

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA POWER COMPANY
DOCKET NO. R-2016-2537355**

2016 GENERAL BASE RATE FILING

(Volume I of III)

FILED: April 28, 2016

PENNSYLVANIA POWER COMPANY

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PENNSYLVANIA POWER COMPANY

EXHIBIT NO. 1

**Supplement No. 17 to
Tariff 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: April 28, 2016

Effective: June 27, 2016

**By: Steven E. Strah, President
Reading, Pennsylvania**

NOTICE

This Supplement No. 17 makes changes to Table of Contents, Description of Territory,
General Rules and Regulations, Rate Schedules and Riders.
See Fifteenth Revised Page 2.

LIST OF MODIFICATIONS

Table of Contents

Page 5 – Language has been changed (See First Revised Page 5).

Page 6 – Language has been changed (See First Revised Page 6).

Description of Territory

Changes within Territories (See First Revised Pages 8 and 9).

General Rules and Regulations

Definition of Terms – Definitions of Applicant, Customer, Primary Voltage and Sub-transmission Voltage (See First Revised Pages 11, 13, 14, 18 and 21).

Rule 2 – Deposits language has changed (See First Revised Page 23).

Rule 7 - Wiring, Apparatus and Inspection – Applicant/Customer Obligations language has changed (See First Revised Page 36).

Rule 10 – Meter Reading and Rendering of Bills (9) Power Factor/Kilovar Billing – Language has been changed (See First Revised Page 44).

Rule 11 – Payment of Bills (b) – Rates have been increased (See First Revised Page 46).

Rule 22 – Transfer of Electric Generation Supplier – Language has been changed (See First Revised Page 56).

Rate Schedules

Rate RS – Rates have been increased (See First Revised Page 57 and Second Revised Page 58).

Rate GS – General Service – Small – Rates have been increased (See Second Revised Pages 61 and 63).

Rate GS - Volunteer Fire Company, and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate – Rates have increased (See First Revised Pages 67 and 68).

Rate GM – General Service – Medium – Rates have been increased (See Second Revised Page 69 and 71. Language has been changed (See Second Revised Pages 69 and 71).

Rate GS-Large – General Service Secondary – Rates have been increased and language has been changed (See First Revised Page 73 and Second Revised Page 74).

LIST OF MODIFICATIONS

Rate Schedules (Continued)

Rate GP – General Service – Primary – Rates have been increased and language has been changed (See Second Revised Page 76 and First Revised Page 77 and Second Revised 78).

Rate GT – General Service -- Transmission – Rates have been increased (See Second Revised Page 80 and First Revised Page 83) and language has been changed (See Second Revised Page 82).

Rate PLS – Private Outdoor Lighting Service – Rates have been increased (See First Revised Page 84 and 85).

Rate SV – Street Lighting Service High Pressure Sodium Vapor – Rates have been decreased (See First Revised Page 88 and language has been changed (See First Revised Page 90).

Rate SVD – Street Lighting Service: High Pressure Sodium Vapor; Divided Ownership – Rates have been decreased and increased (See First Revised 91 and language has been changed (See First Revised Page 93).

Rate SM – Street Lighting Service Mercury Vapor – Removed Rate Schedule SM-Street Lighting Service (Original Page 94 and 95).

Rate LED – Street Lighting Service – Rates have been increased (See First Revised Page 96).

Rate PNP – Public of Non-Profit Organization Rate – Rates have been increased (See Second Revised Page 99 and First Revised Page 101).

Riders

Rider H – Price to Compare Default Service Rate Rider – Language has been changed (See Sixth Revised Page 123).

Rider J – Default Service Support Rider – Rates have been increased and language has been changed (See Second Revised Page 135 and First Revised Page 137).

General Rules and Regulations

Rider I – Hourly Pricing Default Service Rider – Language has been changed (See Second Revised Page 130 and First Revised Pages 132 and 133).

Rider L – Partial Services Rider – Language has been changed (See First Revised Pages 146, 150 and 151).

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(C) Change

DESCRIPTION OF TERRITORY

ALLEGHENY COUNTY

Boroughs	Bradford Woods	Franklin Park	
Town	McCandless		
Townships	Marshall	Pine	Ross

BEAVER COUNTY

Boroughs	Big Beaver	Homewood	New Galilee
	Darlington	Koppel	
Townships	Chippewa	Franklin	North Sewickley (C)
	Darlington	Marion	South Beaver

BUTLER COUNTY

Boroughs	Callery	Harmony	Valencia
	Connoquenessing	Mars	Zelienople
	Evans City	Seven Fields	
Townships	Adams	Cranberry	Jackson
	Connoquenessing	Forward	Lancaster

CRAWFORD COUNTY

Borough	Conneaut Lake		
Townships	East Fallowfield	North Shenango	Summit
	West Fallowfield	South Shenango	
	Sadsbury	West Shenango	

LAWRENCE COUNTY

City	New Castle		
Boroughs	Bessemer	New Beaver	Volant
	Ellwood City	New Wilmington	Wampum
	Ellport	SNPJ	
	Enon Valley	South New Castle	(C)
Townships	Hickory	Plain Grove	Union
	Little Beaver	Pulaski	Washington
	Mahoning	Scott	Wayne
	Neshannock	Shenango	Wilmington
	North Beaver	Slippery Rock	
	Perry	Taylor	

(C) Change

DESCRIPTION OF TERRITORY (continued)

MERCER COUNTY

Cities	Hermitage	Farrell	Sharon	
Boroughs	Clark	Jamestown	Sheakleyville	
	Fredonia	Mercer	Stoneboro	
	Greenville	New Lebanon	West Middlesex	
	Grove City	Sandy Lake	Wheatland	
	Jackson Center	Sharpsville		
Townships	Cool Spring	Jefferson	Salem	(C)
	Deer Creek	Lackawannock	Sandy Creek	
	Delaware	Lake	Sandy Lake	
	E. Lackawannock	Liberty	Shenango	
	Fairview	Mill Creek	Springfield	
	Findley	New Vernon	Sugar Grove	
	French Creek	Otter Creek	West Salem	
	Greene	Perry	Wilmington	
	Hempfield	Pine	Wolf Creek	
	Jackson	South Pymatuning	Worth	

(C) Change

GENERAL RULES AND REGULATIONS

Definition of Terms (continued)

Alternative Energy Portfolio Standards (“AEPS”) – Standards requiring that a certain amount of electric energy sold from alternative energy sources be included as part of the sources of electric utilities within the Commonwealth of Pennsylvania in accordance with the Alternative Energy Portfolio Standards Act, 73 P.S. §1648.1 – 1648.8 (“AEPS Act”) as may be amended from time to time.

(C)

Applicant – Any person, corporation or other entity that (i) desires to receive from the Company electric or any other service provided for in this Tariff, (ii) complies completely with all Company requirements for obtaining electric or any other service provided for in this Tariff, (iii) has filed and is awaiting Company approval of its application for service, and (iv) is not yet actually receiving from the Company any service provided for in this Tariff. For Residential Service, an Applicant is a natural person at least 18 years of age not currently receiving service who applies for Residential Service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the Residential Service is requested. The term does not include a person who seeks to transfer service within the service territory of the Company or to reinstate service at the same address provided that the final bill for service is not past due.

Basic Electric Supply – For purposes of the Company’s Purchase of EGS Receivables Program, energy (including renewable energy) and renewable energy or alternative energy credits (RECs/AECs) procured by an EGS, provided that the RECs/AECs are bundled with the associated delivered energy. For residential Customers, Basic Electric Supply does not include early contract cancellation fees, late fees, or security deposits imposed by an EGS.

Black Start Service – The ability of a Generating Facility to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system (i.e., the Company’s electrical system).

Cash Advance – A refundable contribution in cash from an Applicant for those costs associated with a Line Extension, increased for applicable taxes, which is held by the Company in a non-interest bearing account.

(C) Change

GENERAL RULES AND REGULATIONS

Definition of Terms (continued)

Contributions in Aid of Construction (“CIAC”) – A non-refundable contribution in cash from an Applicant for those costs associated with a Line Extension and/or tree trimming, brush clearance and related activities or those costs associated with Temporary Service or the relocation of Company facilities, increased for applicable taxes.

(C)

Customer(s) – Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the ratepayer for any premises, building, structure, etc. or (iii) is primarily responsible for payment of bills. For Residential Service, a Customer is a natural person at least 18 years of age in whose name a Residential Service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed, or lease of the property for which the Residential Service is being requested. A natural person remains a Customer after discontinuance or termination until the final bill for service becomes past due.

Customer Choice and Competition Act – The Pennsylvania legislation known as the “Electricity Generation Customer Choice and Competition Act,” 66 Pa. C. S. §§ 2801-2813 as implemented by the Default Service Regulations 52 Pa. C. S. §§52.181-52.189, and by Act 129 and as may be amended from time to time.

Default Service – Service provided pursuant to a Default Service Program to a Default Service Customer.

Default Service Customer – A Delivery Service Customer not receiving service from an EGS.

Delivery Service – Provision of distribution of electric energy and other services provided by the Company.

Delivery Service Charge – A charge that includes the Monthly Minimum Charge, Distribution Charge, and all charges and surcharges imposed under other applicable tariff provisions.

(C) Change

GENERAL RULES AND REGULATIONS

Definition of Terms (continued)

Non-Summer – The calendar months of October through May.

(C)

On-Peak Hours – The On-Peak hours shall be from 8:00 a.m. to 9:00 p.m., prevailing times, Monday through Friday excluding holidays. All other hours shall be Off-Peak. The Off-Peak holidays are New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. On-Peak hours are subject to change from time to time by the Company after giving notice of such changes to Customers.

Permanent Residential Customer – A Customer occupying a dwelling or mobile home on a permanent foundation which is the Customer's primary residence occupied year-round for normal living purposes and including: (i) electrical wiring conforming with the National Electrical Code and the Company's service installation policies; (ii) a permanently installed heating system; and (iii) permanently installed plumbing and sewage systems.

PJM – PJM Interconnection, L.L.C. or any successor organization/entity thereto.

Point of Delivery – The location at which the Company service connection terminates and the Customer's wiring and installation begins.

Power Factor – The ratio of the watts to the volt-amperes.

Price to Compare Default Service Charge – The cents per kWh rates representing the Company's costs for providing energy, capacity, including the cost of complying with non-solar AEPS, market based transmission and ancillary services for Customers who take Default Service.

(C)

Primary Voltage – Voltage greater than 600 volts but less than 23,000 volts.

Private Right-of-Way – The right-of-way or easement for electric facilities on, over, under, across and/or through real or other property owned by an individual or entity which is not a governmental, municipal or other public body to provide service.

(C) Change

GENERAL RULES AND REGULATIONS

Definition of Terms (continued)

Subdivision – A tract of land divided by a Subdivider into five (5) or more adjoining unoccupied lots for the construction of single-family residences, detached or otherwise, or apartment houses, all of which are intended for year-round occupancy, if electric service to such lots necessitates extending the Company's existing Distribution Lines.

(C)

Sub-transmission Voltage – 23,000 volts.

Summary Billing – The summation of the charges for a Customer's multiple accounts and provision thereof to the Customer in a single bill.

Summer – The calendar months of June through September.

Tariff – This document, including, but not limited to, the Rules, Regulations and Rate Schedules and Riders contained herein, as filed with and approved by the Commission.

Temporary Electric Service – A Service Line, meter and/or other work supplied by the Company to the Customer for electric service over a defined period, usually less than one (1) year.

Transmission Voltage – Voltage equal to or greater than 69,000 volts.

Universal Service – Policies, protections and services that help residential low-income Customers maintain electric service. The term includes Customer assistance programs, termination of service protections and policies and services that help low-income Customers to reduce or manage energy consumption in a cost-effective manner.

Universal Service Charge – The charge developed and calculated in accordance with Rider C – Universal Service Cost Rider.

Volunteer Fire Company – A service location consisting of a building, sirens, a garage for housing vehicular firefighting equipment, or a facility certified by the Pennsylvania Emergency Management Agency (PEMA) for fire fighter training. The use of electric service at this service location shall be to support the activities of the Volunteer Fire Company. Any fund raising activities at this service location must be used solely to support volunteer fire fighting operations. The Customer of record at this service location must be predominately a Volunteer Fire Company recognized by the local municipality or PEMA as a provider of firefighting services.

(C) Change

GENERAL RULES AND REGULATIONS

The Company may require an Applicant/Customer to make the payment of any outstanding balance or portion of an outstanding balance if the Applicant/Customer resided at the property for which service is requested during the time the outstanding balance accrued and for the time the Applicant/Customer resided at the property not to exceed four years. The Company may establish that an Applicant/Customer previously resided at a property through the use of mortgage, deed, lease information, a consumer credit reporting service, a Financial Summary that provides the names and income of adult occupants of a household, and a web-based tool such as "Accurint" to research Applicant/Customer information.

2. Deposits

Where an Applicant's/Customer's credit is not established or the credit of a Customer with the Company has, in the Company's judgment become impaired, or where the Company deems it necessary, a deposit or other guarantee satisfactory to the Company may be required to be supplied by the Applicant/Customer as security for the payment of future and final bills before the Company shall commence or continue to render any type of electric service to the Applicant/Customer. Deposits required by the Company for Tariff charges shall include unpaid EGS charges that are subject to the Company's POR.

The Company utilizes a generally accepted credit scoring methodology in range of general industry practice that is based on an applicant or customer's utility payment history.

The Company may request deposits from Customers taking service for a period of less than thirty (30) days, in an amount equal to the estimated bill for the cost of total services provided by the Company for such temporary period. Deposits may be required by the Company from all other Customers, in an amount that is in accordance with 52 Pa. Code § 56.51. (C)

Deposits for Residential Customers shall be returned to them in accordance with the provisions of the Responsible Utility Customer Protection Act (66 Pa. C.S. §§ 1401-1418) and the provisions of the Commission's Regulations at 52 Pa. Code Chapter 56, as amended from time to time. Deposits from all other Customers may be held by the Company, in its sole and exclusive judgment, until the Customer discontinues service or the Company determines that the Customer has established a satisfactory payment record. Upon discontinuance of all Company service and payment in full of all charges and financial guarantees, the Company shall refund the deposit or deduct any unpaid amounts from the deposit and refund the difference, if any, to the Customer. The deposit shall no longer accrue interest upon the discontinuance of service.

The interest rate on Residential Customer deposits will be calculated pursuant to The Fiscal Code, as amended annually.

(C) Change

GENERAL RULES AND REGULATIONS

Rule 7 – Wiring, Apparatus and Inspection (continued)

When a Customer's facilities or use of equipment having operating characteristics that adversely affects or has the potential to adversely affect, in the Company's sole judgment, the Company's electric system, the Customer shall take corrective action at its sole expense as may be directed by the Company. Unless corrective action is taken, the Company is under no obligation to serve or to continue to serve such Customers.

Each Applicant/Customer shall provide to the Company such service information described in Rule 1 of this Tariff. The Applicant/Customer shall be responsible and liable to the Company for any damages resulting from the Customer's failure to provide such service information.

The Company will require the customer to maintain a Power Factor in the range of 85% (lagging) to 100% for secondary, primary and subtransmission service and 97% (lagging) to 99% (leading) for transmission service, coincident with the customer's maximum monthly peak demand and to provide, at the Customer's expense, any corrective equipment necessary in order to do so. The Company may inspect the Customer's installed equipment and/or place instruments on the premises of the Customer in order to determine compliance with this requirement, as deemed appropriate by the Company. The Company may charge the Customer the Company's installation cost incurred for corrective devices necessary for compliance with this provision. The Company is under no obligation to serve, or to continue to serve, a Customer who does not maintain a Power Factor consistent with the parameters set forth in this provision. (C)

8. Metering**Company Obligations**

The Company owns, maintains, installs and operates a variety of meters, and related equipment designed to measure and record Customers' consumption and usage of all services provided under this Tariff. The Company may, in its sole and exclusive discretion, install such meters and related equipment it deems reasonable and appropriate to provide service to Customers under this Tariff. The Company may, in its sole and exclusive discretion, install such special metering equipment as may be requested by a Customer, subject to the Customer paying all of the Company's incremental material, labor, overheads and administrative and general expenses relating to such facilities. Where additional metering services and the associated costs for the additional metering services are contained within this Tariff, those costs shall also be applicable.

(C) Change

GENERAL RULES AND REGULATIONS

Rule 10 – Meter Reading and Rendering of Bills (continued)

(9) Power Factor/kilovar Billing

(C)

Billing for Power Factor or kilovars, whichever is applicable, shall be in accordance with the Customer's applicable Rate Schedule or other provisions of this Tariff. The Power Factor used for billing purposes shall be rounded to the next highest whole percent, unless otherwise stated in the Customer's applicable Rate Schedule or other provisions of this Tariff.

(10) Billing for Vandalism, Theft or Deception

In the event that the Company's meters or other equipment on the Customer's premises have been tampered or interfered with by any means whatsoever, resulting in improper or non-registration of service supplied, the Customer being supplied through such equipment shall pay to the Company the amount the Company estimates is due for service used but not registered on the Company's meter, and the cost of any repairs or replacements, inspections and investigations relating thereto including, but not limited to, all administrative expenses associated with the investigation(s) (e.g., Legal, Accounting/Billing, etc.). Under these circumstances, the Company may at its option terminate its service immediately and/or require the Customer to pay all costs correcting any and all unauthorized conditions at the premises. In the event service has been terminated under these circumstances it shall not be restored to the Customer's premises until: (i) the Customer has a certificate of compliance with the provisions of the National Electric Code and the regulations of the National Fire Protection Association has been issued by the municipal inspection bureau or by any Company-accepted inspection agency, (ii) the Customer has complied with all of the Company's requirements and (iii) the Customer pays the Company a reconnection fee and deposit.

In the event that a Customer knowingly and willfully obtained service for itself or for another by creating or reinforcing a false impression, statement or representation and fails to correct the same, the Company shall immediately correct the account information in question and issue an adjustment for all current or previous amounts. The Customer shall be required to show proof of identity and sign an agreement for payment of all electric service received, plus any and all costs and administrative expenses associated with any investigation(s) (i.e., Legal, Accounts/Billing, etc.) which shall be added to their account. The Customer shall have three (3) business days in which to provide proof of identity. The Company may terminate a Customer's electric service if the Customer fails to provide such proof of identity within the aforementioned time period.

(C) Change

GENERAL RULES AND REGULATIONS

Rule 11 – Payment of Bills (continued)

A Customer's failure to receive a bill shall not be construed or deemed, under any circumstances, to be a waiver of any of the provisions of this Tariff. A Customer's bill shall be overdue when not paid on or before the due date indicated in the bill.

b. Late Payment Charges

Late payment charges shall be applied to Default Service Charges, EGS charges that are subject to the Company's POR and Delivery Service Charges. The Company will apply late payment charges to EGS charges that are not subject to the Company's POR at the EGS's request when it is performing billing services for the EGS.

A Residential Customer's overdue bill shall be subject to a late payment charge of 1.5% interest per month on the overdue balance of the bill. A Non-Residential Customer's overdue bill shall be subject to a late payment charge of 2.0% interest per month on the overdue balance of the bill. Interest charges shall be calculated by the Company on the overdue portions of the bill and shall not be charged against any sum that falls due during a current billing period. At the Company's option, the interest per month associated with the late payment charge for Residential Customers may be reduced or eliminated in order to facilitate payment of bills under dispute. (I)

c. Allocation of Payments

All payments made by or on behalf of a Customer shall be applied to a Customer's account in accordance with the Commission's payment posting rules and applicable Regulations including the Company's Electric Generation Supplier Coordination Tariff on file with the Commission.

d. Delinquent Accounts

A Customer's account is delinquent when not paid in full by the due date stated on the bill or otherwise agreed upon by the Customer and the Company. The Company shall pursue collections of outstanding residential delinquent account balances in accordance with applicable law and Commission regulations. Termination of service will occur only for non-payment of undisputed delinquent accounts associated with the Company's regulated charges, which shall include EGS charges subject to the Company's POR.

The Company will have the ability to terminate service to a Customer for the Customer's non-payment of EGS Basic Electric Supply charges incurred after January 1, 2011 in the same manner and to the same extent that the Company could terminate service to such a Customer for non-payment of EDC charges. Residential Customer's termination will be subject to the consumer protections included in Chapter 14 of the Public Utility Code, 66 Pa. C.S. §1401, et. seq., and Chapters 55 and 56 of the Commission's regulations, 52 Pa. Code §§55.1 and 56.1 et. seq., and/or other applicable regulations as may change from time to time. The POR is only available as long as the Company is able to terminate service to Customers under Chapter 14 of the Public Utility Code 66 Pa. C.S. §1401, et. seq., and Chapters 55 and 56 of the Commission's regulations, 52 Pa. Code §§55.1 and 56.1 et. seq., and/or other applicable regulations as may change from time to time.

(I) Increase

GENERAL RULES AND REGULATIONS

Rule 21 – Service Continuity: Limitation on Liability for Service (continued)

To the extent applicable under the Uniform Commercial Code or on any theory of contract or products liability, the Company disclaims and shall not be liable to any Customer or third party for any claims involving and including, but not limited to, strict products liability, breach of contract, and breach of actual or implied warranties of merchantability or fitness for an intended purpose.

If the Company becomes liable under Section 2806(g) or 2809(c) of the Public Utility Code, 66 Pa. C.S. §§2806(g) and 2809(f), for Pennsylvania state taxes not paid by an Electric Generation Supplier (EGS), the non-compliant EGS shall indemnify the Company for the amount of additional state tax liability imposed upon the Company by the Pennsylvania Department of Revenue due to the failure of the EGS to pay or remit to the Commonwealth the tax imposed on its gross receipts under Section 1101 of the Tax Report Code of 1971 or Chapter 28 of Title 66.

22. Transfer of Electric Generation Supplier

(C)

The Company shall change a Customer's EGS in accordance with 52 Pa. Code Chapter 57, Subchapter M, "Standards for Changing a Customer's Electricity Generation Supplier". Pursuant to the commission's Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 57 Regulations Regarding Standards for Changing a Customer's Electricity Generation Supplier, at Docket No. L-2014-2409383, changes in a Customer's EGS shall be effective within three (3) business days after the enrollment request is processed, regardless of whether the meter reading is actual or estimated.

(C) Change

RATE SCHEDULES

RATE RS

Availability:

Available for Residential Service using the Company's standard, single phase service, to installations served through one meter for each family unit in a residence or apartment.

When service is used through the same meter for both residential and commercial purposes the General Service rate schedule shall apply.

This rate schedule is not available for commercial, institutional or industrial establishments.

Service:

Alternating current, 60 hertz, single phase, nominal voltage 120/240 or 120/208 as available.

Rate:

The net monthly charge per customer shall be:

Distribution:

\$13.41 per month (Customer Charge), plus (I)
4.690¢ per kWh for all kWh (I)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider C – Universal Services Cost
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

(I) Increase

RATE SCHEDULES

Rate RS (continued)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H-Price to Compare Default Service Rate Rider, Residential Customer Class rate applies.

Minimum Charge:

The monthly Minimum Charge shall be \$13.41 plus distribution energy charges and any (I) charges related to applicable riders.

Special Monthly Charges Load in Excess of 25 kilowatts:

The Company shall install a suitable demand meter to determine the maximum 15-minute integrated demand when (i) a Customer's service requires the installation of an individual transformer, (ii) a Customer's total monthly consumption exceeds 10,000 kilowatt-hours for two (2) consecutive months, or (iii) when the Customer's service entrance requirements exceed 600 amperes.

If the demand so determined under this provision exceeds twenty-five (25) kilowatts, a monthly distribution demand charge of Two Dollars (\$2.00) per kW for all kW shall apply to such excess as set forth in this provision, in addition to the General Monthly Charges. In no event shall the demand charge be based upon less than seventy-five percent (75%) of the highest excess demand during the preceding eleven (11) months.

(I) Increase

Issued: April 28, 2016

Effective: June 27, 2016

RATE SCHEDULES

RATE GS
GENERAL SERVICE - SMALL

Availability:

Available for service through a single metering installation for secondary light and power service for loads up to 1,500 kWh.

Service:

Alternating current, 60 hertz, standard single phase or three phase three-wire or four-wire secondary service, as available.

Single and three phase service will be metered and billed separately or, where feasible, single and three phase service will be furnished through a single meter installation and billed as one account provided the customer arranges his wiring to facilitate the installation of a single meter.

Where service is furnished at three-phase, the customer shall provide and maintain all equipment required for lighting service.

Rate:

The net monthly charge per Customer shall be:

Distribution:

\$27.67 per month (Customer Charge), plus (I)

4.035 cents per kWh for all kWh (I)

(I) Increase

RATE SCHEDULES

Rate GS (continued)

Minimum Charge:

The monthly Minimum Charge shall be \$27.67 plus distribution energy charges and (I) any charges related to applicable riders.

Terms of Payment:

As per Rule 11, Payment of Bills

(I) Increase

RATE SCHEDULES

Rate GS (continued)

service territory that constitutes a separately metered location for electric delivery purposes. The use of the electric service by the Non-Profit Ambulance Service shall be used primarily to support its service. The Company may request and the Customer/Applicant shall provide all documentary and other evidence of its compliance with this provision.

Rate:

The net monthly charge per Customer shall be:

Distribution:

\$13.41 per month (Customer Charge), plus (I)
4.690¢ per kWh for all kWh (I)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider C – Universal Service Cost
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H – Price to Compare Default Service Rate Rider, Residential Customer Class rate applies.

(I) Increase

RATE SCHEDULES

Rate GS (continued)

Minimum Charge:

The monthly Minimum Charge shall be \$13.41 plus distribution energy charges and any charges related to applicable riders. (I)

Special Monthly Charges Load in Excess of 25 kilowatts:

The Company shall install a suitable demand meter to determine the maximum 15-minute integrated demand when (i) a Customer's service requires the installation of an individual transformer, (ii) a Customer's total monthly consumption exceeds 10,000 kilowatt-hours for two (2) consecutive months, or (iii) when the Customer's service entrance requirements exceed 600 amperes.

If the demand so determined under this provision exceeds twenty-five (25) kilowatts, a monthly distribution demand charge of Two Dollars (\$2.00) per kW for all kW shall apply to such excess as set forth in this Provision, in addition to the General Monthly Charges. In no event shall the demand charge be based upon less than seventy-five percent (75%) of the highest excess demand during the preceding eleven (11) months.

Terms of Payment:

Same as listed previously in this schedule.

(I) Increase

RATE SCHEDULES

RATE GM
GENERAL SERVICE - MEDIUM

Availability:

Available for secondary light and power service for loads of up to 400 kW. Secondary voltage shall be supplied to Customers at a single transformer location when load does not require transformer capacity in excess of 2,500 KVA. Upon a Customer's request, the Company may, at its option, provide transformers having a capacity of greater than 2,500 KVA.

New Customers requiring transformer capacity in excess 2,500 KVA and existing Customers whose load increases such that a transformer change is required (over 2,500 KVA) shall be required to take untransformed service.

If an existing Customer's total consumption is less than 1,500 kWh per month for twelve (12) consecutive months, the Customer may no longer be eligible for service under this Rate Schedule GM. Based upon the Company's then estimate of the Customer's usage, the Customer shall be placed on Rate Schedule GS or such other Rate Schedule for which such Customer most qualifies.

(C)

If an existing Customer's billing demand exceeds 400 kW for two (2) consecutive months in the most recent twelve-month period, then the Customer may no longer be eligible for service under this Rate Schedule GM and shall be placed on Rate Schedule GS-Large or such other Rate Schedule for which such Customer most qualifies.

