

September 24, 2018

VIA e-FILING

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

**Re: West Penn Power Company Tariff Electric Pa. P.U.C. No. 40 – Rate Changes
in Compliance with West Penn Power Company’s Distribution System
Improvement Charge Rider, Docket No. M-2018-3004822**

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. 45. 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 WEST PENN POWER :
COMPANY FOR APPROVAL : **Docket No. P-2015-2508948, 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: September 24, 2018

West Penn 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	\$ 2,757,546
2	Cumulative Plant	4,768,633
3	Accumulated Depreciation	13,732
4	Retirements	<u> -</u>
5	Distribution System Improvement Projects net of Accumulated Depreciation	\$ 4,754,900
6	Quarterly Pre-tax return rate (Page 2) applied to DSIC-eligible property (Line 5)	107,936
7	Weighted Average Depreciation rate (Page 4) applied to DSIC-eligible property (Line 2) divided by 4	22,014
8	(Over)/Under collection of revenues ²	<u>(1,469)</u>
9	Net Amount to be recovered w/o GRT	\$ 128,481
10	Net Amount to be recovered w GRT ¹	\$ 136,537
11	Projected Quarterly Revenue (Page 3)	\$ 91,816,219
12	DSIC Rate (Line 10 divided by Line 11)	0.15%

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

² Reversal of July 2018 reconciliation mistakenly included in that rate calculation

**West Penn Power Company
Computation of Cumulative 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	47.12%	4.05% ²⁾	1.91%	-	1.91%
2	Common Equity	<u>52.88%</u>	9.65% ³⁾	5.10%	1.406313504	<u>7.18%</u>
3	Total	<u>100.00%</u>		<u>7.01%</u>		<u>9.08%</u>
Quarterly Pre-Tax Rate of Return (Line No 3, Col. 7 / 4)						<u>2.27%</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 8.52%
Yes

**West Penn Power Company
Revenue Forecast**

Oct-18	28,557,468
Nov-18	29,879,554
Dec-18	<u>33,379,198</u>
Total	91,816,219

West Penn 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
353 - Station Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.000%	1.50%	0.000%
355 - Poles and Fixtures	-	-	-	(48,373)	143,317	271,850	366,794	13.301%	1.84%	0.245%
356 - Overhead Conductors	-	-	-	(7,353)	58,877	177,862	229,387	8.319%	0.88%	0.073%
362 - Station Equipment	-	-	-	78,279	40,253	395,630	514,162	18.646%	1.58%	0.295%
364 - Poles, Towers And Fixtures	16,477	28,766	9,515	69,405	(93,656)	448,544	479,051	17.372%	1.88%	0.327%
365 - Overhd Conductr, Devices	1,639	12,175	575	104,717	(58,195)	956,611	1,017,522	36.900%	2.09%	0.771%
366 - Underground Conduit	-	-	-	396	38	(716)	(283)	-0.010%	2.39%	0.000%
367 - Underground Conductor, Devices	-	14,524	(255)	12,338	(20,066)	(14,360)	(7,819)	-0.284%	2.40%	-0.007%
368 - Line Transformers	0	366	2,011	15,754	(3,086)	141,471	156,517	5.676%	2.49%	0.141%
369 - Services	-	-	-	-	(2,659)	4,875	2,215	0.080%	2.40%	0.002%
Total	\$ 18,116	\$ 55,831	\$ 11,846	\$ 225,164	\$ 64,824	\$ 2,381,766	\$ 2,757,546	100.000%		1.847%

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