,407	\$ 3,330	\$ (10,058)	\$ 119,333	3.922%	1.77%	0.069%
356.1- Overhd Conductr, Devices	-	23,602	1,815	96,761	3,272	(3,209)	122,241	4.018%	1.57%	0.063%
361 - Structures, Improvements	-	-	-	(36)	66	(75)	(45)	-0.001%	1.31%	0.000%
362 - Station Equipment	-	-	-	6,003	931,198	(492)	936,708	30.788%	2.76%	0.850%
364 - Poles, Towers And Fixtures	5,412	71,572	1,817	20,703	90,755	189,915	380,174	12.496%	2.24%	0.280%
365 - Overhd Conductr, Devices	914	126,143	2,071	37,610	176,408	550,466	893,613	29.371%	2.40%	0.705%
366 - Underground Conduit	-	-	-	(0)	(0)	0	(0)	0.000%	1.85%	0.000%
367 - Underground Conductor, devices	-	2,446	0	3,506	68	368,532	374,553	12.311%	2.23%	0.275%
368 - Line Transformers	-	12,391	1,559	15,619	142,504	39,235	211,308	6.945%	2.66%	0.185%
369 - Overhead Services	-	4,369	1	132	(515)	605	4,592	0.151%	1.35%	0.002%
373.1 - Street Light - Oh, Ug Lines	-	-	-	-	-	-	-	0.000%	2.88%	0.000%
Total	\$ 6,327	\$ 242,179	\$ 7,263	\$ 304,705	\$ 1,347,086	\$ 1,134,919	\$ 3,042,479	100.000%		2.428%

<sup>1</sup> March through May 2018 include only incremental additions that were not included in the July 2018 Rate Calculator