(C)

All of the following general monthly charges are applicable to Delivery Service

Rate:

The net monthly charge per customer shall be:

Distribution:

\$30.44 per month (Customer Charge), plus (I)

Demand

\$3.85 per kW for all billing demand as measured in kW (I)

\$0.20 for each rkVA of Reactive Billing Demand

(C) Change

(I) Increase

RATE SCHEDULES

Rate GM (continued)

Primary and Transmission Service Discount:

No service voltage discounts are available on this rate schedule.

Minimum Charge:

No bill shall be rendered by the Company for less than,

\$30.44 per month, plus (I)

The demand charge at current rate levels times the Billing Demand, plus any distribution energy charges and any charges stated in or calculated by any applicable rider.

Determination of Billing Demand: (C)

A Customer's demand shall be measured by indicating or recording instruments. Demands shall be integrated over 15-minute intervals. The billing demand in the current month shall be the greatest of: (i) the maximum measured demand established in the month during On-Peak Hours, as stated herein, (ii) forty percent (40%) of the maximum measured demand established in the month during off-peak hours, as stated herein, (iii) contract demand or (iv) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months. The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.

Pending the installation of a demand meter, Customer's Demand shall be a formula demand determined by dividing the kilowatt-hour consumption by 200.

Reactive Billing Demand:

For installations metered with reactive energy metering, the reactive billing demand in rkVA for the month shall be determined by multiplying the Billing Demand by the ratio of the measured lagging reactive kilovoltamperes hours to the measured kWh by the following formula: $rkVA = \text{Billing Demand} \times (\text{measured lagging reactive kilovoltampere hours} \div \text{rate measured kWh})$. For all other installations, the Reactive Billing Demand shall be the integrated reactive demand occurring coincident with the Billing Demand.

(C) Change

(I) Increase

RATE SCHEDULES

RATE GS-LARGE
GENERAL SERVICE SECONDARY

Availability:

(C)

This Rate is available to non-Residential Customers using electric service through a single delivery location for lighting, heating and/or power service whose registered demand is equal to or greater than 400 KW in two (2) consecutive months in the most recent twelve-month period, Secondary voltage shall be supplied to Customers at a single transformer location when load does not require transformer capacity in excess of 2,500 KVA. Upon a Customer's request, the Company may, at its option, provide transformers having a capacity of greater than 2,500 KVA.

New Customers requiring transformer capacity in excess 2,500 KVA and existing Customers whose load increases such that a transformer change is required (over 2,500 KVA) shall be required to take untransformed service.

All of the following general monthly charges are applicable to Delivery Service Customers.

GENERAL MONTHLY CHARGES

Distribution Charge:

\$126.53 per month (Customer Charge), plus (I)
\$4.77 per kW for all billed kW (I)
\$0.20 for each rkVA of reactive billing demand

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

(C) Change
(I) Increase

RATE SCHEDULES

Rate GS - Large (continued)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H-Price to Compare Default Service Rate Rider, Commercial Customer Class rate applies unless the Customer elects to receive Default Service from the Company under Rider I-Hourly Pricing Default Service Rider.

Minimum Charge:

No bill shall be rendered by the Company for less than,

\$126.53 per month, plus (I)

The demand charge at current rate levels for the highest kilowatt demand billed during the current and preceding eleven (11) months, plus distribution energy charges, and any charges stated in or calculated by any applicable rider.

Determination of Billing Demand:

A Customer's demand shall be measured by indicating or recording instruments. Demands shall be integrated over 15-minute intervals. The billing demand in the current month shall be the greatest of: (i) the maximum measured demand established in the month during On-Peak Hours, as stated herein, (ii) forty percent (40%) of the maximum measured demand established in the month during off-peak hours, as stated herein, (iii) contract demand or (iv) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months. The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters. (C)

Pending the installation of a demand meter, Customer's Demand shall be a formula demand determined by dividing the kilowatt-hour consumption by 200.

Reactive Billing Demand:

For installations metered with reactive energy metering, the reactive billing demand in rkVA for the month shall be determined by multiplying the Billing Demand by the ratio of the measured lagging reactive kilovoltamperes hours to the measured kWh by the following formula: $\text{rkVA} = \text{Billing Demand} \times (\text{measured lagging reactive kilovoltampere hours} \div \text{rate measured kWh})$. For all other installations, the Reactive Billing Demand shall be the integrated reactive demand occurring coincident with the Billing Demand.

(C) Change

(I) Increase

RATE SCHEDULES
RATE GP

GENERAL SERVICE – PRIMARY

Availability:

Available for primary light and power service. The billing load as hereinafter defined shall not be less than 25 kW.

Service:

Alternating current, 60 hertz, three phase, at nominal primary voltages as available from suitable facilities of adequate capacity adjacent to the premises to be served, and as determined by the Company.

The Customer shall have the responsibility for ownership, operation, and maintenance of all transforming, controlling, regulating, and protective equipment.

Rate:

The net monthly charge per Customer shall be:

Distribution:

- \$159.89 per month (Customer Charge), plus (I)
- \$6.12 per kW for all billed kW (I)
- \$0.20 for each rkVA of Reactive Billing Demand

(I) Increase

RATE SCHEDULES

Rate GP (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

Default Service Charges:

For Customers receiving Default Service from the Company, Rider I – Hourly Pricing Service Default Service Rider rate applies.

Minimum Charge:

No bill shall be rendered by the Company for less than:

\$159.89 per month, plus demand charges at current rate levels times the Billing Demand, (I)
plus any distribution energy charges, and any charges stated in or calculated by any applicable rider.

(I) Increase

RATE SCHEDULES

Rate GP (continued)

Riders:

Bills rendered under this schedule are subject to the charges stated in any applicable rider.

Determination of Billing Demand:

The Customer's demand shall be measured by indicating or recording instruments. Demand shall be integrated over fifteen (15)-minute intervals or as otherwise determined by the Company. The billing demand in the current month shall be the greatest of: (i) twenty-five (25) kW, (ii) the maximum measured demand established in the month during On-Peak Hours, as stated herein, (iii) forty percent (40%) of the maximum measured demand established in the month during off-peak hours, as stated herein, (iv) contract demand or (v) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months. The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.

(C)

Reactive Billing Demand:

For installations metered with reactive energy metering, the reactive billing demand in rkVA for the month shall be determined by multiplying the Billing Demand by the ratio of the measured lagging reactive kilovoltamperes hours to the measured kWh by the following formula: $rkVA = \text{Billing Demand} \times (\text{measured lagging reactive kilovoltampere hours} \div \text{rate measured kWh})$. For all other installations, the Reactive Billing Demand shall be the integrated reactive demand occurring coincident with the Billing Demand.

Terms of Payment:

As per Rule 11, Payment of Bills

(C) Change

RATE SCHEDULES

RATE GT
GENERAL SERVICE - TRANSMISSION

Availability:

Available for transmission light and power service furnished through one meter for each installation. The minimum billing demand shall be 200 kW.

Service:

Alternating current, 60 hertz three phase, at nominal transmission voltages of 23,000 volts or above from suitable facilities of adequate capacity as may be available adjacent to the premises to be served and as determined by the Company.

The Customer shall have the responsibility for ownership, operation, and maintenance of all transforming, controlling, regulating, and protective equipment.

The Company reserves the right to install the metering equipment on either the primary or secondary side of the customer's transformers, and when installed on the secondary side, compensating metering equipment will be used to correct for transformer losses.

Rate:

The net monthly charge per customer shall be:

Distribution:

\$376.85 per month (Customer Charge), plus (I)

\$0.60 per kw for all billed kW (I)

\$0.20 for each rkVA of reactive billing demand

(I) Increase

RATE SCHEDULES

Rate GT (continued)

Discount:

A. VOLTAGE DISCOUNT – 115 KV OR GREATER:

If the Company, in its sole discretion, elects to serve a Customer at 115 KV or greater, the demand charge shall be decreased as set forth below:

Credit for:	Demand Dollars/KW	
Distribution	\$0.18	(C)

Determination of Billing Demand:

(C)

The Customer’s demand shall be measured by indicating or recording instruments. Demand shall be integrated over fifteen (15)-minute intervals or as otherwise determined by the Company. The billing demand in the current month shall be the greater of: (i) 200 kW, (ii) the maximum measured demand established in the month during On-Peak Hours, as stated herein, (iii) forty percent (40%) of the maximum measured demand established in the month during off-peak hours, as stated herein, (iv) contract demand (v) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months. The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.

For purposes of determining the demand for Net Station Power of a Generating Facility under this Rate Schedule, registered demand during any hour cannot be netted, offset or credited against capacity from that Generating Facility in any other hour or from registered capacity from any other Generating Facility in any other hour.

Reactive Billing Demand:

For installations metered with reactive energy metering, the reactive billing demand in rkVA for the month shall be determined by multiplying the Billing Demand by the ratio of the measured lagging reactive kilovoltamperes hours to the measured kWh by the following formula: $rkVA = \text{Billing Demand} \times (\text{measured lagging reactive kilovoltampere hours} \div \text{rate measured kWh})$. For all other installations, the Reactive Billing Demand shall be the integrated reactive demand occurring coincident with the Billing Demand.

(C) Change

RATE SCHEDULES

Rate GT (continued)

Minimum Charge:

No bill shall be rendered by the Company for less than,

\$376.85 per month, plus (I)

the demand charges at current rate levels times the Billing Demand, plus any charges stated in or calculated by any applicable Riders.

Terms of Payment:

As per Rule 11, Payment of Bills

Station Power Energy Netting:

If applicable PJM rules and procedures for determining Net Station Power are in effect, all Net Station Power shall be determined solely by PJM and provided to the Company for billing purposes under this Rate Schedule. If the Applicant self-supplies Net Station Power, the Applicant shall be responsible for obtaining all related transmission service. If no such applicable PJM rules and procedures for determining Net Station Power are in effect or PJM is unable for any reason to determine Net Station Power, the Company shall determine Net Station Power for any relevant period in its sole discretion.

Contract:

Electric service hereunder will be furnished in accordance with a written contract which by its terms shall be in full force and effect for a minimum period of one year and shall continue in force thereafter from year to year unless either party shall give to the other not less than 60 days' notice in writing prior to the expiration date of any said yearly periods that the contract shall be terminated at the expiration date of said yearly period. When a contract is terminated in the manner provided herein, the service will be discontinued. Customers who elect not to contract for a minimum one year term, as specified above, will be placed on Rate Schedule GS.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service

(I) Increase

RATE SCHEDULES

RATE PLS
PRIVATE OUTDOOR LIGHTING SERVICE

Availability:

Available for all-night outdoor lighting service to any Customer on the lines of the Company where such service can be supplied by the installation of lighting fixtures supplied directly from (1) existing secondary circuits or (2) an extension of existing secondary circuit that requires only one additional span of secondary circuit and does not require any other facilities or expenses (e.g. new pole, pole changeout, or guying).

Service:

Complete lighting service will be furnished by the Company using vapor lamps installed in standard fixtures. All equipment will be installed and maintained by the Company.

Rate:

Overhead and Post-Top (PT) Lighting Service:

The charges listed below for lights not designated as PT are for each light with luminaire and bracket arm, supplied from an existing pole and secondary facilities.

The charges listed below for lights designated as PT are for each lamp with post-top luminaire mounted on a 14'-16' post installed 4' in the ground, where service is supplied from existing secondary, including 50 feet of circuit installed in a trench provided by the customer.

Distribution Charge:

<u>Rating in Watts</u>	<u>Type</u>	<u>Nominal Lumens</u>	<u>Average Monthly kWh</u>	<u>Distribution</u>	
175	Mercury Vapor	7,500	70	\$ 13.76	(I)
175	Mercury Vapor - PT	7,500	70	25.04	(I)
400	Mercury Vapor	22,000	156	11.83	(I)
70	Sodium Vapor	5,800	32	17.18	(I)
100	Sodium Vapor - PT	9,500	46	26.34	(I)
100	Sodium Vapor	9,500	46	17.28	(I)
150	Sodium Vapor	16,000	66	16.66	(I)
250	Sodium Vapor	27,500	98	17.47	(I)
400	Sodium Vapor	50,000	156	17.31	(I)
250	Metal Halide	23,000	98	21.56	(I)
400	Metal Halide	40,000	156	18.41	(I)
1,000	Metal Halide	110,000	364	7.86	(I)

(I) Increase

RATE SCHEDULES

Rate PLS (continued)

When service cannot be supplied from facilities included above and additional facilities are required, the customer will in addition to the above charges pay the following distribution charge for each pole:

For each 30' or 35' pole, per month	\$10.46	(I)
For each 40' pole, per month	\$12.18	(I)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

Default Service Charges:

The Default Service Charges shall be determined using the applicable Average Monthly kWh usage, from the preceding chart, multiplied by the Rider H – Price to Compare Default Service Rate Rider, Commercial Customer Class rate.

(I) Increase

RATE SCHEDULES

RATE SV
 STREET LIGHTING SERVICE
 HIGH PRESSURE SODIUM VAPOR

Availability:

Available to municipalities and other governmental agencies for lighting public streets, highways, bridges, parking lots, parks, and similar public places.

Service:

Company will furnish, install, operate, and maintain its standard HPS street light units consisting of lamps, luminaires, controls, brackets, and ballasts utilizing the Company's wood, metal or steel poles and overhead and underground distribution facilities that exist along public thoroughfares. Exceptions are as noted under Special Terms and Conditions. Lighting units will operate from sunset until sunrise, each night of the year, approximately 4,070 hours of annual operation.

Rate:

Distribution Charge:

<u>Rating in Watts</u>	<u>Nominal Lumens</u>	<u>Average Monthly kWh</u>	<u>Distribution</u>	
70	5,800	32	\$9.38	(D)
100	9,500	46	\$9.34	(D)
150	16,000	66	\$9.48	(D)
250	27,500	98	\$9.67	(D)
400	50,000	156	\$9.97	(D)

(D) Decrease

RATE SCHEDULES

Rate SV (continued)

Replacements:

If the customer requests the Company to remove the present street light system to install high pressure sodium vapor lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system. If the customer terminates his present street lighting service within twelve months of requesting service under this schedule, the above condition of service remains in effect. However, in the case where the lights have been in place longer than ten years, and the customer replaces a portion of the existing mercury vapor system with sodium vapor and further requests that the removed mercury vapor lights replace a portion of the existing incandescent lights, the Company will assume these costs provided that there is remaining value in the mercury vapor lights, i.e., not fully depreciated. If the customer chooses, or is unable, to replace existing incandescent lights with the replaced mercury vapor lights, the customer shall pay the remaining life value of the removed mercury vapor lights including poles and hardware.

(C)

If the customer requests the Company to remove the present high pressure sodium vapor street light system to install LED lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system.

Terms of Payment:

The net amount billed is due and payable within a period of thirty days. If the net amount is not paid on or before the date shown on the bill for payment of net amount, the bill shall bear interest at the rate of 2% per month of the unpaid net balance.

Contract:

Electric service hereunder will be furnished in accordance with a written contract which by its terms shall be in full force and effect for a period of ten years and shall continue in force thereafter for five-year periods unless either party shall give to the other not less than 60 days' notice in writing prior to the expiration date of any of said five-year period that the contract shall be terminated at the expiration date of said five-year period. When a contract is terminated in the manner provided herein, the service will be discontinued.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

(C) Change

RATE SCHEDULES

RATE SVD
 STREET LIGHTING SERVICE; HIGH PRESSURE SODIUM VAPOR; DIVIDED
 OWNERSHIP

Availability:

Available to municipalities and other governmental agencies for lighting public streets, highways, bridges, parking lots, parks and similar public places.

Service:

The Company will furnish energy and maintenance only to those HPS street light units that are listed in the Company's approved material standards. Maintenance shall include lamp replacement, photo-cell replacement, and scheduled cleaning. Lighting units will operate from sunset to sunrise, each night of the year, approximately 4,070 hours of annual operation.

Rate:

Distribution Charge:

<u>Rating in Watts</u>	<u>Nominal Lumens</u>	<u>Average Monthly kWh</u>	<u>Distribution</u>	
70	5,800	32	\$3.96	(D)
100	9,500	46	\$3.91	(D)
150	16,000	66	\$5.58	(I)
250	27,500	98	\$6.10	(I)
400	50,000	156	\$3.37	(D)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

(D) Decrease
 (I) Increase

RATE SCHEDULES

Rate SVD (continued)

Replacements:

If the customer requests the Company to remove the present street light system to install high pressure sodium vapor lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system. If the customer terminates his present street lighting service within twelve months of requesting service under this schedule, the above condition of service remains in effect. However, in the case where the lights have been in place longer than ten years, and the customer replaces a portion of the existing mercury vapor system with sodium vapor and further requests that the removed mercury vapor lights replace a portion of the existing incandescent lights, the Company will assume these costs provided that there is remaining value in the mercury vapor lights, i.e., not fully depreciated. If the customer chooses, or is unable, to replace existing incandescent lights with the replaced mercury vapor lights, the customer shall pay the remaining life value of the removed mercury vapor lights including poles and hardware.

(C)

If the customer requests the Company to remove the present high pressure sodium vapor street light system to install LED lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system.

Terms of Payment:

The net amount billed is due and payable within a period of thirty days. If the net amount is not paid on or before the date shown on the bill for payment of net amount, the bill shall bear interest at the rate of 2% per month of the unpaid net balance.

Contract:

Electric service hereunder will be furnished in accordance with a written contract which by its terms shall be in full force and effect for a period of ten years and shall continue in force thereafter for five-year periods unless either party shall give to the other not less than 60 days' notice in writing prior to the expiration date of any of said five-year period that the contract shall be terminated at the expiration date of said five-year period. When a contract is terminated in the manner provided herein, the service will be discontinued.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

(C) Change

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RATE SCHEDULES

RATE LED
 STREET LIGHTING SERVICE

Availability:

This Service is applicable to Company owned overhead or underground Light Emitting Diode (LED) street lighting service to municipal, local, state and federal governmental bodies, community associations and to public authorities for lighting of streets, highways, parks and similar places for the safety and convenience of the public.

(C)

A minimum installation of 12 LED lights per customer per individual order is required when replacing existing lighting. This restriction does not apply to new installations.

General Monthly Charges:

Demand and Energy Charges for Common Lamp Sizes:

Charges Per Month Per Light:

Cobra Head

<u>Nominal Watts</u>	<u>Monthly kWh</u>	<u>Distribution</u>	
50	18	\$ 8.23	(I)
90	32	\$ 9.57	(I)
130	46	\$10.18	(I)
260	91	\$15.75	(I)

Colonial

<u>Nominal Watts</u>	<u>Monthly kWh</u>	<u>Distribution</u>	
50	18	\$12.20	(I)
90	32	\$13.41	(I)

Acorn

<u>Nominal Watts</u>	<u>Monthly kWh</u>	<u>Distribution</u>	
50	18	\$19.69	(I)
90	32	\$20.82	(I)

(C) Change
 (I) Increase

RATE SCHEDULES

RATE PNP
PUBLIC OR NON-PROFIT ORGANIZATION RATE

Availability:

Certain public or non-profit organizations may receive electric service pursuant to the charges set forth below as part of the Company’s Community and Customer Partnership Program (CCPP) rate schedule.

Definition:

Public or Non-Profit Organization – organization which has the authority to tax and has tax exempt status or an organization recognized by the Internal Revenue Service (IRS) as non-profit. Only qualifying organizations that have temporary connections or occasional use of electric service for periods of less than 30 days and where such service is for an event in the public interest and available to the public qualify for this special provision. The 30-day requirement may be waived for public organizations, but in no event shall occasional use extend beyond 12 continuous months.

Service:

Alternating current, 60 hertz, standard single phase or three phase three-wire or four-wire secondary service, as available.

Single and three phase service will be metered and billed separately or, when feasible, single and three phase service will be furnished through a single meter installation and billed as one account provided the customer arranges his wiring to facilitate the installation of a single meter.

Where service is furnished at three-phase, the customer shall provide and maintain all equipment required for lighting service.

Rate:

The net monthly charge per customer shall be:

Distribution:

\$16.47 per month (Customer Charge), plus	(I)
3.645 cents per kWh for all kWh	(I)

(I) Increase

RATE SCHEDULES

RATE PNP (continued)

Minimum Charge:

The monthly Minimum Charge shall be \$16.47 plus distribution (I)
energy charges and any related to applicable riders.

Billing Demand:

A Customer's demand shall be measured by indicating or recording instruments. Demands shall be integrated over 15-minute intervals. The billing demand in the current month shall be the greatest of: (i) the maximum measured demand established in the month during On-peak hours, as stated herein, (ii) forty percent (40%) of the maximum measured demand established in the month during Off-peak hours, as stated herein, (iii) contract demand or (iv) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months.

Terms of Payment:

The net amount is due and payable within 15 days after the date of mailing the bill. If the net amount is not received in full on or before the date shown on the bill for payment of net amount, the gross amount, which is 2% more than the net amount balance, is due and payable. If the normal due date should fall on a Saturday, Sunday, bank holiday or any other day when the offices of the Company which regularly receive payment are not open to the general public, the due date shall be extended to the next business day.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

(I) Increase

RIDERS

RIDER H

PRICE TO COMPARE DEFAULT SERVICE RATE RIDER

A Price to Compare Default Service Rate (“PTC_{Default}”) shall be applied to each kWh of Default Service that Penn Power delivers to Customers under this rider as determined to the nearest one-thousandth of a cent per kWh. The PTC_{Default} rate shall be billed to Customers receiving Default Service from the Company under this rider. The rates shall be calculated according to the provisions of this rider.

For service rendered March 1, 2016 through May 31, 2016 the PTC_{Default} rates billed by Customer Class are as follows:

Commercial Customer Class (Rate GS (excluding Special Rate GSDS), Rate GM, (C)
Rate GS –Large, Rate PNP, PLS, SV, SVD, SM and LED):

\$0.09479 per kWh.

Residential Customer Class (Rate RS, and Rate GS – Volunteer Fire Company, Non-Profit
Ambulance Service, Rescue Squad and Senior Center Service Rate):

\$0.07878 per kWh

(C) Change

RIDERS

RIDER J

DEFAULT SERVICE SUPPORT RIDER

A Default Service Support (“DSS”) rate shall be applied to DSS Sales delivered by the Company to Delivery Service Customers under this rider as determined to the nearest one-thousandth of a cent per kWh or dollar per kW NSPL, as applicable. The DSS rate shall be billed to Customers receiving Delivery Service from the Company under this rider. The DSS rates shall be calculated according to the provisions of this rider. The DSS Rider shall be non-bypassable.

For service rendered during the DSS Initial Computational Period and thereafter, the DSS Computational Year, the DSS rates billed by Rate Schedule are as follows:

<u>Rate Schedule</u>	<u>DSS Rates</u>
Rate Schedule RS, & GS – Volunteer Fire Company and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate	0.287 cents per kWh (I)
Rate Schedule GS	0.184cents per kWh (I)
Rate Schedule PNP	0.189cents per kWh (I)
Rate Schedule GM	0.189cents per kWh (I)
Rate Schedule GS – Large	\$0.557 per kW NSPL
Rate Schedule Primary – GP	\$0.557 per kW NSPL
Rate Schedule Transmission – GT	\$0.557 per kW NSPL
Rate Schedule GS with Special Rule GSDS	\$0.557 per kW NSPL
Rate Schedule PLS	0.189 cents per kWh (I)
Rate Schedule SV, SVD, SM, LED	0.189 cents per kWh (I)

The Residential Customer Class consists of Rate Schedules RS; and GS Special Provision for Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance Services. (C)

The Commercial Customer Class consists of Rate Schedules GS (excluding GS Special Rule GSDS), PNP, GM, GS – Large, PLS, SV, SVD, SM, and LED. (C)

The Industrial Customer Class consists of Rate Schedules GP, GT, and GS with Special Rule GSDS.

(C) Change
 (I) Increase

RIDERS

Rider J (continued)

The UE charges by Customer Class to be included in DSS rates are as follows:

Residential Customer Class:

0.155 cents per kWh (I)

Commercial Customer Class:

0.008 cents per kWh (I)

MTEP and MISO Exit Fees and PJM Integration Charges:

$$MPI = (((MPI_{Exp1} + MPI_{Exp2}) - E) \times \text{Adjustment Factor}) / S$$

Where:

MPI = The charge to be applied to each Delivery Service Customer served under this Tariff for the Midwest Independent System Operator (“MISO”) Transmission Expansion Plan (“MTEP”) charges and MISO and PJM charges associated with the transition from MISO to PJM approved by FERC.

MPI_{Exp1} = The Company’s cost of the MTEP charges assessed on the Company pursuant to the Open Access Transmission Tariff (“OATT”) of MISO.

MPI_{Exp2} = The Company’s (i) charges assessed under MISO’s OATT that are associated with the Company’s exit from the MISO control area and (ii) charges assessed under the PJM OATT that are associated with the Company’s integration into the PJM control area. All such MISO exit fees and PJM integration fees charges approved by FERC shall not exceed \$3.5 million, excluding carrying charges. The Company shall recover these charges plus applicable carrying charges over a minimum five year period.

(I) Increase

RIDER L
 PARTIAL SERVICES RIDER

Availability/Applicability:

This Rider applies to general service customers having on-site non-synchronous generation equipment or synchronous equipment that does not qualify for Net Metering Rider capable of supplying a portion of their power requirements for other than emergency purposes. Electricity sold under this Rider may not be resold; nor may it be used to operate the auxiliary loads of the generating facilities while those facilities are generating electricity for sale.

(C)

In addition to the charges included in the applicable rate schedule, all of the following general monthly charges are applicable to Delivery Service Customers.

General Monthly Charges:

Fifty Dollars (\$50.00)/per month, plus the charges listed below, depending upon the voltage at which the Customer is being served and the services (i.e., Backup Demand and/or Maintenance Demand) selected by the Customer:

Distribution Charge	Backup Demand (Dollars/KW)	Maintenance Demand (Dollars/KW)	
Secondary Voltage	\$3.58	\$2.86	(I)
Primary Voltage	\$4.59	\$3.67	(I)
Transmission Voltage	\$0.32	\$0.25	(I)

(C) Change

(I) Increase

Supplement No. 17
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: April 28, 2016

Effective: June 27, 2016

**By: Steven E. Strah, President
Reading, Pennsylvania**

NOTICE

This Supplement No. 17 makes changes to Table of Contents, Description of Territory,
General Rules and Regulations, Rate Schedules and Riders.
See Fifteenth Revised Page 2.

LIST OF MODIFICATIONS

Table of Contents

Page 5 – Language has been changed (See First Revised Page 5).

Page 6 – Language has been changed (See First Revised Page 6).

Description of Territory

Changes within Territories (See First Revised Pages 8 and 9).

General Rules and Regulations

Definition of Terms – Definitions of Applicant, Customer, Primary Voltage and Sub-transmission Voltage (See First Revised Pages 11, 13, 14, 18 and 21).

Rule 2 – Deposits language has changed (See First Revised Page 23).

Rule 7 - Wiring, Apparatus and Inspection – Applicant/Customer Obligations language has changed (See First Revised Page 36).

Rule 10 – Meter Reading and Rendering of Bills (9) Power Factor/Kilovar Billing – Language has been changed (See First Revised Page 44).

Rule 11 – Payment of Bills (b) – Rates have been increased (See First Revised Page 46).

Rule 22 – Transfer of Electric Generation Supplier – Language has been changed (See First Revised Page 56).

Rate Schedules

Rate RS – Rates have been increased (See First Revised Page 57 and Second Revised Page 58).

Rate GS – General Service – Small – Rates have been increased (See Second Revised Pages 61 and 63).

Rate GS - Volunteer Fire Company, and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate – Rates have increased (See First Revised Pages 67 and 68).

Rate GM – General Service – Medium – Rates have been increased (See Second Revised Page 69 and 71. Language has been changed (See Second Revised Pages 69 and 71).

Rate GS-Large – General Service Secondary – Rates have been increased and language has been changed (See First Revised Page 73 and Second Revised Page 74).

LIST OF MODIFICATIONS

Rate Schedules (Continued)

Rate GP – General Service – Primary – Rates have been increased and language has been changed (See Second Revised Page 76 and First Revised Page 77 and Second Revised 78).

Rate GT – General Service -- Transmission – Rates have been increased (See Second Revised Page 80 and First Revised Page 83) and language has been changed (See Second Revised Page 82).

Rate PLS – Private Outdoor Lighting Service – Rates have been increased (See First Revised Page 84 and 85).

Rate SV – Street Lighting Service High Pressure Sodium Vapor – Rates have been decreased (See First Revised Page 88 and language has been changed (See First Revised Page 90).

Rate SVD – Street Lighting Service: High Pressure Sodium Vapor; Divided Ownership – Rates have been decreased and increased (See First Revised 91 and language has been changed (See First Revised Page 93).

Rate SM – Street Lighting Service Mercury Vapor – Removed Rate Schedule SM-Street Lighting Service (Original Page 94 and 95).

Rate LED – Street Lighting Service – Rates have been increased (See First Revised Page 96).

Rate PNP – Public of Non-Profit Organization Rate – Rates have been increased (See Second Revised Page 99 and First Revised Page 101).

Riders

Rider H – Price to Compare Default Service Rate Rider – Language has been changed (See Sixth Revised Page 123).

Rider J – Default Service Support Rider – Rates have been increased and language has been changed (See Second Revised Page 135 and First Revised Page 137).

General Rules and Regulations

Rider I – Hourly Pricing Default Service Rider – Language has been changed (See Second Revised Page 130 and First Revised Pages 132 and 133).

Rider L – Partial Services Rider – Language has been changed (See First Revised Pages 146, 150 and 151).

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 Mercury Vapor 94-95

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DESCRIPTION OF TERRITORY

ALLEGHENY COUNTY

Boroughs	Bradford Woods	Franklin Park	
Town	McCandless		
Townships	Marshall	Pine	Ross

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BEAVER COUNTY

Boroughs	Big Beaver	Homewood	New Galilee
	Darlington	Koppel	
Townships	Chippewa	Franklin	North Sewickley (C)
	Darlington	Marion	South Beaver

BUTLER COUNTY

Boroughs	Callery	Harmony	Valencia
	Connoquenessing	Mars	Zelienople
	Evans City	Seven Fields	
Townships	Adams	Cranberry	Jackson
	Connoquenessing	Forward	Lancaster

CRAWFORD COUNTY

Borough	Conneaut Lake		
Townships	East Fallowfield	North Shenango	Summit
	West Fallowfield	South Shenango	
	Sadsbury	West Shenango	

LAWRENCE COUNTY

City	New Castle		
Boroughs	Bessemer	New Beaver	Volant
	Ellwood City	New Wilmington	Wampum
	Ellport	SNPJ	
	Enon Valley	South New Castle	(C)
Townships	Hickory	Plain Grove	Union
	Little Beaver	Pulaski	Washington
	Mahoning	Scott	Wayne
	Neshannock	Shenango	Wilmington
	North Beaver	Slippery Rock	
	Perry	Taylor	

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DESCRIPTION OF TERRITORY (continued)

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MERCER COUNTY

Cities	Hermitage	Farrell	Sharon
Boroughs	Clark	Jamestown	Sheakleyville
	Fredonia	Mercer	Stoneboro
	Greenville	New Lebanon	West Middlesex
	Grove City	Sandy Lake	Wheatland
	Jackson Center	Sharpsville	
Townships	Cool Spring	Jefferson	Salem (C)
	Deer Creek	Lackawannock	Sandy Creek
	Delaware	Lake	Sandy Lake
	E. Lackawannock	Liberty	Shenango
	Fairview	Mill Creek	Springfield
	Findley	New Vernon	Sugar Grove
	French Creek	Otter Creek	West Salem
	Greene	Perry	Wilmington
	Hempfield	Pine	Wolf Creek
	Jackson	South Pymatuning	Worth

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- Deleted: Mill Creek
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- Deleted: Sugar Grove
- Deleted: West Salem
- Deleted: Wilmington
- Deleted: Pymatuning
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GENERAL RULES AND REGULATIONS

Definition of Terms (continued)

Alternative Energy Portfolio Standards ("AEPS") – Standards requiring that a certain amount of electric energy sold from alternative energy sources be included as part of the sources of electric utilities within the Commonwealth of Pennsylvania in accordance with the Alternative Energy Portfolio Standards Act, 73 P.S. §1648.1 – 1648.8 ("AEPS Act") as may be amended from time to time.

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Applicant – Any person, corporation or other entity that (i) desires to receive from the Company electric or any other service provided for in this Tariff, (ii) complies completely with all Company requirements for obtaining electric or any other service provided for in this Tariff, (iii) has filed and is awaiting Company approval of its application for service, and (iv) is not yet actually receiving from the Company any service provided for in this Tariff. For Residential Service, an Applicant is a natural person at least 18 years of age not currently receiving service who applies for Residential Service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the Residential Service is requested. The term does not include a person who seeks to transfer service within the service territory of the Company or to reinstate service at the same address provided that the final bill for service is not past due.

Deleted: unless specifically stated otherwise in this Tariff, an Applicant shall become a Customer for purposes of this Tariff only after it actually starts receiving the applicable service(s) from the Company under this Tariff.

Basic Electric Supply – For purposes of the Company’s Purchase of EGS Receivables Program, energy (including renewable energy) and renewable energy or alternative energy credits (RECs/AECs) procured by an EGS, provided that the RECs/AECs are bundled with the associated delivered energy. For residential Customers, Basic Electric Supply does not include early contract cancellation fees, late fees, or security deposits imposed by an EGS.

Black Start Service – The ability of a Generating Facility to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system (i.e., the Company’s electrical system).

Cash Advance – A refundable contribution in cash from an Applicant for those costs associated with a Line Extension, increased for applicable taxes, which is held by the Company in a non-interest bearing account.

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GENERAL RULES AND REGULATIONS

Definition of Terms (continued)

Contributions in Aid of Construction ("CIAC") – A non-refundable contribution in cash from an Applicant for those costs associated with a Line Extension and/or tree trimming, brush clearance and related activities or those costs associated with Temporary Service or the relocation of Company facilities, increased for applicable taxes.

Customer(s) – Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the ratepayer for any premises, building, structure, etc. or (iii) is primarily responsible for payment of bills. For Residential Service, a Customer is a natural person at least 18 years of age in whose name a Residential Service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed, or lease of the property for which the Residential Service is being requested. A natural person remains a Customer after discontinuance or termination until the final bill for service becomes past due.

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Customer Choice and Competition Act – The Pennsylvania legislation known as the "Electricity Generation Customer Choice and Competition Act," 66 Pa. C. S. §§ 2801-2813 as implemented by the Default Service Regulations 52 Pa. C. S. §§52.181-52.189, and by Act 129 and as may be amended from time to time.

Default Service – Service provided pursuant to a Default Service Program to a Default Service Customer.

Default Service Customer – A Delivery Service Customer not receiving service from an EGS.

Delivery Service – Provision of distribution of electric energy and other services provided by the Company.

Delivery Service Charge – A charge that includes the Monthly Minimum Charge, Distribution Charge, and all charges and surcharges imposed under other applicable tariff provisions.

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GENERAL RULES AND REGULATIONS

Definition of Terms (continued)

Non-Summer – The calendar months of October through May.

On-Peak Hours – The On-Peak hours shall be from 8:00 a.m. to 9:00 p.m., prevailing times, Monday through Friday excluding holidays. All other hours shall be Off-Peak. The Off-Peak holidays are New Year's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day. On-Peak hours are subject to change from time to time by the Company after giving notice of such changes to Customers.

Permanent Residential Customer – A Customer occupying a dwelling or mobile home on a permanent foundation which is the Customer's primary residence occupied year-round for normal living purposes and including: (i) electrical wiring conforming with the National Electrical Code and the Company's service installation policies; (ii) a permanently installed heating system; and (iii) permanently installed plumbing and sewage systems.

PJM – PJM Interconnection, L.L.C. or any successor organization/entity thereto.

Point of Delivery – The location at which the Company service connection terminates and the Customer's wiring and installation begins.

Power Factor – The ratio of the watts to the volt-amperes.

Price to Compare Default Service Charge – The cents per kWh rates representing the Company's costs for providing energy, capacity, including the cost of complying with non-solar AEPS, market based transmission and ancillary services for Customers who take Default Service.

Primary Voltage – Voltage greater than 600 volts but less than 23,000 volts.

Private Right-of-Way – The right-of-way or easement for electric facilities on, over, under, across and/or through real or other property owned by an individual or entity which is not a governmental, municipal or other public body to provide service.

Deleted: Definition of Terms (continued)¶
¶
Delivery Service Customer – A Customer who takes Delivery Service.¶
¶
Demand – The rate of use of electric energy during a specified time interval, expressed in kilowatts and reactive kilovolt-amperes.¶
¶
Developer – The person or entity responsible for constructing and providing improvements in a Development, including, but not limited to, streets, sidewalks and utility-ready lots.¶
¶
Development – A planned project which is developed by a Developer for electric service set out in a recorded plot plan of five (5) or more adjoining unoccupied lots for the construction of single-family residences, detached or otherwise, mobile homes, or one (1) or more five-unit apartment houses, all of which are intended for year-round occupancy, if electric service to such lots necessitates extending the Company's existing Distribution Lines.¶
¶
Direct Labor Costs – The pay and expenses of Company employees directly attributable to work performed, excluding construction overheads or payroll taxes, workmen's compensation expenses or similar expenses.¶
¶
Direct Material Costs – The purchase price of materials used, excluding related stores (i.e. warehousing) expenses. In computing Direct Material Costs, proper allowance shall be made for unused materials recovered from temporary structures, and for discounts allowed and realized in the purchase of materials.¶
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Discontinuance of Service – The removal of a customer's meter and/or service wires or the de-energizing of a meter and cessation of service with the consent of the customer ... [1]

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GENERAL RULES AND REGULATIONS

Definition of Terms (continued)

Subdivision – A tract of land divided by a Subdivider into five (5) or more adjoining unoccupied lots for the construction of single-family residences, detached or otherwise, or apartment houses, all of which are intended for year-round occupancy, if electric service to such lots necessitates extending the Company’s existing Distribution Lines.

Sub-transmission Voltage – 23,000 volts.

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Summary Billing – The summation of the charges for a Customer’s multiple accounts and provision thereof to the Customer in a single bill.

Summer – The calendar months of June through September.

Tariff – This document, including, but not limited to, the Rules, Regulations and Rate Schedules and Riders contained herein, as filed with and approved by the Commission.

Temporary Electric Service – A Service Line, meter and/or other work supplied by the Company to the Customer for electric service over a defined period, usually less than one (1) year.

Transmission Voltage – Voltage equal to or greater than 69,000 volts.

Universal Service – Policies, protections and services that help residential low-income Customers maintain electric service. The term includes Customer assistance programs, termination of service protections and policies and services that help low-income Customers to reduce or manage energy consumption in a cost-effective manner.

Universal Service Charge – The charge developed and calculated in accordance with Rider C – Universal Service Cost Rider.

Volunteer Fire Company – A service location consisting of a building, sirens, a garage for housing vehicular firefighting equipment, or a facility certified by the Pennsylvania Emergency Management Agency (PEMA) for fire fighter training. The use of electric service at this service location shall be to support the activities of the Volunteer Fire Company. Any fund raising activities at this service location must be used solely to support volunteer fire fighting operations. The Customer of record at this service location must be predominately a Volunteer Fire Company recognized by the local municipality or PEMA as a provider of firefighting services.

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GENERAL RULES AND REGULATIONS

The Company may require an Applicant/Customer to make the payment of any outstanding balance or portion of an outstanding balance if the Applicant/Customer resided at the property for which service is requested during the time the outstanding balance accrued and for the time the Applicant/Customer resided at the property not to exceed four years. The Company may establish that an Applicant/Customer previously resided at a property through the use of mortgage, deed, lease information, a consumer credit reporting service, a Financial Summary that provides the names and income of adult occupants of a household, and a web-based tool such as "Accurint" to research Applicant/Customer information.

2. Deposits

Where an Applicant's/Customer's credit is not established or the credit of a Customer with the Company has, in the Company's judgment become impaired, or where the Company deems it necessary, a deposit or other guarantee satisfactory to the Company may be required to be supplied by the Applicant/Customer as security for the payment of future and final bills before the Company shall commence or continue to render any type of electric service to the Applicant/Customer. Deposits required by the Company for Tariff charges shall include unpaid EGS charges that are subject to the Company's POR.

The Company utilizes a generally accepted credit scoring methodology in range of general industry practice that is based on an applicant or customer's utility payment history.

The Company may request deposits from Customers taking service for a period of less than thirty (30) days, in an amount equal to the estimated bill for the cost of total services provided by the Company for such temporary period. Deposits may be required by the Company from all other Customers, in an amount that is in accordance with 52 Pa. Code § 56.51.

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Deposits for Residential Customers shall be returned to them in accordance with the provisions of the Responsible Utility Customer Protection Act (66 Pa. C.S. §§ 1401-1418) and the provisions of the Commission's Regulations at 52 Pa. Code Chapter 56, as amended from time to time. Deposits from all other Customers may be held by the Company, in its sole and exclusive judgment, until the Customer discontinues service or the Company determines that the Customer has established a satisfactory payment record. Upon discontinuance of all Company service and payment in full of all charges and financial guarantees, the Company shall refund the deposit or deduct any unpaid amounts from the deposit and refund the difference, if any, to the Customer. The deposit shall no longer accrue interest upon the discontinuance of service.

The interest rate on Residential Customer deposits will be calculated pursuant to The Fiscal Code, as amended annually.

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GENERAL RULES AND REGULATIONS

Rule 7 – Wiring, Apparatus and Inspection (continued)

When a Customer’s facilities or use of equipment having operating characteristics that adversely affects or has the potential to adversely affect, in the Company’s sole judgment, the Company’s electric system, the Customer shall take corrective action at its sole expense as may be directed by the Company. Unless corrective action is taken, the Company is under no obligation to serve or to continue to serve such Customers.

Each Applicant/Customer shall provide to the Company such service information described in Rule 1 of this Tariff. The Applicant/Customer shall be responsible and liable to the Company for any damages resulting from the Customer’s failure to provide such service information.

The Company will require the customer to maintain a Power Factor in the range of 85% (lagging) to 100% for secondary, primary and subtransmission service and 97% (lagging) to 99% (leading) for transmission service, coincident with the customers maximum monthly peak demand and to provide, at the Customer’s expense, any corrective equipment necessary in order to do so. The Company may inspect the Customer’s installed equipment and/or place instruments on the premises of the Customer in order to determine compliance with this requirement, as deemed appropriate by the Company. The Company may charge the Customer the Company’s installation cost incurred for corrective devices necessary for compliance with this provision. The Company is under no obligation to serve, or to continue to serve, a Customer who does not maintain a Power Factor consistent with the parameters set forth in this provision.

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8. Metering

Company Obligations

The Company owns, maintains, installs and operates a variety of meters, and related equipment designed to measure and record Customers’ consumption and usage of all services provided under this Tariff. The Company may, in its sole and exclusive discretion, install such meters and related equipment it deems reasonable and appropriate to provide service to Customers under this Tariff. The Company may, in its sole and exclusive discretion, install such special metering equipment as may be requested by a Customer, subject to the Customer paying all of the Company’s incremental material, labor, overheads and administrative and general expenses relating to such facilities. Where additional metering services and the associated costs for the additional metering services are contained within this Tariff, those costs shall also be applicable.

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GENERAL RULES AND REGULATIONS

Rule 10 – Meter Reading and Rendering of Bills (continued)

(9) **Power Factor/kilovar Billing**

Billing for Power Factor or kilovolts, whichever is applicable, shall be in accordance with the Customer's applicable Rate Schedule or other provisions of this Tariff. The Power Factor used for billing purposes shall be rounded to the next highest whole percent, unless otherwise stated in the Customer's applicable Rate Schedule or other provisions of this Tariff.

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(10) **Billing for Vandalism, Theft or Deception**

In the event that the Company's meters or other equipment on the Customer's premises have been tampered or interfered with by any means whatsoever, resulting in improper or non-registration of service supplied, the Customer being supplied through such equipment shall pay to the Company the amount the Company estimates is due for service used but not registered on the Company's meter, and the cost of any repairs or replacements, inspections and investigations relating thereto including, but not limited to, all administrative expenses associated with the investigation(s) (e.g., Legal, Accounting/Billing, etc.). Under these circumstances, the Company may at its option terminate its service immediately and/or require the Customer to pay all costs correcting any and all unauthorized conditions at the premises. In the event service has been terminated under these circumstances it shall not be restored to the Customer's premises until: (i) the Customer has a certificate of compliance with the provisions of the National Electric Code and the regulations of the National Fire Protection Association has been issued by the municipal inspection bureau or by any Company-accepted inspection agency, (ii) the Customer has complied with all of the Company's requirements and (iii) the Customer pays the Company a reconnection fee and deposit.

In the event that a Customer knowingly and willfully obtained service for itself or for another by creating or reinforcing a false impression, statement or representation and fails to correct the same, the Company shall immediately correct the account information in question and issue an adjustment for all current or previous amounts. The Customer shall be required to show proof of identity and sign an agreement for payment of all electric service received, plus any and all costs and administrative expenses associated with any investigation(s) (i.e., Legal, Accounts/Billing, etc.) which shall be added to their account. The Customer shall have three (3) business days in which to provide proof of identity. The Company may terminate a Customer's electric service if the Customer fails to provide such proof of identity within the aforementioned time period.

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GENERAL RULES AND REGULATIONS

Rule 11 – Payment of Bills (continued)

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A Customer’s failure to receive a bill shall not be construed or deemed, under any circumstances, to be a waiver of any of the provisions of this Tariff. A Customer’s bill shall be overdue when not paid on or before the due date indicated in the bill.

b. Late Payment Charges

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Late payment charges shall be applied to Default Service Charges, EGS charges that are subject to the Company’s POR and Delivery Service Charges. The Company will apply late payment charges to EGS charges that are not subject to the Company’s POR at the EGS’s request when it is performing billing services for the EGS.

A Residential Customer’s overdue bill shall be subject to a late payment charge of 1.5% interest per month on the overdue balance of the bill. A Non-Residential Customer’s overdue bill shall be subject to a late payment charge of 2.0% interest per month on the overdue portions of the bill and shall not be charged against any sum that falls due during a current billing period. At the Company’s option, the interest per month associated with the late payment charge for Residential Customers may be reduced or eliminated in order to facilitate payment of bills under dispute.

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c. Allocation of Payments

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All payments made by or on behalf of a Customer shall be applied to a Customer’s account in accordance with the Commission’s payment posting rules and applicable Regulations including the Company’s Electric Generation Supplier Coordination Tariff on file with the Commission.

d. Delinquent Accounts

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A Customer’s account is delinquent when not paid in full by the due date stated on the bill or otherwise agreed upon by the Customer and the Company. The Company shall pursue collections of outstanding residential delinquent account balances in accordance with applicable law and Commission regulations. Termination of service will occur only for non-payment of undisputed delinquent accounts associated with the Company’s regulated charges, which shall include EGS charges subject to the Company’s POR.

The Company will have the ability to terminate service to a Customer for the Customer’s non-payment of EGS Basic Electric Supply charges incurred after January 1, 2011 in the same manner and to the same extent that the Company could terminate service to such a Customer for non-payment of EDC charges. Residential Customer’s termination will be subject to the consumer protections included in Chapter 14 of the Public Utility Code, 66 Pa. C.S. §1401, et. seq., and Chapters 55 and 56 of the Commission’s regulations, 52 Pa. Code §§55.1 and 56.1 et. seq., and/or other applicable regulations as may change from time to time. The POR is only available as long as the Company is able to terminate service to Customers under Chapter 14 of the Public Utility Code 66 Pa. C.S. §1401, et. seq., and Chapters 55 and 56 of the Commission’s regulations, 52 Pa. Code §§55.1 and 56.1 et. seq., and/or other applicable regulations as may change from time to time.

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GENERAL RULES AND REGULATIONS

Rule 21 – Service Continuity: Limitation on Liability for Service (continued)

To the extent applicable under the Uniform Commercial Code or on any theory of contract or products liability, the Company disclaims and shall not be liable to any Customer or third party for any claims involving and including, but not limited to, strict products liability, breach of contract, and breach of actual or implied warranties of merchantability or fitness for an intended purpose.

If the Company becomes liable under Section 2806(g) or 2809(c) of the Public Utility Code, 66 Pa. C.S. §§2806(g) and 2809(f), for Pennsylvania state taxes not paid by an Electric Generation Supplier (EGS), the non-compliant EGS shall indemnify the Company for the amount of additional state tax liability imposed upon the Company by the Pennsylvania Department of Revenue due to the failure of the EGS to pay or remit to the Commonwealth the tax imposed on its gross receipts under Section 1101 of the Tax Report Code of 1971 or Chapter 28 of Title 66.

22. Transfer of Electric Generation Supplier

The Company shall change a Customer's EGS in accordance with 52 Pa. Code Chapter 57, Subchapter M, "Standards for Changing a Customer's Electricity Generation Supplier". Pursuant to the commission's Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 57 Regulations Regarding Standards for Changing a Customer's Electricity Generation Supplier, at Docket No. L-2014-2409383, changes in a Customer's EGS shall be effective within three (3) business days after the enrollment request is processed, regardless of whether the meter reading is actual or estimated.

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Deleted: P.U.C. Rules and Regulations as described in the Final Orders on Standards for Electronic Data Transfer and Exchange Electric Distribution Companies and Electric Generation Suppliers, Docket No. M-00960890F0015 and on Establishing Standards for Changing a Customer's Electric Supplier, Docket No. L-00970121 and 52 Pa. Code §54.123(2). Changes in Customer's electric Supplier shall only be effective with Customer's normal meter reading date, regardless of whether the meter reading is actual or estimated.

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RATE SCHEDULES

RATE RS

Availability:

Available for Residential Service using the Company's standard, single phase service, to installations served through one meter for each family unit in a residence or apartment.

When service is used through the same meter for both residential and commercial purposes the General Service rate schedule shall apply.

This rate schedule is not available for commercial, institutional or industrial establishments.

Service:

Alternating current, 60 hertz, single phase, nominal voltage 120/240 or 120/208 as available.

Rate:

The net monthly charge per customer shall be:

Distribution:

~~\$13.41~~ per month (Customer Charge), plus
~~4.690¢~~ per kWh for all kWh

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Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider C – Universal Services Cost
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

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PENNSYLVANIA POWER COMPANY

Electric Pa. P.U.C. No. 36 (Supp. 17)
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RATE SCHEDULES

Rate RS (continued)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H-Price to Compare Default Service Rate Rider, Residential Customer Class rate applies.

Minimum Charge:

The monthly Minimum Charge shall be \$13.41 plus distribution energy charges and any (I) charges related to applicable riders.

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Special Monthly Charges Load in Excess of 25 kilowatts:

The Company shall install a suitable demand meter to determine the maximum 15-minute integrated demand when (i) a Customer's service requires the installation of an individual transformer, (ii) a Customer's total monthly consumption exceeds 10,000 kilowatt-hours for two (2) consecutive months, or (iii) when the Customer's service entrance requirements exceed 600 amperes.

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If the demand so determined under this provision exceeds twenty-five (25) kilowatts, a monthly distribution demand charge of Two Dollars (\$2.00) per kW for all kW shall apply to such excess as set forth in this provision, in addition to the General Monthly Charges. In no event shall the demand charge be based upon less than seventy-five percent (75%) of the highest excess demand during the preceding eleven (11) months.

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Effective: June 27, 2016

PENNSYLVANIA POWER COMPANY

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RATE SCHEDULES

RATE GS
GENERAL SERVICE - SMALL

Availability:

Available for service through a single metering installation for secondary light and power service for loads up to 1,500 kWh.

Service:

Alternating current, 60 hertz, standard single phase or three phase three-wire or four-wire secondary service, as available.

Single and three phase service will be metered and billed separately or, where feasible, single and three phase service will be furnished through a single meter installation and billed as one account provided the customer arranges his wiring to facilitate the installation of a single meter.

Where service is furnished at three-phase, the customer shall provide and maintain all equipment required for lighting service.

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Rate:

The net monthly charge per Customer shall be:

Distribution:

\$27.67 per month (Customer Charge), plus (I)

4.035 cents per kWh for all kWh (I)

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RATE SCHEDULES

Rate GS (continued)

Minimum Charge:

The monthly Minimum Charge shall be \$27.67 plus distribution energy charges and (I) any charges related to applicable riders.

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Terms of Payment:

As per Rule 11, Payment of Bills

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RATE SCHEDULES

Rate GS (continued)

service territory that constitutes a separately metered location for electric delivery purposes. The use of the electric service by the Non-Profit Ambulance Service shall be used primarily to support its service. The Company may request and the Customer/Applicant shall provide all documentary and other evidence of its compliance with this provision.

Rate:

The net monthly charge per Customer shall be:

Distribution:

\$13.41 per month (Customer Charge), plus (I)
4.69¢ per kWh for all kWh (I)

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Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider C – Universal Service Cost
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H – Price to Compare Default Service Rate Rider, Residential Customer Class rate applies.

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Rate GS (continued)

RATE SCHEDULES

Minimum Charge:

The monthly Minimum Charge shall be \$13.41 plus distribution energy charges (I) and any charges related to applicable riders.

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Special Monthly Charges Load in Excess of 25 kilowatts:

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The Company shall install a suitable demand meter to determine the maximum 15-minute integrated demand when (i) a Customer's service requires the installation of an individual transformer, (ii) a Customer's total monthly consumption exceeds 10,000 kilowatt-hours for two (2) consecutive months, or (iii) when the Customer's service entrance requirements exceed 600 amperes.

If the demand so determined under this provision exceeds twenty-five (25) kilowatts, a monthly distribution demand charge of Two Dollars (\$2.00) per kW for all kW shall apply to such excess as set forth in this Provision, in addition to the General Monthly Charges. In no event shall the demand charge be based upon less than seventy-five percent (75%) of the highest excess demand during the preceding eleven (11) months.

Terms of Payment:

Same as listed previously in this schedule.

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RATE SCHEDULES

RATE GM
GENERAL SERVICE - MEDIUM

Availability:

Available for secondary light and power service for loads of up to 400 kW. Secondary voltage shall be supplied to Customers at a single transformer location when load does not require transformer capacity in excess of 2,500 KVA. Upon a Customer's request, the Company may, at its option, provide transformers having a capacity of greater than 2,500 KVA.

New Customers requiring transformer capacity in excess 2,500 KVA and existing Customers whose load increases such that a transformer change is required (over 2,500 KVA) shall be required to take untransformed service.

If an existing Customer's total consumption is less than 1,500 kWh per month for ~~two~~ ~~twelve~~ (12) consecutive months, the Customer may no longer be eligible for service under this Rate Schedule ~~GSGM-Medium~~. Based upon the Company's then estimate of the Customer's usage, the Customer shall be placed on Rate Schedule GS or such other Rate Schedule for which such Customer most qualifies. (C)

If an existing Customer's billing demand exceeds 400 kW for two (2) consecutive months, ~~in anythe most recent twelve-month period~~, then the Customer may no longer be eligible for service under this Rate Schedule ~~GMS-Medium~~, and shall be placed on Rate Schedule GS-Large or such other Rate Schedule for which such Customer most qualifies. (C)

All of the following general monthly charges are applicable to Delivery Service

Rate:

The net monthly charge per customer shall be:

Distribution:

~~\$19.1130.44~~ per month (Customer Charge), plus

(I)

Demand

~~\$2.623.85~~ per kW for all billing demand as measured in kW _____ (I)

\$0.20 for each rkVA of Reactive Billing Demand

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PENNSYLVANIA POWER COMPANY

Electric Pa. P.U.C. No. 36 (Supp. 917)
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RATE SCHEDULES

Rate GM (continued)

Primary and Transmission Service Discount:

No service voltage discounts are available on this rate schedule.

Minimum Charge:

No bill shall be rendered by the Company for less than,

\$~~19.11~~30.44 per month, plus _____ (I)

The demand charge at current rate levels times the Billing Demand, plus any distribution energy charges and any charges stated in or calculated by any applicable rider.

Determination of Billing Demand: _____ (C)

A Customer's demand shall be measured by indicating or recording instruments. Demands shall be integrated over 15-minute intervals. The billing demand in the current month shall be the greatest of: (i) the maximum measured demand established in the month during On-Peak Hours, as stated herein, (ii) forty percent (40%) of the maximum measured demand established in the month during off-peak hours, as stated herein, (iii) contract demand or (iv) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months. The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of ~~non-interval~~ Time-of-Use demand meters. (C)

Pending the installation of a demand meter, Customer's Demand shall be a formula demand determined by dividing the kilowatt-hour consumption by 200.

Reactive Billing Demand:

For installations metered with reactive energy metering, the reactive billing demand in rkVA for the month shall be determined by multiplying the Billing Demand by the ratio of the measured lagging reactive kilovoltamperes hours to the measured kWh by the following formula: $rkVA = \text{Billing Demand} \times \frac{\text{measured lagging reactive kilovoltampere hours}}{\text{rate measured kWh}}$. For all other installations, the Reactive Billing Demand shall be the integrated reactive demand occurring coincident with the Billing Demand.

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RATE SCHEDULES

RATE GS-LARGE
GENERAL SERVICE SECONDARY

Availability:

This Rate is available to non-Residential Customers using electric service through a single delivery location for lighting, heating and/or power service whose registered demand is equal to or greater than 400 KW in two (2) consecutive months in the most recent twelve-month period. Secondary voltage shall be supplied to Customers at a single transformer location when load does not require transformer capacity in excess of 2,500 KVA. Upon a Customer's request, the Company may, at its option, provide transformers having a capacity of greater than 2,500 KVA.

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New Customers requiring transformer capacity in excess 2,500 KVA and existing Customers whose load increases such that a transformer change is required (over 2,500 KVA) shall be required to take untransformed service.

All of the following general monthly charges are applicable to Delivery Service Customers.

GENERAL MONTHLY CHARGES

Distribution Charge:

\$126.53 per month (Customer Charge), plus
\$4.77 per kW for all billed kW
\$0.20 for each rkVA of reactive billing demand

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Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

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RATE SCHEDULES

Rate GS - Large (continued)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H-Price to Compare Default Service Rate Rider, Commercial Customer Class rate applies unless the Customer elects to receive Default Service from the Company under Rider I-Hourly Pricing Default Service Rider.

Minimum Charge:

No bill shall be rendered by the Company for less than,

\$126.53 per month, plus _____ (I)

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The demand charge at current rate levels for the highest kilowatt demand billed during the current and preceding eleven (11) months, plus distribution energy charges, and any charges stated in or calculated by any applicable rider.

Determination of Billing Demand:

(C)

A Customer's demand shall be measured by indicating or recording instruments. Demands shall be integrated over 15-minute intervals. The billing demand in the current month shall be the greatest of: (i) the maximum measured demand established in the month during On-Peak Hours, as stated herein, (ii) forty percent (40%) of the maximum measured demand established in the month during off-peak hours, as stated herein, (iii) contract demand or (iv) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months. The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.

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Pending the installation of a demand meter, Customer's Demand shall be a formula demand determined by dividing the kilowatt-hour consumption by 200.

Reactive Billing Demand:

For installations metered with reactive energy metering, the reactive billing demand in rkVA for the month shall be determined by multiplying the Billing Demand by the ratio of the measured lagging reactive kilovoltamperes hours to the measured kWh by the following formula: $rkVA = \text{Billing Demand} \times (\text{measured lagging reactive kilovoltampere hours} \div \text{rate measured kWh})$. For all other installations, the Reactive Billing Demand shall be the integrated reactive demand occurring coincident with the Billing Demand.

(C) Change
(I) Increase

PENNSYLVANIA POWER COMPANY

Electric Pa. P.U.C. No. 36 (Supp. 17)
Second Revised Page 76
Superseding First Revised Page 76

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RATE SCHEDULES
RATE GP

GENERAL SERVICE – PRIMARY

Availability:

Available for primary light and power service. The billing load as hereinafter defined shall not be less than 25 kW.

Service:

Alternating current, 60 hertz, three phase, at nominal primary voltages as available from suitable facilities of adequate capacity adjacent to the premises to be served, and as determined by the Company.

The Customer shall have the responsibility for ownership, operation, and maintenance of all transforming, controlling, regulating, and protective equipment.

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Rate:

The net monthly charge per Customer shall be:

Distribution:

\$159.89 per month (Customer Charge), plus (I)
\$6.12 per kW for all billed kW (I)
\$0.20 for each rkVA of Reactive Billing Demand

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Issued: April 28, 2016

Effective: June 27, 2016

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RATE SCHEDULES

Rate GP (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

Default Service Charges:

For Customers receiving Default Service from the Company, Rider I – Hourly Pricing Service Default Service Rider rate applies.

Minimum Charge:

No bill shall be rendered by the Company for less than:

\$159.89 per month, plus demand charges at current rate levels times the Billing Demand, (I) plus any distribution energy charges, and any charges stated in or calculated by any applicable rider.

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PENNSYLVANIA POWER COMPANY

Electric Pa. P.U.C. No. 36 (Supp. 17)
Second Revised Page 78
Superseding First Revised Page 78

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RATE SCHEDULES

Rate GP (continued)

Riders:

Bills rendered under this schedule are subject to the charges stated in any applicable rider.

Determination of Billing Demand:

(C)

The Customer's demand shall be measured by indicating or recording instruments. Demand shall be integrated over fifteen (15)-minute intervals or as otherwise determined by the Company. The billing demand in the current month shall be the greatest of: (i) twenty-five (25) kW, (ii) the maximum measured demand established in the month during On-Peak Hours, as stated herein, (iii) forty percent (40%) of the maximum measured demand established in the month during off-peak hours, as stated herein, (iv) contract demand or (v) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months. The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.

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Reactive Billing Demand:

For installations metered with reactive energy metering, the reactive billing demand in rkVA for the month shall be determined by multiplying the Billing Demand by the ratio of the measured lagging reactive kilovoltampere hours to the measured kWh by the following formula: $rkVA = \text{Billing Demand} \times (\text{measured lagging reactive kilovoltampere hours} \div \text{rate measured kWh})$. For all other installations, the Reactive Billing Demand shall be the integrated reactive demand occurring coincident with the Billing Demand.

Terms of Payment:

As per Rule 11, Payment of Bills

(C) Change

Issued: April 28, 2016

Effective: June 27, 2016

PENNSYLVANIA POWER COMPANY

Electric Pa. P.U.C. No. 36 (Supp. 17)
Second Revised Page 80
Superseding First Revised, Page 80

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RATE SCHEDULES

RATE GT
GENERAL SERVICE - TRANSMISSION

Availability:

Available for transmission light and power service furnished through one meter for each installation. The minimum billing demand shall be 200 kW.

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Service:

Alternating current, 60 hertz three phase, at nominal transmission voltages of 23,000 volts or above from suitable facilities of adequate capacity as may be available adjacent to the premises to be served and as determined by the Company.

The Customer shall have the responsibility for ownership, operation, and maintenance of all transforming, controlling, regulating, and protective equipment.

The Company reserves the right to install the metering equipment on either the primary or secondary side of the customer's transformers, and when installed on the secondary side, compensating metering equipment will be used to correct for transformer losses.

Rate:

The net monthly charge per customer shall be:

Distribution:

\$376.85 per month (Customer Charge), plus (I)

\$0.60 per kw for all billed kW (I)

\$0.20 for each rkVA of reactive billing demand

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Issued: April 28, 2016

Effective: June 27, 2016

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RATE SCHEDULES

Rate GT (continued)

Discount:

A. VOLTAGE DISCOUNT – 115 KV OR GREATER:

If the Company, in its sole discretion, elects to serve a Customer at 115 KV or greater, the demand charge shall be decreased as set forth below:

Credit for:	Demand
	Dollars/KW

Distribution	<u>\$0.18</u> (C)
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Determination of Billing Demand:

The Customer's demand shall be measured by indicating or recording instruments. Demand shall be integrated over fifteen (15)-minute intervals or as otherwise determined by the Company. The billing demand in the current month shall be the greater of: (i) 200 kW, (ii) the maximum measured demand established in the month during On-Peak Hours, as stated herein, (iii) forty percent (40%) of the maximum measured demand established in the month during off-peak hours, as stated herein, (iv) contract demand (v) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months. The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.

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For purposes of determining the demand for Net Station Power of a Generating Facility under this Rate Schedule, registered demand during any hour cannot be netted, offset or credited against capacity from that Generating Facility in any other hour or from registered capacity from any other Generating Facility in any other hour.

Reactive Billing Demand:

For installations metered with reactive energy metering, the reactive billing demand in rkVA for the month shall be determined by multiplying the Billing Demand by the ratio of the measured lagging reactive kilovoltampere hours to the measured kWh by the following formula: $rkVA = \text{Billing Demand} \times (\text{measured lagging reactive kilovoltampere hours} \div \text{rate measured kWh})$. For all other installations, the Reactive Billing Demand shall be the integrated reactive demand occurring coincident with the Billing Demand.

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RATE SCHEDULES

Rate GT (continued)

Minimum Charge:

No bill shall be rendered by the Company for less than,

\$376.85 per month, plus (I)

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the demand charges at current rate levels times the Billing Demand, plus any charges stated in or calculated by any applicable Riders.

Terms of Payment:

As per Rule 11, Payment of Bills

Station Power Energy Netting:

If applicable PJM rules and procedures for determining Net Station Power are in effect, all Net Station Power shall be determined solely by PJM and provided to the Company for billing purposes under this Rate Schedule. If the Applicant self-supplies Net Station Power, the Applicant shall be responsible for obtaining all related transmission service. If no such applicable PJM rules and procedures for determining Net Station Power are in effect or PJM is unable for any reason to determine Net Station Power, the Company shall determine Net Station Power for any relevant period in its sole discretion.

Contract:

Electric service hereunder will be furnished in accordance with a written contract which by its terms shall be in full force and effect for a minimum period of one year and shall continue in force thereafter from year to year unless either party shall give to the other not less than 60 days' notice in writing prior to the expiration date of any said yearly periods that the contract shall be terminated at the expiration date of said yearly period. When a contract is terminated in the manner provided herein, the service will be discontinued. Customers who elect not to contract for a minimum one year term, as specified above, will be placed on Rate Schedule GS.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service

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RATE SCHEDULES

RATE PLS
 PRIVATE OUTDOOR LIGHTING SERVICE

Availability:

Available for all-night outdoor lighting service to any Customer on the lines of the Company where such service can be supplied by the installation of lighting fixtures supplied directly from (1) existing secondary circuits or (2) an extension of existing secondary circuit that requires only one additional span of secondary circuit and does not require any other facilities or expenses (e.g. new pole, pole changeout, or guying).

Service:

Complete lighting service will be furnished by the Company using vapor lamps installed in standard fixtures. All equipment will be installed and maintained by the Company.

Rate:

Overhead and Post-Top (PT) Lighting Service:

The charges listed below for lights not designated as PT are for each light with luminaire and bracket arm, supplied from an existing pole and secondary facilities.

The charges listed below for lights designated as PT are for each lamp with post-top luminaire mounted on a 14'-16' post installed 4' in the ground, where service is supplied from existing secondary, including 50 feet of circuit installed in a trench provided by the customer.

Distribution Charge:

Rating in Watts	Type	Nominal Lumens	Average Monthly kWh	Distribution	
175	Mercury Vapor	7,500	70	\$ 13.76	(I)
175	Mercury Vapor - PT	7,500	70	25.04	(I)
400	Mercury Vapor	22,000	156	11.83	(I)
70	Sodium Vapor	5,800	32	17.18	(I)
100	Sodium Vapor - PT	9,500	46	26.34	(I)
100	Sodium Vapor	9,500	46	17.28	(I)
150	Sodium Vapor	16,000	66	16.66	(I)
250	Sodium Vapor	27,500	98	17.47	(I)
400	Sodium Vapor	50,000	156	17.31	(I)
250	Metal Halide	23,000	98	21.56	(I)
400	Metal Halide	40,000	156	18.41	(I)
1,000	Metal Halide	110,000	364	7.86	(I)

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RATE SCHEDULES

Rate PLS (continued)

When service cannot be supplied from facilities included above and additional facilities are required, the customer will in addition to the above charges pay the following distribution charge for each pole:

For each 30' or 35' pole, per month	\$10.46 (I)
For each 40' pole, per month	\$12.18 (I)

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Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

Default Service Charges:

The Default Service Charges shall be determined using the applicable Average Monthly kWh usage, from the preceding chart, multiplied by the Rider H – Price to Compare Default Service Rate Rider, Commercial Customer Class rate.

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RATE SCHEDULES

RATE SV
STREET LIGHTING SERVICE
HIGH PRESSURE SODIUM VAPOR

Availability:

Available to municipalities and other governmental agencies for lighting public streets, highways, bridges, parking lots, parks, and similar public places.

Service:

Company will furnish, install, operate, and maintain its standard HPS street light units consisting of lamps, luminaires, controls, brackets, and ballasts utilizing the Company's wood, metal or steel poles and overhead and underground distribution facilities that exist along public thoroughfares. Exceptions are as noted under Special Terms and Conditions. Lighting units will operate from sunset until sunrise, each night of the year, approximately 4,070 hours of annual operation.

Rate:

Distribution Charge:

Rating in Watts	Nominal Lumens	Average Monthly kWh	Distribution
70	5,800	32	\$9.38 (D)
100	9,500	46	\$9.34 (D)
150	16,000	66	\$9.48 (D)
250	27,500	98	\$9.67 (D)
400	50,000	156	\$9.97 (D)

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RATE SCHEDULES

Rate SV (continued)

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Replacements:

If the customer requests the Company to remove the present street light system to install high pressure sodium vapor lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system. If the customer terminates his present street lighting service within twelve months of requesting service under this schedule, the above condition of service remains in effect. However, in the case where the lights have been in place longer than ten years, and the customer replaces a portion of the existing mercury vapor system with sodium vapor and further requests that the removed mercury vapor lights replace a portion of the existing incandescent lights, the Company will assume these costs provided that there is remaining value in the mercury vapor lights, i.e., not fully depreciated. If the customer chooses, or is unable, to replace existing incandescent lights with the replaced mercury vapor lights, the customer shall pay the remaining life value of the removed mercury vapor lights including poles and hardware.

If the customer requests the Company to remove the present high pressure sodium vapor street light system to install LED lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system.

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Terms of Payment:

The net amount billed is due and payable within a period of thirty days. If the net amount is not paid on or before the date shown on the bill for payment of net amount, the bill shall bear interest at the rate of 2% per month of the unpaid net balance.

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Contract:

Electric service hereunder will be furnished in accordance with a written contract which by its terms shall be in full force and effect for a period of ten years and shall continue in force thereafter for five-year periods unless either party shall give to the other not less than 60 days' notice in writing prior to the expiration date of any of said five-year period that the contract shall be terminated at the expiration date of said five-year period. When a contract is terminated in the manner provided herein, the service will be discontinued.

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Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

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RATE SCHEDULES

RATE SVD
 STREET LIGHTING SERVICE; HIGH PRESSURE SODIUM VAPOR; DIVIDED OWNERSHIP

Availability:

Available to municipalities and other governmental agencies for lighting public streets, highways, bridges, parking lots, parks and similar public places.

Service:

The Company will furnish energy and maintenance only to those HPS street light units that are listed in the Company's approved material standards. Maintenance shall include lamp replacement, photo-cell replacement, and scheduled cleaning. Lighting units will operate from sunset to sunrise, each night of the year, approximately 4,070 hours of annual operation.

Rate:

Distribution Charge:

Rating in Watts	Nominal Lumens	Average Monthly kWh	Distribution
70	5,800	32	\$3.96 (D)
100	9,500	46	\$3.91 (D)
150	16,000	66	\$5.58 (I)
250	27,500	98	\$6.10 (I)
400	50,000	156	\$3.37 (D)

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Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge

(D) Decrease
 (I) Increase

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RATE SCHEDULES

Rate SVD (continued)

Replacements:

If the customer requests the Company to remove the present street light system to install high pressure sodium vapor lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system. ~~If the customer requests the Company to remove the present high pressure sodium vapor street light system to install LED lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system.~~ If the customer terminates his present street lighting service within twelve months of requesting service under this schedule, the above condition of service remains in effect. However, in the case where the lights have been in place longer than ten years, and the customer replaces a portion of the existing mercury vapor system with sodium vapor and further requests that the removed mercury vapor lights replace a portion of the existing incandescent lights, the Company will assume these costs provided that there is remaining value in the mercury vapor lights, i.e., not fully depreciated. If the customer chooses, or is unable, to replace existing incandescent lights with the replaced mercury vapor lights, the customer shall pay the remaining life value of the removed mercury vapor lights including poles and hardware. (C)

~~If the customer requests the Company to remove the present high pressure sodium vapor street light system to install LED lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system.~~

Terms of Payment:

The net amount billed is due and payable within a period of thirty days. If the net amount is not paid on or before the date shown on the bill for payment of net amount, the bill shall bear interest at the rate of 2% per month of the unpaid net balance.

Contract:

Electric service hereunder will be furnished in accordance with a written contract which by its terms shall be in full force and effect for a period of ten years and shall continue in force thereafter for five-year periods unless either party shall give to the other not less than 60 days' notice in writing prior to the expiration date of any of said five-year period that the contract shall be terminated at the expiration date of said five-year period. When a contract is terminated in the manner provided herein, the service will be discontinued.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

(C) Change

Issued: April 28, 2016

Effective: June 27, 2016

RATE SCHEDULES This page is intentionally left blank. (C)

RATE-SM
STREET LIGHTING SERVICE
MERCURY VAPOR

Availability:

This provision is grandfathered to existing Customers currently utilizing this provision at existing locations and will be closed to all other Customers effective June 1, 2008.

Available to governmental units for lighting public streets, roads, and ways.

Service:

Company furnishes, operates, and maintains the street lighting system, except as noted under Special Terms and Conditions. Service shall extend from one-half hour after sunset until one-half hour before sunrise, each night of the year, approximating 4,070 hours of annual operation.

Rate:

Rating in Watts	Type	Nominal Lumens	Average Monthly kWh	Distribution
175	Overhead—Wood Pole	7,500	70	—\$13.94
400	Overhead—Wood Pole	22,000	156	—\$14.90

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A—Tax Adjustment Surcharge
- Rider F—Phase II Energy Efficiency and Conservation Charge
- Rider J—Default Service Support Charge
- Rider N—Solar Photovoltaic Requirements Charge

(C) Change

RATE SCHEDULE This page is intentionally left blank. (C)

Rate SM (continued)

Default Service Charges:

The Default Service Charges shall be determined using the applicable Average Monthly kWh usage, from the preceding chart, multiplied by the Rider II Price to Compare Default Service Rate Rider, Commercial Customer Class rate.

Extensions:

Extensions of street lighting facilities will be made by the Company only where, in the opinion of the Company, the annual revenue justifies the cost of such extensions.

Terms of Payments:

The net amount billed is due and payable within a period of thirty days. If the net amount is not paid on or before the date shown on the bill for payment of net amount, the bill shall bear interest at the rate of 2% per month of the unpaid net balance.

Contract:

Electric service hereunder will be furnished in accordance with a written contract which by its terms shall be in full force and effect for a period of five years and shall continue in force thereafter from year to year unless either party shall give to the other not less than 60 days' notice in writing prior to the expiration date of any of said yearly periods that the contract shall be terminated at the expiration date of said yearly period. When a contract is terminated in the manner provided herein, the service will be discontinued.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

(C) Change

RATE SCHEDULES

RATE LED
 STREET LIGHTING SERVICE

Availability:

This Service is applicable to Company owned overhead or underground Light Emitting Diode (LED) street lighting service to municipal, local, state and federal governmental bodies, community associations and to public authorities for lighting of streets, highways, parks and similar places for the safety and convenience of the public.

A minimum installation of 12 LED lights per customer per individual order is required when replacing existing lighting. This restriction does not apply to new installations. (C)

General Monthly Charges:

Demand and Energy Charges for Common Lamp Sizes:

Charges Per Month Per Light:

Cobra Head

<u>Nominal Watts</u>	<u>Monthly kWh</u>	<u>Distribution</u>
50	18	\$5.25 8.23 (I)
90	32	\$6.59 9.57 (I)
130	46	\$7.04 10.18 (I)
260	91	\$10.84 15.75 (I)

Colonial

<u>Nominal Watts</u>	<u>Monthly kWh</u>	<u>Distribution</u>
50	18	\$8.40 12.20 (I)
90	32	\$9.23 13.41 (I)

Acorn

<u>Nominal Watts</u>	<u>Monthly kWh</u>	<u>Distribution</u>
50	18	\$13.95 19.69 (I)
90	32	\$14.75 20.82 (I)

(C) Change
 (I) Increase

RATE SCHEDULES

RATE PNP
PUBLIC OR NON-PROFIT ORGANIZATION RATE

Availability:

Certain public or non-profit organizations may receive electric service pursuant to the charges set forth below as part of the Company's Community and Customer Partnership Program (CCPP) rate schedule.

Definition:

Public or Non-Profit Organization – organization which has the authority to tax and has tax exempt status or an organization recognized by the Internal Revenue Service (IRS) as non-profit. Only qualifying organizations that have temporary connections or occasional use of electric service for periods of less than 30 days and where such service is for an event in the public interest and available to the public qualify for this special provision. The 30-day requirement may be waived for public organizations, but in no event shall occasional use extend beyond 12 continuous months.

Service:

Alternating current, 60 hertz, standard single phase or three phase three-wire or four-wire secondary service, as available.
Single and three phase service will be metered and billed separately or, when feasible, single and three phase service will be furnished through a single meter installation and billed as one account provided the customer arranges his wiring to facilitate the installation of a single meter.
Where service is furnished at three-phase, the customer shall provide and maintain all equipment required for lighting service.

(E)

Rate:

The net monthly charge per customer shall be:

Distribution:

(E)

~~\$13.33~~ 16.47 per month (Customer Charge), plus _____ (I)
~~2.89~~ 43.645 cents per kWh for all kWh _____ (I)

(E) ~~Change~~ (I) Increase

RATE SCHEDULES

RATE PNP (continued)

Minimum Charge:

~~\$13,3316.47 per month. The monthly Minimum Charge shall be \$13,4116.47 plus distribution~~
(I)
energy charges and any related to applicable riders.

Billing Demand:

A Customer's demand shall be measured by indicating or recording instruments. Demands shall be integrated over 15-minute intervals. The billing demand in the current month shall be the greatest of: (i) the maximum measured demand established in the month during On-peak hours, as stated herein, (ii) forty percent (40%) of the maximum measured demand established in the month during Off-peak hours, as stated herein, (iii) contract demand or (iv) fifty percent (50%) of the highest billing demand established during the preceding eleven (11) months.

Terms of Payment:

The net amount is due and payable within 15 days after the date of mailing the bill. If the net amount is not received in full on or before the date shown on the bill for payment of net amount, the gross amount, which is 2% more than the net amount balance, is due and payable. If the normal due date should fall on a Saturday, Sunday, bank holiday or any other day when the offices of the Company which regularly receive payment are not open to the general public, the due date shall be extended to the next business day.

Rules and Regulations:

The Company's Standard Rules and Regulations shall apply to the installation and use of electric service.

(I) Increase

PENNSYLVANIA POWER COMPANY

Electric Pa. P. U. C. No. 36 (Supp. ~~4217~~)
~~Fifth-Sixth~~ Revised Page 123
Superseding ~~Fourth-Fifth~~ Revised Page 123

RIDERS

RIDER H
PRICE TO COMPARE DEFAULT SERVICE RATE RIDER

A Price to Compare Default Service Rate ("PTC_{Default}") shall be applied to each kWh of Default Service that Penn Power delivers to Customers under this rider as determined to the nearest one-thousandth of a cent per kWh. The PTC_{Default} rate shall be billed to Customers receiving Default Service from the Company under this rider. The rates shall be calculated according to the provisions of this rider.

For service rendered March 1, 2016 through May 31, 2016 the PTC_{Default} rates billed by Customer Class are as follows:

Commercial Customer Class (Rate GS (excluding Special Rate GSDS), Rate GM, ~~Rate GS - Large~~, Rate PNP, PLS, SV, SVD, SM and LED):

\$0.09479 per kWh.

Residential Customer Class (Rate RS, and Rate GS - Volunteer Fire Company, Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate):

\$0.07878 per kWh

(C) Change
(+) Increase
(-) Decrease

Issued: April 28, 2016

Effective: June 27, 2016

RIDERS

RIDER J
 DEFAULT SERVICE SUPPORT RIDER

A Default Service Support (“DSS”) rate shall be applied to DSS Sales delivered by the Company to Delivery Service Customers under this rider as determined to the nearest one-thousandth of a cent per kWh or dollar per kW NSPL, as applicable. The DSS rate shall be billed to Customers receiving Delivery Service from the Company under this rider. The DSS rates shall be calculated according to the provisions of this rider. The DSS Rider shall be non-bypassable.

For service rendered during the DSS Initial Computational Period and thereafter, the DSS Computational Year, the DSS rates billed by Rate Schedule are as follows:

<u>Rate Schedule</u>	<u>DSS Rates</u>
Rate Schedule RS, & GS – Volunteer Fire Company and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate	0. 186287 cents per kWh (D)
Rate Schedule GS	0. 178184 cents per kWh (I)
Rate Schedule PNP	0. 183189 cents per kWh (I)
Rate Schedule GM	0. 183189 cents per kWh (I)
Rate Schedule GS – Large	\$0.557 per kW NSPL (+)
Rate Schedule Primary – GP	\$0.557 per kW NSPL (+)
Rate Schedule Transmission – GT	\$0.557 per kW NSPL (+)
Rate Schedule GS with Special Rule GSDS	\$0.557 per kW NSPL (+)
Rate Schedule PLS	0. 183189 cents per kWh (I)
Rate Schedule SV, SVD, SM, LED	0. 183189 cents per kWh (I)

The Residential Customer Class consists of Rate Schedules RS; and GS Special Provision for Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance Services. (C)

The Commercial Customer Class consists of Rate Schedules GS (excluding GS Special Rule GSDS), PNP, GM, GS – Large, PLS, SV, SVD, SM, and LED. (C)

The Industrial Customer Class consists of Rate Schedules GS – Large, GP, GT, and GS with Special Rule GSDS. (C)

~~(D) Decrease~~ (C) Change
 (I) Increase

RIDERS

Rider J (continued)

The UE charges by Customer Class to be included in DSS rates are as follows:

Residential Customer Class:

0.060155 cents per kWh _____ (I)

Commercial Customer Class:

0.002008 cents per kWh _____ (I)

MTEP and MISO Exit Fees and PJM Integration Charges:

$$MPI = (((MPI_{Exp1} + MPI_{Exp2}) - E) \times \text{Adjustment Factor}) / S$$

Where:

MPI = The charge to be applied to each Delivery Service Customer served under this Tariff for the Midwest Independent System Operator ("MISO") Transmission Expansion Plan ("MTEP") charges and MISO and PJM charges associated with the transition from MISO to PJM approved by FERC.

MPI_{Exp1} = The Company's cost of the MTEP charges assessed on the Company pursuant to the Open Access Transmission Tariff ("OATT") of MISO.

MPI_{Exp2} = The Company's (i) charges assessed under MISO's OATT that are associated with the Company's exit from the MISO control area and (ii) charges assessed under the PJM OATT that are associated with the Company's integration into the PJM control area. All such MISO exit fees and PJM integration fees charges approved by FERC shall not exceed \$3.5 million, excluding carrying charges. The Company shall recover these charges plus applicable carrying charges over a minimum five year period.

(I) Increase

PENNSYLVANIA POWER COMPANY

Electric Pa. P.U.C. No. 36 (Supp. 917)
~~First-Second~~ Revised Page 146
Superseding ~~First Revised~~Original Page 146

RIDER L
PARTIAL SERVICES RIDER

Availability/Applicability:

This Rider applies to general service customers having on-site non-synchronous generation equipment or synchronous equipment that does not qualify for Net Metering Rider capable of supplying a portion of their power requirements for other than emergency purposes. Electricity sold under this Rider may not be resold; nor may it be used to operate the auxiliary loads of the generating facilities while those facilities are generating electricity for sale.

~~In addition to the charges included in the applicable rate schedule, all of the following general monthly charges are applicable to Delivery Service Customers. All of the following general monthly charges are applicable to Delivery Service Customers.~~ (C)

General Monthly Charges:

Fifty Dollars (\$50.00)/per month, plus the charges listed below, depending upon the voltage at which the Customer is being served and the services (i.e., Backup Demand and/or Maintenance Demand) selected by the Customer:

Distribution Charge	Backup Demand (Dollars/KW)	Maintenance Demand (Dollars/KW)
Secondary Voltage (D)(I)	\$2.603.58	\$2.012.86
Primary Voltage (D)(I)	\$1.954.59	\$1.563.67
Transmission Voltage (D)(I)	\$0.200.32	\$0.160.25

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PENNSYLVANIA POWER COMPANY

Electric Pa. P.U.C. No. 36 (Supp. 917)
~~First~~ Second Revised Page 146
Superseding ~~First Revised~~ Original Page 146

~~(D)~~ Decrease ~~Change~~

(I) Increase

Issued: April 28, 2016

Effective: June 27, 2016

GENERAL RULES AND REGULATIONS

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Definition of Terms (continued)

Delivery Service Customer – A Customer who takes Delivery Service.

Demand – The rate of use of electric energy during a specified time interval, expressed in kilowatts and reactive kilovolt-amperes.

Developer – The person or entity responsible for constructing and providing improvements in a Development, including, but not limited to, streets, sidewalks and utility-ready lots.

Development – A planned project which is developed by a Developer for electric service set out in a recorded plot plan of five (5) or more adjoining unoccupied lots for the construction of single-family residences, detached or otherwise, mobile homes, or one (1) or more five-unit apartment houses, all of which are intended for year-round occupancy, if electric service to such lots necessitates extending the Company's existing Distribution Lines.

Direct Labor Costs – The pay and expenses of Company employees directly attributable to work performed, excluding construction overheads or payroll taxes, workmen's compensation expenses or similar expenses.

Direct Material Costs – The purchase price of materials used, excluding related stores (i.e. warehousing) expenses. In computing Direct Material Costs, proper allowance shall be made for unused materials recovered from temporary structures, and for discounts allowed and realized in the purchase of materials.

Discontinuance of Service – The removal of a customer's meter and/or service wires or the de-energizing of a meter and cessation of service with the consent of the customer. (C)

Distribution Charge – A charge designed to recover the costs the Company incurs in using its distribution system or local wires to deliver electricity to a Customer.

Distribution Line – An electric supply line and related equipment of 34,500 volt delta configured or lower voltage from which energy is delivered to one (1) or more Service Lines.

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GENERAL RULES AND REGULATIONS

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA POWER COMPANY
DOCKET NO. R-2016-2537355**

**Direct Testimony
of
Charles V. Fullem**

List of Topics Addressed

**Overview of Distribution Base Rate Filing
Settlement Commitments from Docket No. R-2014-2428744
Reasons for the Requested Increase
Organization of the Filing and Introduction of Witnesses
Importance of Adequate Rate Relief to the Company**

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II. SETTLEMENT COMMITMENTS.....	4
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IV. ORGANIZATION OF THE FILING, OTHER WITNESSES AND THE IMPORTANCE OF THIS CASE TO THE COMPANY AND ITS CUSTOMERS	13

APPENDIX A

1 **DIRECT TESTIMONY**
2 **OF**
3 **CHARLES V. FULLEM**

4 **I. INTRODUCTION**

5 **Q. Please state your name and business address.**

6 A. My name is Charles V. Fullem, and my business address is 2800 Pottsville Pike, Reading,
7 Pennsylvania 19605.

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by FirstEnergy Service Company, which is a direct subsidiary of
10 FirstEnergy Corp. ("FirstEnergy"). I am the Director, Rates and Regulatory Affairs –
11 Pennsylvania. The Pennsylvania Rate Department of FirstEnergy Service Company
12 provides regulatory support for each of FirstEnergy's wholly-owned Pennsylvania
13 operating companies ("Companies", including Pennsylvania Power Company ("Penn
14 Power" or "Company")).

15 I am responsible to the Vice President of Rates and Regulatory Affairs for the
16 development, coordination, preparation and presentation of the Companies' rate-related
17 matters before the Pennsylvania Public Utility Commission ("Commission") and the New
18 York State Public Service Commission, including their default service programs. My
19 responsibilities encompass the preparation of various statements and reports addressing,
20 among other things, distribution revenue requirement, energy costs, non-utility generation
21 costs, quarterly earnings, and other financial matters. I am also responsible for
22 administering the Companies' tariffs, including developing retail electric rates, rules and
23 regulations and ensuring their uniform application and interpretation.

1 **Q. What is your educational and professional background?**

2 A. I received a Bachelor of Science degree in Mineral Economics from the Pennsylvania
3 State University in November 1981. I have over thirty years of experience with
4 FirstEnergy and its predecessor companies. My work experience is more fully described
5 in my professional biography, which is attached as Appendix A to this testimony.

6 **Q. On whose behalf are you testifying in this proceeding?**

7 A. I am testifying on behalf of Penn Power.

8 **Q. Please describe the purpose of your testimony.**

9 A. The purpose of my testimony is to provide an overview of and the principal factors
10 driving the distribution base rate increase request that the Company is proposing for
11 approval by the Commission. I will also explain why approval of the proposed
12 distribution rate increase is necessary to provide a fair return to shareholders and to
13 establish the groundwork for enhanced reliability and customer service.

14 In addition to this Introduction, my testimony is comprised of three substantive sections:
15 Section II reports on the Company's progress in meeting the settlement commitments
16 made in Penn Power's last base rate proceeding at Docket No. R-2014-2428744. In
17 Section III, I provide an overview of the current filing and discuss the primary reasons
18 the Company is requesting an increase in its distribution rates. Lastly, in Section IV, I
19 describe the organization of the Company's rate filing, introduce the other witnesses
20 submitting direct testimony on behalf of Penn Power and explain the importance of this
21 case to the Company and its customers.

1 **Q. Are you sponsoring any exhibits?**

2 A. Yes, I am sponsoring Penn Power Exhibits CVF-1 through CVF-6, which consist of the
3 following:¹

4 **Penn Power Exhibit CVF-1** provides a summary of and specific reasons
5 for the proposed rate increase. This exhibit also identifies and quantifies
6 the major components of the Company's revenue request.

7 **Penn Power Exhibit CVF-2** identifies the other witnesses submitting
8 direct testimony on behalf of the Company, their corresponding statement
9 numbers and their areas of responsibility.

10 **Penn Power Exhibit CVF-3** is a table showing, at present and proposed
11 rates, the Company's revenues, operating expenses, operating income and
12 rate base, as adjusted for ratemaking purposes, and the resulting overall
13 rates of return for the fully projected future test year, the twelve months
14 ending December 31, 2017 ("FPFTY"). The table also provides
15 references to exhibits sponsored by other witnesses that set forth this
16 information in more detail.

17 **Penn Power Exhibit CVF-4** provides a corporate history, including the
18 dates of the Company's original incorporation and subsequent mergers
19 and acquisitions.

¹ Exhibits CVF-1 through CVF-4 respond to filing requirements outlined in 52 Pa. Code § 53.53(a)(3). Specifically, these exhibits respond to requirements I-A-1, 2 and 3 and I-B-1 of Exhibit C to Section 53.53.

1 **Penn Power Exhibit CVF-5** provides a comparison of residential
2 customer bills at the Company’s existing and proposed base rates to
3 residential customer bills, at the same usage levels, of Duquesne Light
4 Company (“Duquesne”), PECO Energy Company (“PECO”) and PPL
5 Electric Utilities Corporation (“PPL”), as well as the other FirstEnergy-
6 owned Pennsylvania electric distribution companies (“EDCs”).

7 **Penn Power Exhibit CVF-6** is a copy of the Meter Reading section of the
8 Company’s web-site.

9 **II. SETTLEMENT COMMITMENTS**

10 **Q. In the Joint Petition for Settlement of Rate Investigation (“Settlement Agreement”)**
11 **which the Commission approved in Penn Power’s last base rate proceeding at**
12 **Docket No. R-2014-2428744, the Company, at pages 11- 14, made various**
13 **commitments in the areas of customer service, meter reading and smart meter**
14 **operations. Is Penn Power in compliance with those provisions?**

15 A. Yes, it is.

16 **Q. Is the Company prepared to meet its commitment to achieve and maintain an**
17 **annual call answer rate of at least 80% of calls answered within thirty seconds**
18 **beginning with the twelve-month period ended December 31, 2016?**

19 A. Yes. In fact, the Company satisfied the 80% target in 2014, in 2015 and again during the
20 twelve months ended March 31, 2016.

1 **Q. The Company also agreed to reduce the number of residential disputes that did not**
2 **receive a response within thirty days to no more than sixty beginning with the**
3 **twelve-month period ending December 31, 2016. Is Penn Power on track to comply**
4 **with that standard?**

5 A. Yes. The Company has made great strides in this area. For example, in 2014, Penn
6 Power had 100 residential disputes that did not receive a response within thirty days. The
7 Company reduced that figure to two in 2015 and, as of March 31, 2016, Penn Power had
8 no outstanding residential customer disputes that had not received a response within
9 thirty days.

10 **Q. The Company also agreed to take the necessary action to: (i) consistently meet the**
11 **twelve-month performance standards established by the Commission for SAIFI²,**
12 **SAIDI³ and CAIDI⁴ by the end of the first reporting quarter of 2016 (i.e., March 31,**
13 **2016); (ii) consistently meet the three-year performance standards established by**
14 **the Commission for SAIFI, SAIDI, and CAIDI by the end of calendar year 2017;**
15 **and (iii) strive towards the achievement of reliability performance at or better than**
16 **the performance benchmarks established by the Commission. How is the Company**
17 **performing with respect to these reliability commitments?**

18 A. The Company has made tremendous progress and has met, or is in the process of
19 meeting, all of its reliability obligations as shown in Table 1 below:

² System Average Interruption Frequency Index, or “SAIFI,” represents the average frequency of sustained interruptions per customer during an analysis period.

³ System Average Interruption Duration Index, or “SAIDI,” represents the average duration of sustained interruptions per customer during an analysis period.

⁴ Customer Average Interruption Duration Index, or “CAIDI,” represents the average interruption duration sustained interruptions for those customers who experience interruptions during an analysis period.

1
2 **Table 1**

Penn Power Reliability Performance as of March 31, 2016

Metric	Benchmark	12-Month Standard	12-Month Actual	3-Year Standard	3-Year Actual
SAIFI	1.12	1.34	1.16	1.23	1.14
CAIDI	101	121	102.3	111	103
SAIDI	113	162	118.4	136	117

3
4 As indicated above, the Company has bettered the 12-month and 3-Year Standards for all
5 three metrics and is very close to satisfying the Commission's performance benchmarks.

6 **Q. As part of the Settlement Agreement, the Company also agreed to ensure that its**
7 **policies and procedures were designed such that customer meters are read at least**
8 **every other month and to document the specific reasons when it is unable to do so.**
9 **Has the Company complied with this commitment?**

10 A. Yes. The Company continues to focus on its meter reading operations to ensure that its
11 performance is consistent with all regulatory requirements. In furtherance of the
12 commitment it made in its last base rate case, the Company created a new report that
13 summarizes its meter-reading performance and identifies the causes for any missed
14 reads. The Company provided such a report, covering the period from June 1, 2015
15 through December 31, 2015, to the statutory advocates on April 8, 2016.

16 **Q. Penn Power further agreed to revise its website and customer education materials to**
17 **explicitly inform its customers, in plain language, of the Company's policy to issue**
18 **bills based on actual meter readings no less frequently than every other month and**
19 **to explain the procedures for customers to submit self-readings if they elect to do so.**
20 **Has Penn Power complied with this settlement provision?**

1 A. Yes. The Company modified its website on July 1, 2015 to provide the information
2 requested by the settling parties. Exhibit CVF- 6 provides a copy of the relevant Meter
3 Reading page, shown on the website, of Penn Power’s current tariff.

4 **Q. The Settlement Agreement also required that Penn Power provide the statutory**
5 **advocates with certain information regarding the operation of its modified**
6 **estimated billing algorithm, including its performance over the first full year of its**
7 **use. Is the Company on track to supply the necessary information?**

8 A. Yes. Company representatives met with the statutory advocates on September 10, 2015
9 in Harrisburg to review its modified estimated billing algorithm and to answer any
10 questions regarding its operation. Due to final upgrades taking place through the end of
11 2015, it was agreed that the Company will use the twelve-month period –ending
12 December 31, 2016 to study the accuracy and performance of the new algorithm and will
13 provide a report to the statutory advocates in March of 2017.

14 **Q. Turning to a different area, did the Company add certain reporting metrics to its**
15 **Annual Progress Report under its Smart Meter Technology Deployment Plan**
16 **approved by the Commission at Docket No. M-2013-2341994 (“Smart Meter Plan”),**
17 **as it agreed to do in its Settlement Agreement?**

18 A. Yes. Beginning with the August 1, 2015 Annual Progress Report submitted pursuant to
19 its Smart Meter Plan, the Company provided information concerning the following
20 metrics:

21 **Home area network (“HAN”) devices.** Number of utility AMI meters
22 with consumer devices registered to operate with the HAN chip.

1 **AMI meter installs.** Number of smart meters installed and registered.

2 **Customer complaints.** Number of formal and informal PUC complaints
3 related to AMI meter deployment, broken down by type of complaint and
4 resolution. AMI meter deployment includes installation, functioning or
5 accuracy of the AMI meter, and HAN device registration.

6 **Reduction in greenhouse gas emissions.** Reduced emissions attributable
7 to reduced truck rolls due to automatic meter readings and increased
8 efficiencies. This reporting will commence once the realization of this
9 benefit has been determined and reflected in the smart meter baseline
10 savings as of April 30, 2016.

11 **Voltage and VAR controls.** Number and percentage of distribution lines
12 using sensing from an AMI meter as part of the Company's voltage
13 regulation scheme.

14 **Q. Did the Company also host an informational meeting with respect to the Company's**
15 **smart meter and smart grid deployment efforts as committed to in the Settlement**
16 **Agreement?**

17 A. Yes. The meeting was held on July 20, 2015 at the FirstEnergy General Offices in
18 Akron. Representatives of the Environmental Defense Fund attended in person and
19 representatives of the Office of Consumer Advocate participated via teleconference.

20

1 **III. OVERVIEW OF RATE REQUEST AND REASONS FOR PROPOSED**
2 **INCREASE**

3 **Q. Please describe the increases and changes in rates for distribution service that the**
4 **Company is proposing.**

5 A. The Company is proposing a general rate increase to its distribution rates and is also
6 requesting increases in rates charged under its Default Service Support (“DSS”)Rider and
7 Hourly Pricing Default Service (“HPS”) Rider in order to fully collect the uncollectible
8 expense associated with the provision of default service, as well as the Purchase of
9 Receivables Program offered to electric generation suppliers. Finally, the Company is
10 proposing to roll smart meter and Distribution System Improvement Charge (“DSIC”)
11 investment costs into base rates.

12 **Q. Please identify the principal changes to existing and pending rate riders that affect**
13 **distribution base rate revenue in this case.**

14 A. The Company currently has a Smart Meter Technologies Charge (“SMT-C”) Rider
15 through which it recovers the costs of implementing its Smart Meter Plan. The
16 Company will continue to include its 2017 smart meter costs in base rates and will
17 maintain its SMT-C Rider rate at zero. The SMT-C Rider will remain in the Company’s
18 tariff and will be utilized to recover the costs of its Smart Meter Plan in excess of the
19 level of such costs included in base rates, net of applicable savings.

20 Likewise, the Company has sought the Commission’s approval to implement a DSIC
21 Rider for service rendered beginning July 1, 2016 at Docket No. P-2015-2508931. The
22 Company proposes to roll the projected DSIC Rider charges and costs into base
23 distribution rates, and to reset the DSIC Rider to zero as of the effective date of the base

1 rates determined in this case. The DSIC Rider will remain at zero until Penn Power has
 2 added plant through its Commission-approved Long Term Infrastructure Improvement
 3 Plan (“LTIP”) in excess of the claimed amount included in its estimated December 31,
 4 2017 rate base in the present case.

5 **Q. What effect will the proposed increases and changes in distribution rates and riders**
 6 **have on the Company’s pro forma revenues at current rates ?**

7 A. The effect of the proposed increases and changes in distribution rates and riders on the
 8 Company’s pro forma revenues at current rates for the FPFTY is summarized in Penn
 9 Power Exhibit CVF-3 and highlighted in Table 2 below:

10 **Table 2**

Requested Revenue Change	
Penn Power	(\$ Thousands)
Distribution Base Rate	\$40,357
DSS & HPS Riders	\$ 1,676
Total Request	\$42,033
Percentage Increase in Total Revenue	9.57%
Smart Meter Roll In	\$ 0
DSIC Roll In	\$ 4,634
Net Increase in Revenue	\$37,399
Percentage Increase in Total Revenue	8.43%
Smart Meter – 2017 Rider revenue in the absence of the rate case	
DSIC Roll in – 2017 Rider revenue in the absence of the rate case	

11 The percentage increases shown are based on total Company revenue, assuming all
 12 customers are taking default service from the Company.
 13

1 **Q. What overall rate of return and return on common equity does the Company**
2 **propose be used for purposes of calculating its revenue requirement in this case?**

3 A. Penn Power’s proposed distribution rates are designed to recover the Company’s costs to
4 furnish safe and reliable distribution service and to provide it an opportunity to earn a fair
5 return on its investment in distribution assets. More specifically, as summarized in Penn
6 Power Exhibit CVF-3 and explained in more detail in the direct testimony of Pauline M.
7 Ahern (Penn Power St. No. 8), the requested increase proposed by the Company would
8 provide it an opportunity to earn an overall rate of return of 8.70% and a 11.50% return
9 on common equity.

10 **Q. How will the proposed rate increase impact the total bill of a typical residential**
11 **customer using 1,000 kWh per month and how will the resulting bill compare to the**
12 **current average residential bills of other Pennsylvania EDCs?**

13 A. Table 3 below shows: (1) a current monthly bill for a residential default service customer
14 using 1,000 kWh; (2) the requested increase in that bill; and (3) the new bill under
15 proposed base rates.

16 **Table 3**

	Current Monthly Bill	Increase	Total Bill After Increase
Penn Power	\$130.06	\$18.45	\$148.51

17 *Based upon current default service rates as of the date of this filing.
18

19 Under the corresponding rates in effect as of May 1, 2016, customers of the other three
20 non-affiliated major Pennsylvania EDCs (i.e., Duquesne, PECO and PPL) would pay a
21 monthly bill of between \$136.37 and \$156.21. **Penn Power Exhibit CVF-5** graphically
22 depicts the billing comparison I just described.

1 **Q. What are the principal factors driving the Company's need for rate relief?**

2 A. The principal factors driving the Company's need to increase its distribution base rates
3 are as follows:

4 1. **Growth in the Company's distribution rate base.** One of the factors driving
5 Penn Power's need for rate relief is the 20% growth in the Company's rate base
6 attributable to its ongoing investment in distribution plant (including smart meter
7 and DSIC-eligible investment). As shown in Table 4 below, the Company's
8 estimated rate base at December 31, 2017, as summarized in Penn Power Exhibit
9 CVF -3 and developed in Mr. D'Angelo's **Penn Power Exhibit RAD-1**, is
10 expected to be \$68.5 million greater than the level reflected in current rates:

11 **Table 4**

	\$ (thousands)
Rate Base Docket No. R-2014-2428744	\$ 345,013
Rate Base RAD-1 pg. 1 line 19	\$ 413,519
Increase	\$ 68,506
Percentage Change	20%

12
13 2. **Reduction in sales.** Penn Power's projected 2017 revenue at current rates is five
14 million dollars less than the revenue requirement agreed to in the Settlement
15 Agreement approved by the Commission at Docket No. R-2014-2428744. Sales
16 to the residential class as a whole are expected to decrease by 1.46% annually,
17 driven by a decline in the average usage per customer of approximately 1.70%
18 annually over the next four years, offset only slightly by increases in the number
19 of residential customers. The decline in the average residential usage in the

1 Company's service area is primarily due to implementation of Pennsylvania's
2 state-mandated energy efficiency programs under Act 129, as well as federally
3 mandated energy efficiency lighting standards.

4 3. **Deferred taxes.** Penn Power's deferred tax expense for the FPFTY is higher than
5 the amount reflected in its last base rate proceeding.

6 4. **Depreciation expense associated with increased investment in plant in**
7 **service.** The Company has included with this filing a new service life study
8 reflecting adoption of the Equal Life Group Method. The updated accrual rates,
9 along with the new distribution plant, result in corresponding increases in
10 depreciation expense.

11 5. **Increase in operations and maintenance ("O&M") expense.** Implementation
12 of the Company's LTIIP, will drive higher O&M expenses as work included in
13 the LTIIP has an on-going O&M component in addition to the capital component.
14 In addition, the Company has budgeted increases in expenses associated with
15 vegetation management, facility repairs and substation maintenance as part of its
16 on-going efforts to enhance reliability. Finally, the Company continues to
17 experience increased uncollectible accounts expense.

18 IV. **ORGANIZATION OF THE FILING, OTHER WITNESSES AND THE**
19 **IMPORTANCE OF THIS CASE TO THE COMPANY AND ITS CUSTOMERS**

20 Q. **Please identify the other witnesses presenting direct testimony on behalf of the**
21 **Company and the principal subjects they address.**

1 A. The Company is submitting the direct testimony of nine witnesses including myself. The
2 other witnesses submitting direct testimony and the principal subjects they address are
3 identified in Penn Power Exhibit CVF-2 and can be summarized as follows:

Richard A. D'Angelo	Statement No. 2	Development of the Company's revenue requirement, including sponsoring and explaining the Company's principal accounting exhibits.
Kevin M. Siedt	Statement No. 3	Development of normalized sales and revenues; development of the Company's proposed rate design; proposed changes to tariff rules and regulations, rate schedules and riders.
Thomas J. Dolezal	Statement No. 4	Development of the Company's cost of service studies; separation studies; and cost of service at existing rates.
Jeffrey L. Adams	Statement No. 5	Development of the Company's claim for cash working capital.
Laura W. Gifford	Statement No. 6	Updating uncollectible accounts expense to be recovered in Penn Power's DSS and HPS Riders. Updating the baselines for the measurement of smart meter savings.
John J. Spanos	Statement No. 7	Annual and accrued depreciation rates and service lives.
Pauline M. Ahern	Statement No. 8	Cost of common equity.
Joseph Dipre	Statement No. 9	Capitalization ratios; cost rates of long-term debt and common equity; and overall cost of capital.

4 **Q. Please explain the importance of the proposed rate increase to the Company.**

5 A. In order to continue enhancing reliability and customer service, the Company must
6 continue to make very substantial investments in new and replacement distribution plant,

1 including the investments set forth in its Commission-approved LTIIP. Moreover, it
2 must do so during a period of declining sales and ever-increasing O&M expenses. Due to
3 these factors, Penn Power's projected overall rate of return for the FPFTY, at present
4 rates, is only 3.32 %. More importantly, its indicated return on common equity during
5 that same period is anticipated to be but -0.26%, which is obviously grossly inadequate
6 by any reasonable standard. Returns at these levels will simply not support the level of
7 investment required to ensure that customers continue to receive safe and reliable electric
8 service. Accordingly, it is critically important that the Company be granted the rate relief
9 it is requesting in this case.

10 **Q. In view of the foregoing, do you have a recommendation regarding the rate of**
11 **return on common equity that should be approved for the Company?**

12 A. Yes, I do. I strongly encourage the Commission to adopt the 11.5% equity return
13 developed by Ms. Ahern.

14 **Q. Does this conclude your direct testimony?**

15 A. Yes, it concludes my direct testimony at this time. However, I would like to reserve the
16 right to supplement my direct testimony should it become necessary to do so.

Biography
Charles V. Fullem
Director – Rates & Regulatory Affairs/Pennsylvania

Charles V. Fullem is Director- Rates & Regulatory Affairs/Pennsylvania, a position he was appointed to on January 22, 2006. In that capacity, he is responsible for developing the default service plans of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company, as well as all retail tariff filings and financial reports to the Pennsylvania Public Utility Commission (“PaPUC”) and the New York State Public Service Commission. He has over 30 years of experience in the energy industry, with a background in rates and regulation, marketing, unregulated retail pricing and regulated tariffs, contract development and negotiations of both wholesale and retail electric service contracts.

From December 2000 through January 2006, he served in various positions, including Director of Energy Consulting Operations for The E Group, the energy consulting subsidiary of FirstEnergy Corporation (“FirstEnergy”). As Director, he managed technical staff teams and was responsible for delivering all aspects of The E Group’s client services for an over one billion dollar client energy spend, including energy management, bill and rate analysis, development of energy procurement strategies, preparation of requests for proposal, evaluation of bids, contract development and implementation, open market analysis, and negotiations with suppliers and utilities and utility bill payment.

From November 1999 through December 2000, Mr. Fullem was Director, Pricing and Regulatory Affairs, in FirstEnergy’s rate department, where he was responsible for tariff administration and pricing programs serving over 2.2 million customers in Ohio and Pennsylvania. In this capacity, Mr. Fullem developed and implemented the unbundled tariffs designed to implement Customer Choice in Ohio, coordinated the development of FirstEnergy’s Supplier Tariff and Net Metering Rider, and participated in the Operational Support Plan (OSP) workgroups. The OSP workgroups were collaborative working groups charged with establishing the various rules and policies of retail choice in Ohio.

From December 1994 through November 1999, Mr. Fullem served in various roles in FirstEnergy’s marketing department, including Director, Planning and Strategy, and Director of Centerior Energy’s Competitive Analysis Department, where he developed and implemented successful marketing programs targeted to commercial and industrial customers and mass market customers in both competitive generation markets and traditional areas of competition between fully integrated electric utility providers.

From 1982 through December 1994, Mr. Fullem served in various roles in rates and regulation at Centerior Energy and Cleveland Electric Illuminating Company, including the roles of Director, Planning & Strategy, and Director of Rates & Contracts. In these roles, Mr. Fullem managed and performed cost of service studies, load research, customer requirements analyses, designed rates and tariffs, participated in the development of revenue requirements, and performed financial analyses.

Mr. Fullem holds his Bachelor of Science degree in Mineral Economics from the Pennsylvania State University. Mr. Fullem is a Certified Energy Procurement Professional by the Association of Energy Engineers. He has provided expert testimony before the Public Utilities Commission of Ohio (“PUCO”), the PaPUC, The New York State Public Service Commission and the Federal Energy Regulatory Commission (“FERC”).

Mr. Fullem has prepared and presented testimony in the following rate-related cases:

PUCO Cases:

<i>Docket Nos.</i>	<i>Case Name</i>
85-521-EL-COI	(In the Matter of the Investigation into the Perry Nuclear Power Station)
88-170-EL-AIR	(In the Matter of the Application of the Cleveland Electric Illuminating Company for Authority to Amend and to Increase Certain of its Filed Schedules Fixing Rates and Charges for Electric Service)
88-171-EL-AIR	(In the Matter of the Application of the Toledo Edison Company for Authority to Amend and to Increase Certain of its Filed Schedules Fixing Rates and Charges for Electric Service)
91-1528-EL-CSS	(In the Matter of the Complaint of Toledo Premium Yogurt, Inc., dba Freshens Yogurt, Complainant, v. Toledo Edison Company, Respondent)
91-2308-EL-CSS	(Board of Education, Cleveland City Schools v. Cleveland Electric Illuminating Company)
92-504-EL-CSS	(Board of Education, Cleveland City Schools v. Cleveland Electric Illuminating Company)
95-02-EL-ABN	(In the Matter of the Application of the City of Clyde Requesting Removal of Certain Electric Distribution Facilities of the Toledo Edison Company from Within Clyde’s Corporate Limits)
01-174-EL-CSS	(In the Matter of the Complaint of the City of Cleveland and WPS Energy Services, Inc., Complainants, v. The Cleveland Electric Illuminating Company and FirstEnergy Corp., Respondents)

PaPUC Cases:

<i>Docket No.</i>	<i>Case Name</i>
R – 850267	(Pennsylvania Public Utility Commission, et al. v. Pennsylvania Power Company)
R – 860378	(Pennsylvania Public Utility Commission, et al. v. Duquesne Light Company)
87-1160	(Duquesne Light Company and Pennsylvania Power Company, Appellants v. David M. Barasch, etc., et al.)
P-00072305	(Petition of Pennsylvania Power Company for Approval of Interim Default Service Supply Plan)
P-2008-2066692	(Voluntary Prepayment Plan)
P-2009-2093053	(Metropolitan Edison Company Default Service Programs)
P-2009-2093054	(Pennsylvania Electric Company Default Service Programs)
I-2009-2099881	(Compliance of Commonwealth of Pennsylvania with Section 410(a) of the American Recovery and Reinvestment Act 2009)
M-2009-2092222	(Petition of Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company for approval of its Energy Efficiency and Conservation Plans)
M-2009-2112952	(Petition of Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company for approval of its Energy Efficiency and Conservation Plans)
M-2009-2112956	(Petition of Metropolitan Edison Company, Pennsylvania Electric Company, & Pennsylvania Power Company for approval of its Energy Efficiency and Conservation Plans)
A-2010-2176520	(Joint Application of West Penn Power Company, Trans-Allegheny Interstate Line Company & FirstEnergy Corp.)
A-2010-2176732	(Joint Application of West Penn Power Company, Trans-Allegheny Interstate Line Company & FirstEnergy Corp.)

- P-2011-2273650 (Metropolitan Edison Company Default Service Programs)
- P-2011-2273668 (Pennsylvania Electric Company Default Service Programs)
- P-2011-2273669 (Pennsylvania Power Company Default Service Programs)
- P-2011-2273670 (West Penn Power Company Default Service Programs)
- M-2012-2334387 Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of its Act 129 Phase II EE&C Plans
- M-2012-2334392 Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of its Act 129 Phase II EE&C Plans
- M-2012-2334395 Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of its Act 129 Phase II EE&C Plans
- M-2012-2334398 Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of its Act 129 Phase II EE&C Plans
- R-2014-2428745 Metropolitan Edison Company – General Base Rate Filing
- R-2014-2428743 Pennsylvania Electric Company – General Base Rate Filing
- R-2014-2428744 Pennsylvania Power Company – General Base Rate Filing
- R-2014-2428742 West Penn Power Company – General Base Rate Filing
- A-2015-2488903 Joint Application of Mid-Atlantic Interstate Transmission, LLC (“MAIT”); Metropolitan Edison Company and Pennsylvania Electric Company
- A-2015-2488904 Joint Application of Mid-Atlantic Interstate Transmission, LLC (“MAIT”); Metropolitan Edison Company and Pennsylvania Electric Company
- A-2015-2488905 Joint Application of Mid-Atlantic Interstate Transmission, LLC (“MAIT”); Metropolitan Edison Company and Pennsylvania Electric Company

- G-2015-2488906 Joint Application of Mid-Atlantic Interstate Transmission, LLC (“MAIT”); Metropolitan Edison Company and Pennsylvania Electric Company
- G-2015-2488907 Joint Application of Mid-Atlantic Interstate Transmission, LLC (“MAIT”); Metropolitan Edison Company and Pennsylvania Electric Company
- P-2015-2511333 Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of their Default Service Programs
- P-2015-2511351 Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of their Default Service Programs
- P-2015-2511355 Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of their Default Service Programs
- P-2015-2511356 Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of their Default Service Programs

NY PSC Cases:

Docket No.

Case Name

Case 11-E-0594

(Pennsylvania Electric Company Waverly District – moving POLR rates to market supply)

FERC Cases:

Docket No.

Case Name

ER93-471-000

(COS – FERC Rate Case: Cleveland Electric Illuminating Company v. Cleveland Public Power)

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT I-A-1:

“Provide a summary discussion of the rate change request, including specific reasons for each increase or decrease. Also provide a breakdown which identifies the revenue requirement value of the major items generating the requested rate change.”

RESPONSE:

**Pennsylvania Power Company
Statement of Reasons for Rate Changes**

Introduction

Pennsylvania Power Company (“Penn Power” or the “Company”) has filed a tariff supplement and accompanying supporting data setting forth a proposed distribution base rate increase and other proposed tariff revisions (“Rate Plan”) for approval by the Pennsylvania Public Utility Commission (“Commission”).

The Rate Plan proposes rates that would produce an increase in Penn Power’s annual distribution revenue of \$42.0 million based on a fully projected future test year ending December 31, 2017 and reflecting the Company’s proposed overall rate of return of 8.70% and a rate of return on the common equity portion of its capital structure of 11.5%. The changes in average total bills under the proposed rates vary by class of customers and range from approximately 1.03% to 32.8% for customers that receive default service from the Company. The monthly bill of a residential default service customer using 1,000 kilowatt-hours (“kWh”) per month would increase from \$130.06 to \$148.51.

Principal Reasons For The Proposed Increase In Rates

Five principal factors are driving the Company's need to increase its distribution rates:

1. **Growth in the Company's distribution rate base.** One of the factors driving Penn Power's need for rate relief is the 20% growth in the Company's rate base attributable to its ongoing investment in distribution plant (including smart meter and DSIC-eligible investment). As shown in the table below, the Company's estimated rate base at December 31, 2017, as developed in Mr. D'Angelo's **Penn Power Exhibit RAD-1**, is expected to be approximately \$68.5 million greater than the level reflected in current rates:

Penn Power	(thousands)
Rate Base Docket No. R-2014-2428744	\$ 345,013
Rate Base RAD-1 pg. 1 line 19	\$ 413,519
Increase	\$ 68,506
Percentage Change	20%

2. **Reduction in sales.** Penn Power's projected 2017 revenue at current rates is five million dollars less than the revenue requirement in the Settlement Agreement approved by the Commission at Docket No. R-2014-2428744. Sales to the residential class as a whole are expected to decrease by 1.46% annually, driven by a decline in the average usage per customer of approximately 1.70% annually over the next four years, offset

slightly by increases in the number of residential customers. The decline in the average residential usage in the Company's service area is primarily due to implementation of Pennsylvania's state-mandated energy efficiency programs (Act 129), as well as federally mandated energy efficiency lighting standards.

3. **Deferred Taxes.** Penn Power's deferred tax expense for the FPFTY is higher than the amount reflected in its last base rate proceeding.
4. **Depreciation expense associated with increased investment in plant in service.** The Company has included with this filing a new service life study reflecting adoption of the Equal Life Group Method. The updated accrual rates, along with the new distribution plant, result in corresponding increases in depreciation expense.
5. **Increase in operations and maintenance ("O&M") expense.** Implementation of the Company's Commission-approved Long Term Infrastructure Improvement Plan ("LTIIIP") will drive higher O&M expenses as work included in the LTIIIP has an on-going O&M component in addition to the capital component. In addition, the Company has budgeted increases in vegetation management, facility repairs and substation maintenance, as part of its on-going efforts to enhance reliability. Finally, the Company continues to experience increased uncollectible accounts expense.

Notwithstanding its success in containing O&M expenses and due in large part to its substantial investment in utility plant, Penn Power's overall rate of return, at present rates, is projected to be only 3.32% for the fully projected future test year. More importantly, the indicated return on common equity under present rates is anticipated to be only (0.26%), which is inadequate by any reasonable standard.

Principal Components of the Rate Plan

The Company's Rate Plan consists of the following principal components:

1. The Company is proposing a general rate increase to its distribution rates and is also requesting increases in its Default Service Support Rider and Hourly Pricing Default Service Rider in order to fully collect the uncollectible expense associated with the provision of default service, as well as the Purchase of Receivable Program offered to Electric Generation Suppliers. In addition, the Company is proposing to include smart meter and DSIC (Distribution System Improvement Charge) investment costs in base rates.
2. The Company currently has a Smart Meter Technologies Charge ("SMT-C") Rider through which it recovers the costs of implementing its Smart Meter Plan. The Company will continue include its 2017 smart meter costs in base rates and will maintain its SMT-C Rider rate at zero. The SMT-C Rider will remain in the Company's tariff and will be utilized to recover the costs of its Smart Meter Plan in excess of the level of such costs included in base rates, net of applicable savings.

3. Likewise, the Company has sought the Commission's approval to implement a Distribution System Improvement Charge ("DSIC Rider") for service rendered beginning July 1, 2016 at Docket No. P-2015-2508931. The Company proposes to roll the projected DSIC Rider charges and costs into base distribution rates, and to reset the DSIC Rider to zero as of the effective date of the base rates determined in this case. The DSIC Rider will remain at zero until Penn Power has added plant through its LTIP in excess of the claimed amount included in its estimated December 31, 2017 rate base in the present case.

Customer Impact/Bill Comparisons

As previously noted, if Penn Power's proposed rates were fully implemented, a residential customer of the Company using 1,000 kWh of electricity per month and receiving default service would pay a total monthly bill of \$148.51. That amount is competitive with the monthly bills of default service customers using 1,000 kWh per month served by the three other major EDCs in Pennsylvania not affiliated with Penn Power,¹ which range from \$136.37 to \$156.21 under those companies' existing rates.

Conclusion

The Rate Plan reflects the Company's need for adequate and timely rate relief to support the substantial amounts of additional investment it will be required to make to maintain and enhance reliability, replace aging infrastructure, and fully implement its Smart Meter Plan while continuing to furnish its customers the safe, reliable and high-

¹ Duquesne Light Company, PECO Energy Company and PPL Electric Utilities Corporation.

quality electric service they have come to expect. Accordingly, it is critically important for both the Company and its customers that the Rate Plan be approved.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT I-A-2:

“Identify the proposed witnesses for all statements and schedules of revenues, expenses, taxes, property, valuation, and the like.”

RESPONSE:

<u>Witness</u>	<u>Statement Designation</u>	<u>Area of Testimony</u>
C. Fullem	Statement 1	Overview of Distribution Base Rate Case Filing
R. D’Angelo	Statement 2	Revenue Requirements
K. Siedt	Statement 3	Sales & Revenue Normalization, Rate Design, and Proposed Changes in Tariff
T. Dolezal	Statement 4	Cost of Service
J. Adams	Statement 5	Cash Working Capital
L. Gifford	Statement 6	Unbundled Uncollectible Expense, Smart Meters Cost Savings Baseline, and Smart Meter Revenue Requirements
J. Spanos	Statement 7	Annual and Accrued Depreciation Service Lives
P. Ahern	Statement 8	Cost of Common Equity
J. Dipre	Statement 9	Weighted Average Cost of Capital, Capital Structure, and Cost of Long-Term Debt

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT I-A-3:

“Provide a single page summary table showing, at present and at proposed rates, together with references to the filing information, the following as claimed for the fully adjusted test year:

Revenues
Operating Expenses
Operating Income
Rate Base
Rate of Return (produced)”

RESPONSE:

	Total Distribution At <u>Present Rates*</u> (\$ millions)	Total Distribution At <u>Proposed Rates*</u> (\$ millions)
	(Exhibit RAD-2 Page 1, column 6)	(Exhibit RAD-2 Page 3, column 25)
Revenues	\$ 94	\$ 135
Operating Expenses	\$ 80	\$ 99
Operating Income	\$ 14	\$ 36
Rate Base	\$ 414	\$ 414
Rate of Return (produced)	3.32%	8.7%

*There is an increase in the total revenue requirements because of changes in the Default Service Support Rider of \$1,676.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT I-B-1:

“Provide a corporate history including the dates of original incorporation, subsequent mergers and acquisitions. Indicate all counties, cities and other governmental subdivisions to which service is provided, including service areas outside this Commonwealth, and the total number of customers or billed units in the areas served.”

RESPONSE:

Pennsylvania Power Company (“Penn Power” or “Company”) had its origin in Shenango Valley Electric Light Company, incorporated in the Commonwealth of Pennsylvania on December 26, 1890. On September 20, 1917 Sharpsville Electric Light Company was merged into the Shenango Valley Electric Light Company. The name of the Company was changed to Pennsylvania Power Company on April 14, 1926.

The present Penn Power was formed by consolidation and merger of Pennsylvania Power Company, Harmony Electric Company and Peoples Power Company, as approved by Order of the Public Service Commission of the Commonwealth of Pennsylvania on May 26, 1930. Penn Power now consists of various companies acquired through purchase or consolidation and merger, either directly or indirectly through predecessor companies, its most recent acquisition taking place in 1962.

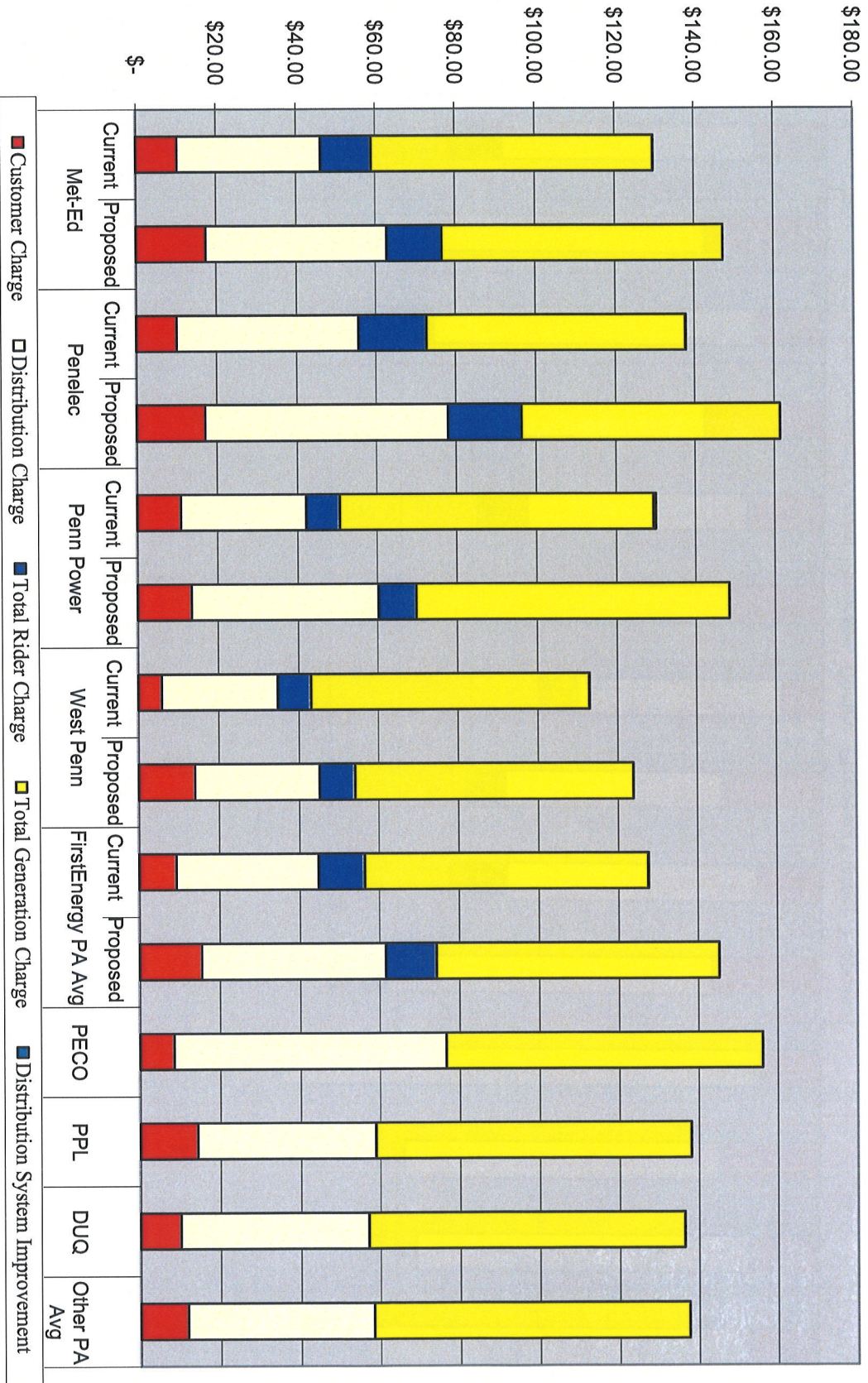
In 1930, following its organization in 1929, The Commonwealth of Southern Corporation acquired by consolidation of predecessor companies a number of common stocks, including all of the common stock of Pennsylvania Power Company. On September 29, 1944 the common stock of Pennsylvania Power Company was transferred by The Commonwealth and Southern Corporation to Ohio Edison Company (“Ohio Edison”), which at that time was also a subsidiary of The Commonwealth and Southern Corporation. On October 1, 1949, the common stock of Ohio Edison Company was distributed in liquidation by The Commonwealth and Southern Corporation to its common stockholders. Thus, Penn Power is a subsidiary of Ohio Edison Company, a registered holding company under the Public Utility Holding Company Act of 1935.

In addition to the acquisition and merger of several companies into Ohio Edison in 1950, Ohio Edison (and Penn Power as its subsidiary) joined its now-sister companies, The Illuminating Company and The Toledo Edison Company, in 1997 to form the new FirstEnergy Corp. that exists today.

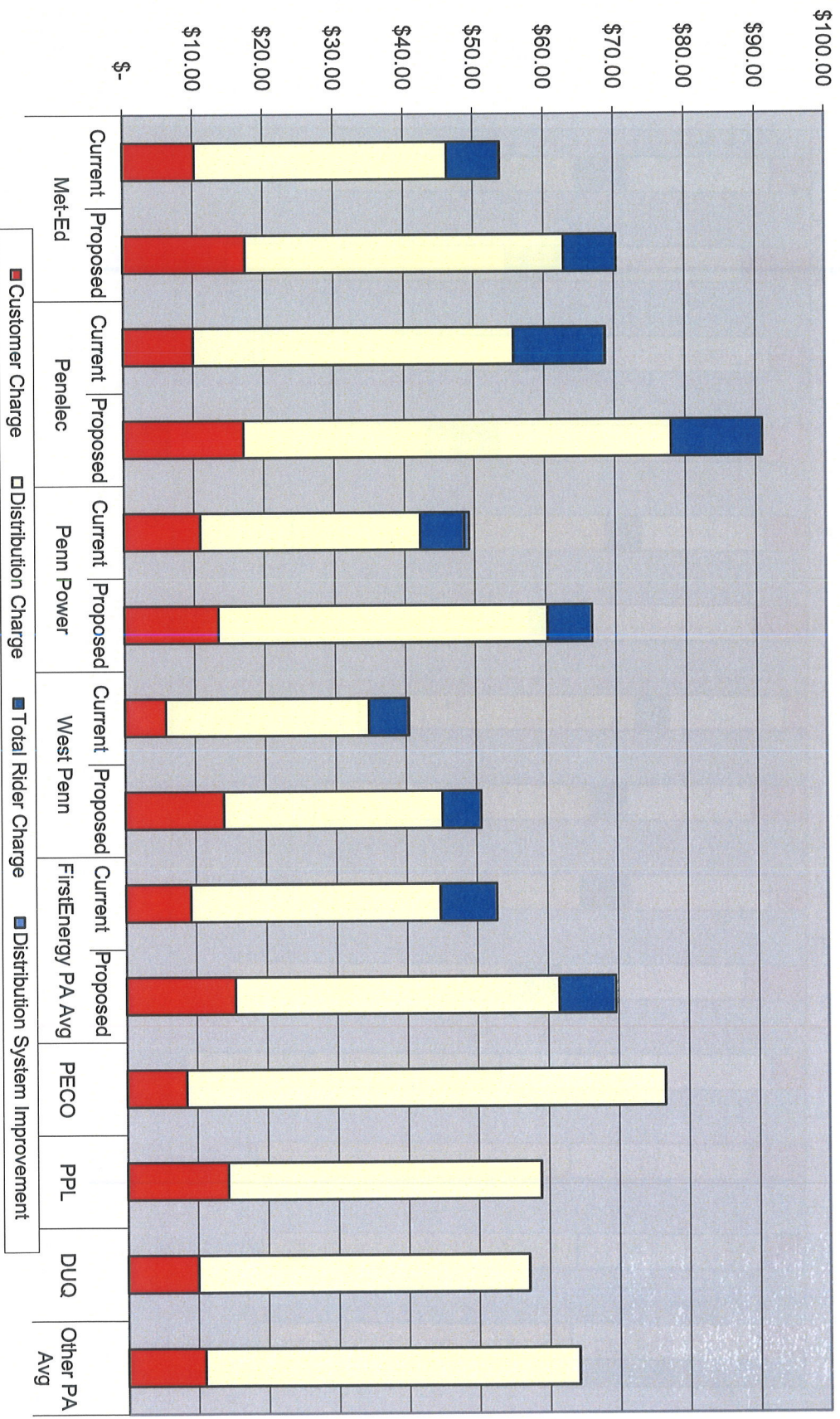
The Company's principal business is the distribution and sale of electricity in western Pennsylvania. Penn Power is affiliated with three other Pennsylvania electric distribution utilities (Metropolitan Edison Company, Pennsylvania Electric Company and West Penn Power Company), as well as five additional sister distribution utilities in New Jersey, Ohio, Maryland and West Virginia apart from Ohio Edison Company. Other affiliates include FirstEnergy Service Company (a service company) and various regulated transmission and unregulated competitive energy companies.

The Company provides retail service to approximately 163,000 customers in all or portions of six counties in the northern and central parts of Pennsylvania. The municipalities which the Company serves are listed in the Company's filed Electric Service Tariff, Electric Pa. P.U.C. No. 36.

PA 1,000 kWh Residential Default Service Bill Comparison



PA 1,000 kWh Residential Delivery Bill Comparison



FirstEnergy Web Changes Based on PA PUC Requirements for Meter Reading

Order:

“The Company shall revise its website and customer education materials within ninety days of the Final Order in this proceeding to explicitly inform its customers, in plain language, of the Company’s standard policy to issue bills based on actual meter readings every other month. The Company’s website shall also explain, in plain language, that customers may provide actual readings in months when the Company would provide an estimated bill and the procedure for self-readings.”

Before July 1, 2015

1. Meter Reading (Help)

www.firstenergycorp.com/content/customer/my_account/Submit_Meter_Reading.html

The screenshot shows the FirstEnergy website interface. At the top right, there are links for 'FirstEnergy Home', 'Careers', 'Contact Us', and 'Log In', along with social media icons. A search bar is present with the text 'Search Site' and a 'Go' button. A navigation bar below contains links for 'Home', 'My Account', 'Service Requests', 'Customer Choice', 'Outages', 'Safety', 'Save Energy', 'Products', and 'Help'. The main content area is titled 'Meter Reading' and includes the following text:

At times, severe weather conditions or other unforeseen problems might prevent us from reading your meter. When this happens, your electricity usage is estimated based on your previous electric bills. If you do not want to receive an estimated bill, you can enter your meter reading online.

We organize meter reading schedules by cycles. To know when your meter is scheduled to be read, look for the meter-reading cycle code on your bill, and find the corresponding code to identify when your meter is scheduled to be read.

Please be aware that your meter might be read one day before or after the scheduled meter read date if the meter reader needs to adjust the schedule because of weather, holidays, vacation, or sick days.

Still need help?
Contact us with your questions.

Want a convenient and easy way to be reminded when to submit your meter reading?
If you register to receive text and/or email notifications, you will receive monthly alerts letting you know when to submit your meter reading. In addition, you can choose to receive alerts for:

- Restoration updates when you have reported an outage
- Notifications of scheduled power outages
- Severe weather alerts in advance of storms
- Billing reminders, including alerts when a new bill is available, a payment is due, a payment has been posted, or no payment has been received
- Learn more

At the bottom right, there is a promotional banner that says: 'Sign up for alerts and text messaging. Text REG to 544487 (LIGHTS) to get started. Learn More' with an arrow pointing to a 'Learn More' link.

On the left side of the page, there is a 'Help' menu with the following categories:

- Managing My Account
 - Billing & Payments
 - Billing & Payment Options
 - About Your Bill
 - Meter Reading
 - Locating Meter Info
 - Reading Load Meter
 - Reading Meter
 - View Meter Reading Schedules
 - Rates and Tariffs
 - Credit Policy
 - Bill Inserts
 - Bill Explanation of Terms
 - Assistance & Service Programs
- Making Service Requests
- Outages
- Safety
- Saving Energy
- Communication Tools
- Pennsylvania Smart Meters
- Contact Center
- Useful Brochures & Forms

2. Submit Meter Reading (My Account)[www.firstenergycorp.com/content/customer/my_account/Submit Meter Reading.html](http://www.firstenergycorp.com/content/customer/my_account/Submit_Meter_Reading.html)

Search Site

Search

[Home](#) | [My Account](#) | [Service Requests](#) | [Customer Choice](#) | [Outages](#) | [Safety](#) | [Save Energy](#) | [Products](#) | [Help](#)

[My Account](#)
[Pay My Bill](#)
[View My Bill](#)
[View Payment History](#)
[View Usage History](#)
[View Accounts](#)
[Manage My Account](#)
[Payment & Billing Options](#)
[Submit Meter Reading](#)
[Itemized Account Statement](#)
[View Bill Inserts](#)
[Analyze Usage](#)

My Account > Submit Meter Reading

Submit Meter Reading**When Should You Submit Your Meter Reading?**

You may choose to submit your meter reading online if it is scheduled to be estimated. A three-day window will be listed on your bill during this time. We will use your actual supplied reading to calculate your bill only if it is entered within the dates provided. If you enter a reading outside of this window we will prorate your bill using the supplied reading.

Account Summary

Account	1000838349234, 123 Address
Name	John Smith 123 Street
Address	Greensburg, PA 15601

Meter Reading

Severe weather conditions or access problems can prevent us from reading your electric meter. If this happens, we issue an estimated bill that is based on your usage history. Your account will be automatically adjusted when we obtain an actual reading.

If you have received an estimated bill, you may use the form below to submit your own meter reading and you may receive an adjusted bill. In order to provide a reading for your next bill, you must wait 18 days from the date of your last billing. If we do not obtain a reading ourselves, we will use your reading to calculate the next bill.

Please note, if your bill is calculated using a reading you supply, it may appear as an "estimated reading" on your statement.

Additional Information:

- [How to Read Your Meter](#)

After July 1, 2015

1. Meter Reading (Help)

www.firstenergycorp.com/content/customer/my_account/Submit_Meter_Reading.html



Help	Help ▶ Billing
Managing My Account	Meter Reading
Billing & Payments	Our meter r
Billing & Payment Options	depending r
About Your Bill	shows whe
Meter Reading	Operating
Locating Meter Info	Ohio Edison
Reading Load Meter	The Illuminati
Reading Meter	Toledo Edisic
View Meter Reading Schedules	Met-Ed
Rates and Tariffs	Penelec
Credit Policy	Penn Power
Bill Inserts	West Penn F
Bill Explanation of Terms	Jersety Cent
Assistance & Service Programs	Mon Power
Making Service Requests	Potomac Edi
Outages	Potomac Edi
Safety	On the mor
Saving Energy	based on d
Communication Tools	between yo
Pennsylvania Smart Meters	time your n
Contact Center	After the re
Useful Brochures & Forms	compares y
	usage, the
	associates.
	another rea

We provide electricity to millions of customers and strive to deliver accurate bills every month. However, if you feel you've received a bill that is not accurate, you can read your meter and compare that reading with the one on your bill.

To submit your reading, you must enter it within a three-day window, which is listed under the "Messages" section on your bill, the month before a scheduled estimation. We will use your actual supplied reading to calculate your bill only if it is entered within this window. If you enter a reading outside of this window, we will prorate your bill using the reading you provided.

Unplanned Estimated Meter Readings

At times, severe weather conditions or other unforeseen circumstances might prevent us from reading your meter. On the months your meter is not read, your bill is estimated. You can submit a meter reading online or by calling our Contact Center if you prefer not to receive an estimated bill.

2. Submit Meter Reading (My Account)

[www.firstenergycorp.com/content/customer/my_account/Submit Meter Reading.html](http://www.firstenergycorp.com/content/customer/my_account/Submit_Meter_Reading.html)



Search Site

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Submit Meter Reading

When Should You Submit Your Meter Reading?

West Penn Power issues bills based on actual meter readings every other month (bimonthly). On the months your meter is not read, your bill is estimated. You can submit a meter reading online or by calling our Contact Center if you prefer not to receive an estimated bill.

To submit your reading, you must enter it within a three-day window, which is listed on your bill the month before a scheduled estimation. We will use your actual supplied reading to calculate your bill only if it is entered within this window. If you enter a reading outside of this window, we will prorate your bill using the reading you provided.

Account Summary

Account	100093346235, 4113 CYPRESS ST ▾
Name	RICHARD A FRY
Address	4113 CYPRESS ST BUTLER PA 16001

Unplanned Estimated Meter Readings

Severe weather conditions or access problems can prevent us from reading your electric meter. If this happens, we issue an estimated bill that is based on your usage history. Your account will be automatically adjusted when we obtain an actual reading.

Additional Information:

- ◊ [How to Read Your Meter](#)
- ◊ [Meter Reading Work Schedule](#)
- ◊ [About Your Bill](#)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA POWER COMPANY
Docket No. R-2016-2537355**

**Direct Testimony
of
Richard A. D'Angelo**

List of Topics Addressed

**Accounting and Financial Data
Budgets
Ratemaking Adjustments to Budgeted Test Year Data
Regulatory Treatment of Storm Damage Costs
Reporting Required Under Settlement Provisions
Other Filing Requirements**

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1 Also, I am responsible for the administration of the Companies' retail and
2 wholesale tariffs, the development of retail electric rates, and the promulgation of
3 Company policies and practices ensuring uniform tariff administration and
4 interpretation.

5 **Q. What is your educational and professional background?**

6 A. I obtained a Master's Degree in Business Administration from Pace University in
7 1976. I am also a graduate of Brooklyn College where I received a Bachelor of
8 Science degree with a major in Economics. I have over thirty-nine years of
9 experience with FirstEnergy Service Company and GPU Energy. My work
10 experience is more fully described in Appendix A to this testimony.

11 **Q. Have you previously testified in regulatory proceedings?**

12 A. Yes. As set forth in Appendix A, I have previously testified before the
13 Commission, as well as the New Jersey Board of Public Utilities, the New York
14 State Public Service Commission and, at the federal level, before FERC.

15 **Q. On whose behalf are you testifying in this proceeding?**

16 A. I am testifying in this proceeding on behalf of Penn Power.

17 **Q. Please describe the purpose of your direct testimony.**

18 A. The general purpose of my testimony is to describe and support: (i) various
19 accounting, rate case, and other financial data that are being submitted in response
20 to the filing requirements for an electric utility base rate case proceeding; (ii) the
21 budgeted level of capital and operation and maintenance ("O&M") expenses; (iii)

1 ratemaking adjustments to the budgeted test year rate base and operating income
2 statement; (iv) the updated amount of smart meter costs included in base rates; (v)
3 the continuing regulatory treatment of ongoing storm damage costs through the
4 storm reserve established in accordance with the terms and conditions of the Joint
5 Petition for Partial Settlement of Rate Investigation (“2015 Settlement”)
6 agreement at Docket No. R-2014-2428744; and (vi) financial reports reflecting
7 actual expenses and rate base additions for the twelve months ended April 30,
8 2016 as required by Paragraph 6 of the Terms and Condition section of the 2015
9 Settlement.

10 **Q. Have you prepared exhibits to accompany your testimony?**

11 A. Yes. Penn Power Exhibits RAD-1 through RAD-67 were prepared by me or
12 under my supervision. My testimony will focus primarily on Penn Power Exhibit
13 RAD-1, which sets forth the Company’s proposed rate base at December 31,
14 2017, i.e., the end of the fully projected future test year (“FPFTY”) being utilized
15 in this proceeding, and Penn Power Exhibit RAD-2, which provides a detailed
16 income statement and support for certain normalization and annualization
17 adjustments to the budgeted FPFTY data. The remaining exhibits, for the most
18 part, comprise responses to those Commission base rate filing requirements for
19 which I am responsible.

20 **Q. Please identify those witnesses whose testimony relates to and supports your**
21 **testimony and exhibits.**

1 A. Kevin M. Siedt (Penn Power Statement No. 3) supports the pro forma levels of
2 energy sales, normalized revenues and late payment charges (“LPCs”) utilized to
3 determine the need for rate relief. Mr. Siedt also details the proposed rate design
4 and various rider modifications.

5 Thomas J. Dolezal (Penn Power Statement No. 4) explains the cost of service
6 study he performed.

7 Jeffrey L. Adams (Penn Power Statement No. 5) supports the Company’s cash
8 working capital requirements.

9 Laura W. Gifford (Penn Power Statement No. 6) describes and supports the
10 normalization of uncollectible accounts expense. She discusses the availability to
11 the Company of its Smart Meter Technologies Charge Rider when the smart
12 meter capital and O&M expense revenue requirements included in base rates are
13 exceeded or when billable savings are achieved.

14 John J. Spanos (Penn Power Statement No. 7) supports the depreciation accrual
15 rates used to develop depreciation expenses for the FPFTY. In particular, he
16 discusses the depreciation studies performed and the procedures utilized for
17 calculating annual depreciation accrual rates using the Equal Life Group (“ELG”)
18 method.

19 Pauline M. Ahern (Penn Power Statement No. 8) develops and supports the
20 Company’s requested return on common equity of 11.50%.

1 Joseph Dipre (Penn Power Statement No. 9) presents the Company's proposed
2 capital structure ratios and weighted average cost of long-term debt.

3 **II. ACCOUNTING AND FINANCIAL DATA**

4 **Q. Does the Company adhere to a system of accounts prescribed by the**
5 **Commission?**

6 A. Yes. The Company's accounting records are maintained in accordance with the
7 Commission's regulations at 52 Pa. Code § 57.41 *et seq.* and in conformity with
8 the Uniform System of Accounts prescribed by the FERC and adopted by the
9 Commission.

10 **Q. Are the accounting records of Penn Power audited?**

11 A. Yes. Penn Power's financial records are audited at least annually by an
12 independent certified public accounting firm. In addition, the FERC conducts
13 periodic compliance audits to confirm that the Company is keeping its accounts in
14 conformity with the Uniform System of Accounts. Apart from conducting its
15 own audits, the staff of the PUC reviews the findings of FERC's audits. Other
16 independent agencies also have the authority to audit the Company's records on a
17 recurring basis, including the Internal Revenue Service and the Securities and
18 Exchange Commission. In addition, the PUC audit staff and the Pennsylvania
19 Department of Revenue staff perform annual audits of the Company's cost
20 recovery rider mechanisms and sales and use tax filings.

21 **Q. Have original cost determinations been made of Penn Power's utility plant?**

1 A. Yes. For Penn Power, an original cost determination was approved by the
2 Commission in the mid-1940's. A subsequent original cost determination was
3 made as part of the Commission's April 6, 1984 Order in Penn Power's base rate
4 proceeding at Docket No. R-832409 (58 PaPUC 305, 60 PUR 4th 593). In that
5 case, the Commission, at the recommendation of the Office of Trial Staff, directed
6 Penn Power to develop its revenue requirement on the basis of its book reserve for
7 depreciation and to convert to the average remaining life method of depreciation
8 and, in so doing, established depreciated original cost plant values to be utilized
9 henceforth.

10 Since the dates noted above, Penn Power has maintained its continuing property
11 records in accordance with the approved plans.

12 **III. BUDGETS**

13 **Q. Mr. D'Angelo, are you familiar with the process by which Penn Power**
14 **budgets future capital expenditures, revenues and operating expenses?**

15 A. Yes, I am. In general, the budgeting process involves: (1) the establishment of
16 documented and well-supported goals, objectives and guidelines; (2) intensive
17 reviews and refinements by all levels of management and functional staffs; and
18 (3) careful scrutiny and ultimate approval by appropriate senior management.

19 **Q. How were the Company's budgets utilized to develop the claimed revenue**
20 **requirements in this proceeding?**

21 A. They provided the starting point for determining the claimed rate base at
22 December 31, 2017 and operating income for the twelve months ending that date.

1 Specifically, I consolidated budgeted monthly data for the months of January
2 through December from the forecast to develop the “Per Budget” amounts set
3 forth in Column 1 of each of Penn Power Exhibits RAD-1 and RAD-2.

4 **Q. Did you update any of the budgeted data for purposes of this rate filing?**

5 A. Yes. Since the completion of the capital budget, certain revisions were made to
6 the forecasted capital structure and those changes have been reflected by Mr.
7 Dipre in his testimony and exhibits.

8 **Q. What opinion, if any, do you have as to the budgeted levels of capital and
9 expense?**

10 A. In my opinion, the budgeted levels of capital and expense are reasonable
11 estimates of what Penn Power can expect to experience during the FPFTY prior to
12 recognition of the appropriate ratemaking adjustments reflected in Penn Power
13 Exhibits RAD-1 and RAD-2.

14 **IV. RATEMAKING ADJUSTMENTS TO BUDGETED TEST YEAR DATA**

15 **A. Rate Base At December 31, 2017**

16 **Q. Please generally describe Penn Power Exhibit RAD-1.**

17 A. This exhibit sets forth Penn Power’s proposed overall distribution rate base and
18 smart meter rate base at December 31, 2017. Column 1 on page 1 of Penn Power
19 Exhibit RAD-1 provides budgeted amounts; column 2 adjusts various
20 components; and column 3 reflects the adjusted rate base. The remaining

1 columns on page 1 break the adjusted rate base into separate distribution and
2 smart meter rate base elements.

3 The adjustments to the budgeted rate base data, along with a detailed explanation
4 of each adjustment, are contained on pages 2 through 11 of Penn Power Exhibit
5 RAD-1 and are referenced on page 1 by adjustment number. The adjustments are
6 designed to:

- 7 • Remove asset retirement costs (“ARCs”);
- 8 • Reflect adjusted depreciation reserves applicable to rate base;
- 9 • Reflect inclusion of light emitting diode (“LED”) street lights in
10 accordance with the Company’s latest work plan;
- 11 • Eliminate American Transmission Systems, Inc. (“ATSI”) plant and
12 depreciation reserves in accordance with the settlement approved at
13 Docket No. A-110450F0016 (“ATSI Settlement”) and eliminate
14 transmission easements and land;
- 15 • Eliminate plant held for future use;
- 16 • Reflect in base rates the smart meter investment and related
17 depreciation reserves;
- 18 • Reflect cash working capital requirements;
- 19 • Reflect material and supplies (“M&S”) inventories;
- 20 • Reflect in rate base the additional unrecovered legacy meter
21 investment which was transferred from a plant in service account to a
22 regulatory asset account;
- 23 • Reflect the storm reserve balance established in the 2015 Settlement as
24 an addition to rate base; and
- 25 • Adjust accumulated deferred income taxes – liberalized depreciation.

26 **Q. Please describe Adjustment No. 1 - Electric Plant in Service.**

1 A. This adjustment eliminates from plant in service accounts: (1) ARCs; (2)
2 transmission easements and land; and (3) ATSI plant in accordance with the ATSI
3 Settlement. The adjustment also reflects the inclusion of LED street lights in
4 accordance with the Company's latest work plan.

5 **Q. What are ARCs?**

6 A. ARCs apply to all legal obligations associated with the retirement of long-lived
7 assets that result from construction under Financial Account Standards Board
8 Statement No. 143 ("FAS-143"). FAS-143 requires that the fair value of a
9 liability for an asset's retirement obligation ("ARO") be recognized in the period
10 in which it is incurred. The associated ARCs are capitalized as part of the
11 carrying amount of the long-lived assets. ARCs increase the carrying amount of a
12 long-lived asset when a liability for an ARO is recognized and is depreciated over
13 the life of the asset. ARCs and related depreciation reserve are excluded from
14 rate base, while the associated depreciation expense is excluded from the income
15 statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18, Asset
16 Retirement Obligations.

17 **Q. What is Penn Power's position on plant held for future use?**

18 A. Historically, Penn Power claimed in rate base those investments in plant held for
19 future use that were expected to be utilized within ten years of the test period.
20 The ten-year window reflected the Commission's prior policy of allowing such
21 investments where definitive plans for utilizing the investment within the ten-year
22 period existed. Under current Commission policy, investments in plant held for

1 future use are excluded from rate base, but allowed to accrue carrying charges
2 provided they satisfy the ten-year test. Adjustment No. 2 is designed to comply
3 with that policy.

4 **Q. Please describe Adjustment No. 3 - Depreciation Reserve - Electric Plant in**
5 **Service.**

6 A. This adjustment removes from the budgeted depreciation reserve those portions
7 attributable to the plant eliminated in Adjustment No. 1.

8 **Q. What is the purpose of Adjustment No. 4 – Cash Working Capital?**

9 A. This adjustment includes the cash working capital requirements described by Mr.
10 Adams in Penn Power Statement No. 5 and computed by him in Penn Power
11 Exhibit JLA-1.

12 **Q. Please describe Adjustment No. 5 - M&S Inventories.**

13 A. This adjustment includes the Company's allocated portion of the materials and
14 supplies inventory maintained by the FirstEnergy Service Company at December
15 31, 2015. The historic test year ("HTY") year-end balance was used because the
16 Company does not budget M&S inventories. Penn Power Exhibit RAD-13
17 provides a monthly breakdown of M&S inventories for the thirteen months ended
18 December 31, 2015.

19 **Q. Please describe Adjustment No. 6 - Legacy Meters.**

20 A. In its March 6, 2014 Order at Docket Nos. M-2013-2341990, et al., approving the
21 Companies' Smart Meter Deployment Plans, the Commission directed that the

1 cost of removing legacy meters (i.e., meters to be replaced by the installation of
2 smart meters) be charged to the regulatory asset account containing the legacy
3 meters and recovered, along with the unrecovered investment in those meters,
4 over the remaining lives of those meters. This adjustment adds back to rate base
5 the unamortized regulatory asset account, net of accrued depreciation and
6 amortization, plus the estimated cost of removal. The 2015 Settlement
7 established the recovery period for legacy meters at five years.

8 **Q. What is the purpose of Adjustment No. 7 – Deferred Storm Damage**
9 **Expenses?**

10 A. The 2015 Settlement provided for a storm reserve account to be established and
11 maintained on the Company's balance sheet. The storm reserve account balance
12 has been included in rate base. Details of year-by-year storm costs for the
13 FPFTY, the future test year ("FTY"), the HTY and four previous calendar years
14 appear in Penn Power Exhibit RAD-63.

15 **Q. Please describe Adjustment No. 8 - Accumulated Deferred Income Taxes –**
16 **Liberalized Depreciation.**

17 A. Adjustment No. 8 adjusts the budgeted deferred tax balances for liberalized
18 depreciation, excluding the impact of Statement of Financial Accounting
19 Standards No. 109 deferrals, to eliminate: (1) other excludable items (capital
20 leases); (2) deferred income taxes associated with ground leases; and (3)
21 remaining state income tax deferrals, including the benefit of those income taxes.

1 **Q. After taking into account the foregoing adjustments, what is Penn Power's**
2 **claimed distribution rate base?**

3 A. Penn Power's claimed distribution rate base equals \$413,519,000, of which
4 \$35,280,000 represents the Company's smart meter investment.

5 **Q. What is contained on page 11 of Penn Power Exhibit RAD-1?**

6 A. This page sets forth Penn Power's claimed overall rate of return, including its
7 proposed capital structure ratio, weighted average cost of long-term debt, and
8 requested return on common equity. Those findings, which are presented and
9 supported by Mr. Dipre and Ms. Ahern, are summarized below:

Penn Power	Capital Structure Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	49.9%	5.88%	2.94%
Preferred Stock	---	---	---
Common Equity	<u>50.1%</u>	<u>11.5%</u>	<u>5.76%</u>
	100.0%		8.70%

10 **B. Statement Of Operating Income For The Twelve Months Ending**
11 **December 31, 2017**

12 **Q. What is contained in Penn Power Exhibit RAD-2?**

13 A. Penn Power Exhibit RAD-2 contains the budgeted and pro forma statements of
14 net utility operating income for the FPFTY ending December 31, 2017. The first
15 three pages summarize the budgeted and adjusted results of operations at present
16 and proposed rates; the next three pages break down the revenue requirement by
17 component part (e.g., distribution, smart meter and total distribution); and the
18 remaining pages, starting at page 7, document the specific adjustments made to
19 normalize and annualize the budgeted data.

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The adjustments are designed to:

- Annualize the number of customers, usage and sales at FPFTY year-end levels and roll in Distribution System Improvement Charge (“DSIC”) revenues;
- Roll into base rates revenues associated with the State Tax Adjustment Surcharge (“STAS”);
- Eliminate DSIC rider revenues;
- Eliminate non-jurisdictional “Other Operating Revenues,” as applicable, and normalize LPC revenues;
- Annualize payroll and employee benefit costs to reflect anticipated employee levels and benefits;
- Calculate net negative salvage based on a five-year average of net salvage, consistent with Commission practice;
- Normalize pension expense to reflect a ten-year average of cash contributions consistent with the approach approved by the Commission in prior proceedings;
- Normalize other post-employment benefits (“OPEBs”) to reflect the actual ongoing level of service costs charged to expense consistent with the approach used in the past with Commission approval;
- Normalize depreciation accruals to reflect utility plant in service as of the end of the FPFTY using ELG depreciation rates;
- Normalize rate case expenses to reflect a two-year cost recovery period;
- Normalize O&M expenses associated with serving new customers;
- Normalize customer accounts expenses for interest on customer deposits;
- Normalize safety-related O&M expenses;
- Amortize the investments in “legacy” meters made after the Company’s last base rate case that are being replaced by smart meters over the remaining thirty-nine month amortization period; and
- Adjust taxes other than income.

1 **Q. Is Penn Power seeking to recover any acquisition premium or other**
2 **transaction costs associated with the FirstEnergy/GPU or**
3 **FirstEnergy/Allegheny mergers as part of the revenue requirement in this**
4 **case?**

5 A. No. There is no provision in the budget for, nor has any adjustment been made to
6 include, an amortization of the acquisition premiums or other transaction costs
7 associated with either of those mergers.

8 **Q. Please describe Adjustment No. 1 – Base Operating Revenues.**

9 A. This is an adjustment to base operating revenues to: (1) annualize changes in the
10 number of customers; (2) roll in STAS revenues; (3) roll in DSIC revenues; (4)
11 normalize the sales and revenue effects of energy efficiency measures
12 implemented or to be implemented under the Company's Energy Efficiency and
13 Conservation Phase III Plan¹ and to reflect the impact of behind-the-meter
14 generation; (5) normalize other revenue; and (6) eliminate unbilled revenue. Parts
15 (1) through (5) of this adjustment are discussed in detail by Mr. Siedt in Penn
16 Power Statement No. 3. I address item (6). By way of background, unbilled
17 revenue has been included in the budget projection to reflect revenues for service
18 rendered but not billed as of the end of each accounting period. Items that
19 produce unbilled revenue include such things as increases in rates and increases in
20 the number of customers. In developing pro forma revenues for ratemaking
21 purposes, separate adjustments are being made to annualize and normalize the
22 revenue effect of such factors. Therefore, to eliminate any duplication of revenue

¹ As approved by the Commission at Docket No. M-2015-2514769 on March 10, 2016.

1 for ratemaking purposes, unbilled revenue must be eliminated, which is done in
2 Adjustment No. 1.

3 **Q. Please describe Adjustment No. 2 – STAS Revenues.**

4 A. This adjustment eliminates budgeted test year revenues projected to be billed
5 under the STAS Rider. Because all state taxes are included in distribution base
6 rate revenue requirement, no revenues will be billed under the STAS Rider. As
7 the Company did not forecast any charge under its STAS Rider, the adjustment is
8 zero.

9 **Q. Please describe Adjustment No. 3 – DSIC Revenues.**

10 A. This adjustment eliminates revenues projected to be billed under the Company's
11 DSIC Rider as currently proposed and pending before the Commission.² Because
12 all of the FPFTY capital additions contemplated to be associated with the DSIC
13 Rider are included in the Company's distribution base rate revenue requirement,
14 no costs related to those additions will be billed under the DSIC Rider if the
15 proposed rates are approved as filed.

16 **Q. Please describe Adjustment No. 4 – Other Operating Revenues.**

17 A. This adjustment: (1) normalizes LPC revenues; and (2) eliminates projected
18 ground lease revenues associated with ATSI.

19 **Q. What is the purpose of Adjustment No. 5 - Distribution Expense?**

² Petition of Penn Power for Approval to Establish and Implement a DSIC at Docket No. P-2015-2508931.

1 A. This adjustment: (1) normalizes Penn Power’s and FirstEnergy Service
2 Company’s payroll expense to reflect year-end wage and employee levels; (2)
3 includes the amortization of gains or losses on reacquired debt; and (3) normalizes
4 additional O&M expenses for contractor safety requests.

5 Supporting Schedule No. 1 develops the payroll expense to reflect FPFTY year-
6 end wage and employee levels for both the Company and FirstEnergy Service
7 Company employees. The O&M payroll expense for the Company and
8 FirstEnergy Service Company is then allocated to individual Price To Compare,
9 Transmission, Distribution, Customer Accounts, Customer Service and
10 Administrative and General components. These amounts are utilized in
11 subsequent adjustments.

12 **Q. Please describe Adjustment No. 6 - Customer Accounts Expense.**

13 A. Customer Accounts expense is adjusted to reflect FPFTY year-end wage and
14 employee levels for the Company and FirstEnergy Service Company personnel
15 (developed in Adjustment No. 5, Supporting Schedule No. 1), increased costs
16 associated with added new customers, and interest on customer deposits.

17 Supporting Schedule No. 1 develops the Other O&M expenses associated with
18 serving new customers reflected in Adjustment No. 1. The Commission has
19 previously approved an adjustment to customer accounts expense in recognition
20 of this increased cost. This cost is estimated by determining the ratio of non-
21 payroll customer account expense to distribution revenues from customers and

1 applying this ratio to the additional revenue received from the additional
2 customers.

3 Supporting Schedule No. 2 captures the cost of interest Penn Power is required to
4 pay on residential and non-residential customer deposits given that the customer
5 deposits are deducted from rate base.

6 **Q. What is the purpose of Adjustment No. 7 - Customer Service and
7 Information Expense?**

8 A. Customer Service and Information Expense is adjusted to reflect FPFTY year-end
9 wage and employee levels for the Company and FirstEnergy Service Company
10 that were developed in Adjustment No. 5, Supporting Schedule No. 1.

11 **Q. Please describe Adjustment No. 8 - Administrative and General Expense.**

12 A. Administrative and General Expense is adjusted to reflect: (1) FPFTY year-end
13 wage and employee levels for the Company and FirstEnergy Service Company
14 that were developed in Adjustment No. 5, Supporting Schedule No. 1; (2) OPEBs
15 at the service cost level; (3) pension expense at the ten-year average cash
16 contribution level; (4) employee benefit expense at FPFTY year-end personal and
17 wage levels; and (5) inclusion of rate case expenses incurred in the current
18 proceeding normalized over a two-year period.

19 Supporting Schedule No. 1 adjusts the budgeted level of OPEB expenses to the
20 service cost level. The budgeted OPEB expense consists of the current service
21 cost, adjustments to prior years' service costs, and the financing component. The

1 service cost represents the actuarial present value of benefit liabilities accrued
2 under the plan benefit formula for services rendered during the test year.
3 Inclusion of the service cost in rates provides for recovery of the current cost of
4 benefits earned by plan participants. Any excess or shortfall related to the
5 expected return on plan assets is excluded because its inclusion would artificially
6 reduce or increase total costs and result in the recovery of more or less than the
7 normal ongoing cost of service. The adjustment to restate OPEB expense at the
8 current service cost level was originally adopted by the Commission at Docket
9 Nos. R-00061366 and R-00061367 and included in the 2015 Settlement.

10 Supporting Schedule No. 2 normalizes the budgeted level of pension expense to
11 appropriately reflect a ten-year historical average level of actual cash
12 contributions to the pension plan under the methodology that was originally
13 adopted by the Commission at Docket Nos. R-00061366 and R-00061367 and
14 included in the 2015 Settlement.

15 Supporting Schedule No. 3 uses the O&M payroll expense developed in
16 Adjustment No. 5, Supporting Schedule No. 1 to normalize the employee benefits
17 costs charged to Administrative and General expense.

18 **Q. Please describe Adjustment No. 9 - Depreciation Expense.**

19 A. Budgeted Depreciation Expense is adjusted: (1) to reflect the application of ELG
20 depreciation rates to claimed plant in service; and (2) to restate the cost of
21 removal/salvage expense on a five-year average basis removing the component
22 associated with legacy meters consistent with Commission practice. The

1 application of ELG depreciation rates is discussed in detail by Mr. Spanos in Penn
2 Power Statement No. 7.

3 **Q. Please describe Adjustment No. 10 – Amortization Expense.**

4 A. Amortization expenses included in the budget were adjusted to: (1) eliminate
5 smart meter amortization; and (2) include amortization for additional unrecovered
6 legacy meters over the remaining thirty-nine month amortization period.

7 Supporting Schedule No. 1 develops the appropriate annual amortization
8 allowances for the additional legacy meters. In its March 6, 2014 Order at Docket
9 No. M-2013-2341993, the Commission authorized the Company to create a
10 regulatory asset for its existing meters currently in place to be replaced by smart
11 meters referring to all such meters as legacy meters.

12 **Q. Please describe Adjustment No. 11 – Taxes Other Than Income Taxes.**

13 A. Taxes Other Than Income Taxes included in the budget were adjusted to: (1)
14 reflect Pennsylvania gross receipts tax (“GRT”) at 5.9% for normalized sales
15 revenues; and (2) adjust payroll tax expense based on annualized payroll and
16 employee levels.

17 Supporting Schedule No. 1 shows the calculation of Federal Insurance
18 Contributions Act tax associated with the annualized O&M payroll expense
19 developed in Adjustment No. 5, Supporting Schedule No. 1.

20 **Q. Please describe briefly the computation of federal and state income taxes as**
21 **reflected in Adjustment No. 12.**

1 A. This schedule begins with the computation of the Company's \$23,506,000 net
2 operating income before income taxes from data shown on page 1 of Penn Power
3 Exhibit RAD-2 (line 6 less line 15 of column 3 on page 1). The revenues and
4 expenses used to calculate the federal and state income taxes in Adjustment No.
5 12 are divided into columns corresponding to the components shown on pages 1-3
6 of this exhibit (Distribution, Smart Meter, Price To Compare, Universal Service,
7 Energy Efficiency, Default Service Support, and Solar) to derive net operating
8 income before income taxes. From that amount, interest was deducted. Interest
9 was calculated by multiplying the adjusted rate base by the weighted average cost
10 of long-term debt. The resulting figure is net income before income taxes and is
11 shown on line 10.

12 Three adjustments (lines 11, 13 and 15) were made to increase taxable income.
13 The first reflects the five-year amortization of net salvage. The second increases
14 net income by adding back the amortization amount for legacy meters, while the
15 third increases net income by adding back the cash pension contribution included
16 in pro forma O&M expenses. This is because neither of these items represent a
17 current deduction for tax purposes.

18 The remaining two adjustments (lines 12 and 14) are deductions from taxable
19 income. The first adjusts depreciation to reflect accelerated depreciation, where
20 permitted, on eligible property as of December 31, 2017. The second reflects cost
21 of removal \$2,914,000 that may be claimed as a current deduction for tax
22 purposes. The net amount of these adjustments is included in the net income
23 before federal and state income taxes to determine the income subject to state

1 income tax. State taxable income is adjusted for limitations on federal bonus tax
2 depreciation that is allowed for state income tax purposes. Detailed calculations
3 of the limitations of federal bonus tax depreciation allowed for state income tax
4 purposes are provided in Penn Power Exhibit RAD-65. The adjustment to taxable
5 income is reflected on lines 18 through 20. The state and federal income tax
6 calculations then follow. The state and federal income taxes are computed at the
7 statutory rates of 9.99% and 35%, respectively.

8 Supporting Schedule No. 1 allocates tax depreciation into cost of removal, smart
9 meter and distribution.

10 **Q. Please describe Adjustment No. 13 – Provision for Deferred Income Taxes.**

11 A. This adjustment eliminates from the budgeted Provision for Deferred Income
12 Taxes all deferred taxes except the federal deferred taxes associated with
13 liberalized depreciation. Additionally, federal deferred taxes for liberalized
14 depreciation are adjusted to reflect plant in service as of the end of the FPPTY.
15 Detailed calculations of the federal deferrals are provided in Penn Power Exhibit
16 RAD-41.

17 The computation for post-1969 through 1980 “expansion” property is based on
18 the difference between accelerated depreciation (calculated using the Sum of the
19 Years Digits method and taxable lives based on the Asset Depreciation Range)
20 and straight-line depreciation using “guideline” lives. The computation for 1981
21 and subsequent property begins by determining the difference between tax
22 depreciation using the Accelerated Cost Recovery System and the Modified

1 Accelerated Cost Recovery System and straight-line depreciation (using book
2 rates and tax basis).

3 The federal tax rate of 35% was applied to the amounts calculated in the manner
4 described above and compared to the tax to be booked during the test year to
5 determine the adjustment to deferred taxes.

6 The state deferred taxes associated with liberalized depreciation pertain only to
7 FERC jurisdictional property and have been eliminated. The deferred taxes
8 associated with other miscellaneous items have been eliminated because the
9 associated income has not been included in the calculation of taxable income used
10 to compute federal and state taxes included in the Company's revenue
11 requirement.

12 **Q. What is Penn Power's claimed additional distribution revenue requirement?**

13 A. Reflecting all of the adjustments to the budget data discussed above, Penn Power's
14 net utility operating income for the FPPTY at present rates is \$13,742,000 (page
15 1, column 6, line 24). This amount, compared to the \$35,965,000 shown on page
16 3, column 25, line 24, shows that \$22,222,000 in additional return is required for
17 Penn Power to achieve an overall return of 8.70% on its distribution rate base.
18 This translates into an additional base rate revenue requirement, or revenue
19 deficiency under existing rates, of \$40,357,000, as shown on page 2, column 15,
20 line 6.

21 **Q. What is contained in Penn Power Exhibits RAD-3, RAD-4, RAD-5 and RAD-**
22 **6?**

1 A. Penn Power Exhibits RAD-3 and RAD-5 set forth the Company's rate base at
2 December 31, 2016 and 2015, respectively. Penn Power Exhibits RAD-4 and
3 RAD-6 set forth the Company's operating income statements with normalizing
4 adjustments for the FTY (twelve months ending December 31, 2016) and the
5 HTY (twelve months ended December 31, 2015), respectively.

6 While the specific numbers differ, these two sets of exhibits are identical in
7 format and concept to Penn Power Exhibits RAD-1 and RAD-2 and the
8 description of the filing format in my testimony applies equally to them.

9 V. **REGULATORY TREATMENT OF STORM DAMAGE COSTS**
10 **THROUGH A STORM RESERVE**

11 Q. **How has the Commission historically treated storm damage costs for**
12 **ratemaking purposes?**

13 A. As in the case of other operating expenses, utilities have been allowed to include a
14 normal, ongoing level of storm damage costs in their base rate revenue
15 requirement. In addition, utilities have been permitted to request authorization to
16 defer, for accounting purposes, extraordinary storm damage costs, with the
17 understanding that rate recovery of the deferred costs would be addressed in a
18 future base rate proceeding. The recovery of ongoing storm damage costs
19 through the storm reserve was established in the Terms and Conditions, paragraph
20 5 of the 2015 Settlement. In accordance with the Commission's policy and prior
21 rulings regarding the ratemaking treatment of extraordinary storm damage, the
22 Company has included in its FPFTY revenue requirement a normalized level of
23 storm damage costs (see Penn Power Exhibits RAD-1 and RAD-2).

1 **Q. Is Penn Power proposing any changes to the recovery of storm damage**
2 **expense in this filing?**

3 A. No. Penn Power is proposing to continue recovering storm damage costs,
4 excluding expenses related to damage from extraordinary storm events, through
5 the storm reserve mechanism established in the 2015 Settlement at the same level
6 established in that base rate proceeding. The storm reserve has only been in place
7 since May 2015 but appears to be working as the Settlement parties envisioned.
8 Therefore, the budget reflects a booking to the amortization account of the
9 difference between the storm reserve revenues, less GRT, and the base line storm
10 O&M expenses reflected in Penn Power Exhibit RAD-63 for the FPFTY.

11 **Q. What is the normalized, ongoing amount of storm damage O&M expense**
12 **budgeted for the twelve months ending December 31, 2017?**

13 A. Penn Power Exhibit RAD-63 sets forth budgeted storm damage expense for the
14 twelve months ending each of December 31, 2017 and December 31, 2016, and
15 actual storm damage expense for the twelve months ended December 31, 2015,
16 along with data for an additional four calendar years. The level of budgeted storm
17 damage O&M expense normally recovered through base rates is \$936,000 at Penn
18 Power. However, Penn Power's income statement (Penn Power Exhibit RAD-2)
19 includes the normalized level of storm damage expenses excluding extraordinary
20 storms in the amount contained in the 2015 Settlement. This additional amount of
21 storm damage costs, along with other amortization amounts, appears on the
22 amortization line of Penn Power Exhibit RAD-2. Therefore, the Company is

1 proposing to continue the same revenue requirement level established in that
2 proceeding, or \$1 million.

3 **VI. REPORTING REQUIRED UNDER PROVISIONS OF THE 2015**
4 **SETTLEMENT AT DOCKET NO. R-2014-2428744**

5 **Q. Was Penn Power required to provide any financial reports as part of its next**
6 **base rate proceeding?**

7 A. Yes. The 2015 Settlement requires the Company, in its next base rate proceeding,
8 to file a comparison of its actual expenses and rate base additions for the twelve
9 months ended April 30, 2016 to its projections originally filed at Docket No. R-
10 2014-2428744. The Joint Petitioners recognized that the 2015 Settlement
11 represented a black box settlement and consequently reflected compromises by all
12 parties on the various issues raised during the proceeding. Except for specific
13 terms and conditions addressed within the 2015 Settlement document itself, there
14 were no findings made by the Commission for income statement or rate base
15 purposes.

16 **Q. What is contained in Penn Power Exhibit RAD-66?**

17 A. Penn Power Exhibit RAD-66 contains a comparison of actual expenses for the
18 twelve months ended April 30, 2016 compared to the projections originally filed
19 at Docket No. R-2014-2428744. The format utilized is the same as developed for
20 Penn Power Exhibit RAD-55, which reflects a comparison of revenues and
21 expenses in an income statement format by FERC account number. At the time
22 of this filing, actual information was only available through February 29, 2016.
23 Therefore, Penn Power Exhibit RAD-66 contains ten months of actual

1 information and two months of forecasted data. Once March and April 2016
2 actual accounting data become available, Penn Power Exhibit RAD-66 will be
3 updated to incorporate actual expenses for the twelve months ended April 30,
4 2016.

5 **Q. What is contained in Penn Power Exhibit RAD-67?**

6 A. Penn Power Exhibit RAD-67 contains a comparison of rate base additions for the
7 twelve months ended April 30, 2016 compared to the projections originally filed
8 at Docket No. R-2014-2428744. The format utilized is the same as developed for
9 Penn Power Exhibit RAD-46, which reflects a comparison of plant in service
10 additions by FERC account number. As in the case of Penn Power Exhibit RAD-
11 66, Penn Power Exhibit RAD-67 contains ten months of actual information and
12 two months of forecasted data. Once March and April 2016 actual accounting
13 data become available, Penn Power Exhibit RAD-67 will similarly be updated to
14 incorporate actual rate base additions for the twelve months ended April 30, 2016.

15 **VII. OTHER FILING REQUIREMENTS**

16 **Q. Would you briefly describe Penn Power Exhibits RAD-7 through RAD-62?**

17 A. Yes. 52 Pa. Code § 53.53 sets forth the information that must be with a proposed
18 general rate increase filing. Penn Power Exhibits RAD-7 through RAD-60
19 contain responses to various data requests assigned to me. Each exhibit cites the
20 specific filing requirement to which it is responding and is followed by the
21 Company's response.

1 Penn Power Exhibit RAD-61 lists the types of advertising included in expenses
2 for the test year and the immediately preceding year, in accordance with Section
3 1316(c) of the Public Utility Code, 66 Pa.C.S. § 1316(c). Penn Power Exhibit
4 RAD-62 responds to the PUC Statement of Policy at 52 Pa. Code § 69.36, entitled
5 “Performance criteria regarding energy supply alternatives.” This Statement of
6 Policy identifies six areas for review in rate proceedings pertaining to an electric
7 utility’s efforts to encourage the development of cost effective energy supply
8 alternatives. Penn Power Exhibit RAD-62 addresses five of the six identified
9 areas. Mr. Siedt addresses the remaining area in Penn Power Statement No. 3.

10 **VIII. CONCLUSION**

11 **Q. Please summarize your direct testimony and recommendations.**

12 A. Inclusive of the roll-in of smart meter costs, Penn Power has supported an
13 increase in base distribution rate revenue requirements of \$40,357,000, of which
14 \$(91,000) is associated with smart meter costs. The total revenue requirement
15 associated with the Smart Meter Deployment Plan reflected in proposed rates is
16 \$12,392,000.

17 Finally, and as previously discussed, Penn Power is proposing to continue its
18 storm damage reserve mechanism established in the 2015 Settlement at the same
19 revenue requirement level established in that proceeding, or \$1 million.

20 **Q. Mr. D’Angelo, does this complete your direct testimony?**

21 A. Yes, it does.

Resume: Education and Experience of Richard A. D'Angelo

Education:

1972 Bachelor of Science Degree in Economics - Brooklyn College
1976 Master of Business Administration Degree in Finance - Pace University

Experience:

9/72 - 11/76 Accountant and Supervisor - Bankers Trust Company
11/76 - 2/81 Employed as Accountant within Regulatory Accounting Area -
Metropolitan Edison Company ("Met-Ed")
2/81 - 2/82 Senior Accountant within Regulatory Accounting Area with special
emphasis on rate-related matters (Met-Ed)
2/82 - 2/83 Supervisor - Rates and Financing (Met-Ed)
2/83 - 3/95 Manager - Rate Revenue Requirements within the Rate Department
(Met-Ed)
3/95 - 8/96 Manager - Regulatory Liaison within the Regulatory Affairs and
Pricing Department (Met-Ed/Penelec)
8/96 - 11/01 Manager - Rate Activity within the Rate Department (GPU Energy)
11/01 - Present Manager - Rates & Regulatory Affairs- Pennsylvania (FirstEnergy
Service Company)

Prepared and presented testimony in the following rate-related cases:

Pa. P.U.C. Cases: Docket Nos. R-2014-2428745
R-2014-2428743
R-2014-2427744
R-2014-2428742
P-2011-2273650
P-2011-2273668
P-2011-2273669
P-2011-2273670
A-2010-2176520
A-2010-2176732
P-2010-2157862
P-2009-2093053
P-2009-2093054
P-00072305
P-00072259

P-00062235
R-00061366
R-00061367
P-00062213
P-00062214
P-00052149
P-00062214
P-00052188
A-110550F0160
R-00016851C0001
R-00016852C0001
R-00016853C0001
A-110300F.0095
A-110400F.0040
P-00001860
P-00001861
P-00001837 (Phase 2)
P-00001838 (Phase 2)
R-00974008 (Phase 1)
R-00974009 (Phase 1)
P-00971215
P-00971216
P-00971217
P-00971223
P-00971278
P-00961015
P-00950968
A-110300 F0067
R-922314
P-0092087
P-00900450
R-860384
R-842770
R-832549
R-822249
I-900005
P-890366
M-FACE 8707
M-FACE 8602

M-FACE 8506
M-FACE 8404
M-FACE 8203
M-FACE 8104
M-870171 C001

NJ B.P.U Case: Docket No. EO03121014
Docket No. ER12111052

NY P.S.C. Case: Case No. 11-E-0594

FERC Cases: Docket Nos. ER-90-388-000 and ER-90-522-000
ER-87-34-001
ER-83-173

Assisted in development and preparation in the following rate cases:

Pa. P.U.C. Cases: Docket Nos. R-811601
R-80051196
R.I.D. 626

FERC Case: Docket No. ER-79-58
Case 11-E-0594

PENNSYLVANIA POWER COMPANY
 Rate Base At Original Cost
 Normalized To Year-End Conditions at December 31, 2017
 (\$000)

Line No.	Description	Per Budget (1)	Adjustments and (2)		Total (3)	Pa Jurisdictional Normalized Rate Base			PA Jurisdictional Total (6) = (4) + (5)	
			Normalizations	Adj No.		Distribution (4)	Smart Meter (5)	Total		
Electric Plant:										
1	Plant in service	\$ 705,694	\$ (6,754)	1	\$ 698,940	\$ 650,927	\$ 48,013	\$ 698,940		
2	Plant held for future use	1,764	(1,764)	2	-	-	-	-		
3	Construction work in progress - pollution control and safety	-	-	-	-	-	-	-		
4	Total electric plant	\$ 707,458	\$ (8,518)		\$ 698,940	\$ 650,927	\$ 48,013	\$ 698,940		
Depreciation & Amortization Reserve:										
5	Plant in service	\$ 200,554	\$ (693)	3	\$ 199,862	\$ 190,559	\$ 9,303	\$ 199,862		
6	Plant held for future use	-	-	-	-	-	-	-		
7	Total depreciation & amortization reserve	\$ 200,554	\$ (693)		\$ 199,862	\$ 190,559	\$ 9,303	\$ 199,862		
8	Net Electric Plant	\$ 506,904	\$ (7,826)		\$ 499,078	\$ 460,368	\$ 38,710	\$ 499,078		
Additions:										
9	Cash working capital	\$ -	\$ 28,906	4	\$ 28,906	\$ 28,906	\$ -	\$ 28,906		
10	M&S inventories	-	3,245	5	3,245	3,245	-	3,245		
11	Legacy meters	-	5,508	6	5,508	5,508	-	5,508		
12	Deferred storm	-	1,425	7	1,425	1,425	-	1,425		
13	Total additions	\$ -	\$ 39,084		\$ 39,084	\$ 39,084	\$ -	\$ 39,084		
Deductions:										
14	Customer deposits	\$ 5,239	\$ -	1	\$ 5,239	\$ 5,239	\$ -	\$ 5,239		
15	Customer advances for construction	33	-		33	33	-	33		
16	Accum. Deferred income taxes - Liberalized depreciation	150,532	(32,411)	8	118,121	114,691	3,430	118,121		
17	Operating reserves (net of taxes)	1,250	-	9	1,250	1,250	-	1,250		
18	Total deductions	\$ 157,054	\$ (32,411)		\$ 124,643	\$ 121,213	\$ 3,430	\$ 124,643		
19	Total Rate Base	\$ 349,850	\$ 63,669		\$ 413,519	\$ 378,239	\$ 35,280	\$ 413,519		
20	Pro forma return at present rates (PA Distribution)	\$ 13,742	Dollars							
21		3.32%	Percent							
22	Pro forma return at proposed rates (PA Distribution)	\$ 35,965	Dollars							
23		8.70%	Percent							

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 1
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to (1) eliminate the Asset Retirement Cost ("ARC"); (2) to include LED Street Lights. (3) eliminate Transmission easements and land. (4) eliminate American Transmission Systems, Inc. ("ATSI") plant in accordance with the settlement agreement at Docket A-110450F0016. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

<u>Line No.</u>	<u>Description</u>	<u>Adjustments</u>	<u>Plant in Service</u>
		(1)	(2)
1	Budgeted Plant in Service at 12/31/2017 (Exhibit RAD-46, Attach. B, p. 2)		\$ 705,694
	Normalizing adjustment:		
2	Eliminate ARC (Exhibit RAD-46, Attach. B, p. 2)	(37)	
3	Increase LED Street Lighting (Exhibit RAD-46, Attach. B, p. 2)	4,578	
4	Eliminate Transmission easements and land (Exhibit RAD-46, Attach. B, p. 1)	(10,520)	
5	Eliminate ATSI Plant from 1999 Agreement (Exhibit RAD-46, Attach. B, p. 2)	<u>(775)</u>	
6	Normalization Adjustment		<u>(6,754)</u>
7	Plant in Service at 12/31/2017, as adjusted		<u>\$ 698,940</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 2
(\$000)

Adjustment of Plant Held for Future Use

To adjust Plant Held for Future Use. As an alternative to rate base treatment, the Company is requesting the allowance of deferred carrying charges on any current or future investments in Plant Held for Future Use with definitive plans of utilization within a ten-year period. This is consistent with long-standing Commission policy.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Per budget Plant Held for Future Use at 12/31/2017	\$ 1,764
	Normalizing adjustment:	
2	Eliminate Plant Held for Future Use	<u>(1,764)</u>
3	Plant Held for Future Use at 12/31/2017, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 3
 (\$000)

Adjustment of Depreciation Reserves - Plant in Service

To adjust the budgeted gross plant in service to (1) eliminate the Asset Retirement Cost ("ARC"); and (2) eliminate American Transmission Systems, Inc. ("ATSI") plant in accordance with the settlement agreement at Docket A-110450F0016. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

<u>Line No.</u>	<u>Description</u>	<u>Depreciation Reserves</u>	
		<u>Adjustments</u>	<u>Plant in Service</u>
		(1)	(2)
1	Plant in Service depreciation reserves at 12/31/2017 (Exhibit RAD-46, Attach. B, p. 3)		\$ 200,554
	Normalizing adjustments:		
2	Eliminate ARC (Exhibit RAD-46, Attach. B, p. 3)	(26)	
3	Eliminate ATSI reserve per 1999 Agreement (Exhibit RAD-46, Attach. B, p. 3)	<u>(667)</u>	
4	Normalization Adjustment (Lines 2 + 3)		<u>(693)</u>
5	Plant in Service depreciation reserves at 12/31/2017, as adjusted		\$ <u>199,862</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 4
 (\$000)

Adjustment of Cash Working Capital

To recognize cash working capital at year-end level. This adjustment is supported by Penn Power Witness Mr. J.L. Adams in Statement No. 5.

<u>Line No.</u>	<u>Description</u>	<u>Cash Working Capital</u>	
		<u>(1)</u>	<u>(2)</u>
1	Cash working capital per budget at 12/31/2017		\$ -
	Normalizing adjustment:		
2	Cash working capital normalized to year-end	\$ 28,906	
3	Cash working capital per budget	<u>-</u>	
4	Normalization Adjustment		<u>28,906</u>
5	Cash working capital at 12/31/2017, as adjusted		<u>\$ 28,906</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 5
 (\$000)

Adjustment of Material and Supplies Inventories

To recognize the Company's distribution portion of FE Service material and services ("M&S") inventory levels projected at 12/31/2017.

<u>Line No.</u>	<u>Description</u>	<u>M&S Inventories</u>	
		<u>(1)</u>	<u>(2)</u>
1	M&S Inventory per budget at 12/31/2017		\$ -
	Normalizing adjustment:		
2	Distribution component of projected FE Service M&S Inventory allocated to the company at 12/31/2017 (Exhibit RAD-13)	\$ 3,245	
3	M&S Inventory per budget at 12/31/2017	<u>-</u>	
4	Normalization Adjustment		<u>3,245</u>
5	M&S inventory at 12/31/2017, as adjusted		<u>\$ 3,245</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 6
 (\$000)

Adjustment for Legacy Meters

To include legacy meters in a regulatory asset as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341993.

<u>Line No.</u>	<u>Description</u>	<u>Legacy Meters</u>	
		<u>(1)</u>	<u>(2)</u>
1	Net legacy meters in regulatory asset at 12/31/2017		\$ -
2	Legacy meter normalized to year-end (Exhibit RAD-64)	<u>5,508</u>	
3	Normalization Adjustment		<u>5,508</u>
4	Net legacy meters in regulatory asset at 12/31/2017, as adjusted		\$ <u>5,508</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 7
(\$000)

Adjustment for Deferred Storm Damage Expenses

<u>Line No.</u>	<u>Description</u>	<u>Storms</u>	
		<u>(1)</u>	<u>(2)</u>
1	Unamortized storm damage deferral expense per budget at 12/31/2017	\$ -	\$ -
2	Storm Reserve Balance	<u>1,425</u>	
3	Normalization Adjustment		<u>1,425</u>
4	Storm damage deferral expense at 12/31/2017, as adjusted		<u>\$ 1,425</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 8
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

This adjustment adjusts the budgeted deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate remaining state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; and (2) Eliminate Other excludable items.

Line No.	Description	Adjustments (1)	Accum Reserve for Deferred Taxes - Liberalized Depreciation (2)
1	Deferred taxes per budget - liberalized depreciation at 12/31/2017		\$ 150,532
	Normalizing adjustments:		
2	Eliminate remaining state deferred taxes - liberalized depreciation including the federal benefit of those taxes	\$ (18,366)	
3	Eliminate Other Excludable Items (Leases)	(14,045)	
4	Normalization Adjustment		(32,411)
5	Deferred taxes - liberalized depreciation at 12/31/2017, as adjusted		\$ 118,121

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 9
(\$000)

Adjustment of Operating Reserves

Not Applicable

PENNSYLVANIA POWER COMPANY

Rate of Return at December 31, 2017

Line No.	Exhibit JD-24 Capital Amounts (1)	Capital Ratios (2)	Cost Rate (3)	Weighted Cost Rate (4) = (2) X (3)	
1	Total long-term debt	151,981	49.9%	5.88%	2.94%
2	Total preferred stock	-	0.00%	0.00%	0.00%
3	Total common equity	152,390	50.1%	11.50%	5.76%
4	Total capitalization	\$ 304,371	100.00%		8.70%

PENNSYLVANIA POWER COMPANY
Statement of Operating Income, 12 Months Ending December 31, 2017, Normalized and Adjusted
to Reflect Revenue Necessary to Achieve Allowable Return
 (\$000)

Line No.	Description	Per Budget (1)	Normalizations & Adjustments (2)	Adj. No.	Budget as Adjusted (3)=(1)+(2)	Distribution (4)	Smart Meters (5)	Total Distribution (6)=(4)+(5)	PTC (7)	Normalized PaPUC Jurisdictional				
										Universal Service (8)	Energy Efficiency (9)	Default Service Support (10)	Solar (11)	
Operating revenues														
1	Retail sales	\$ 270,643	\$ (315)	1	\$ 270,329	\$ 78,511	\$ 12,483	\$ 90,994	\$ 157,310	\$ 8,427	\$ 6,260	\$ 6,147	\$ 1,191	
2	STAS revenue	-	-	2	-	-	-	-	-	-	-	-	-	
3	DSIC revenue	4,643	(4,643)	3	-	-	-	-	-	-	-	-	-	
4	Sales for resale	76	-	-	76	-	-	-	-	-	76	-	-	
5	Other operating revenue	4,620	(1,244)	4	3,376	3,196	-	3,196	180	-	-	-	-	
6	Total operating revenue	\$ 279,981	\$ (6,201)		\$ 273,780	\$ 81,707	\$ 12,483	\$ 94,190	\$ 157,490	\$ 8,427	\$ 6,335	\$ 6,147	\$ 1,191	
Operating expenses														
7	Price To Compare	\$ 151,782	-	-	\$ 151,782	\$ -	\$ -	\$ 149,028	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,754	
8	Distribution	20,561	591	5	21,152	16,772	-	16,772	-	-	-	4,380	-	
9	Customer accounts	6,923	315	6	7,239	4,762	-	4,762	-	-	-	2,477	-	
10	Customer service & info	12,313	38	7	12,351	5,009	-	5,009	-	7,287	-	55	-	
11	Admin & gen expense	13,937	2,977	8	16,914	6,801	3,462	10,264	-	-	6,650	-	-	
12	Depreciation - accrual	18,352	6,035	9	24,387	20,257	4,130	24,387	-	-	-	-	-	
13	Amortization and Accretion	229	(583)	10	(354)	1,700	1,700	1,700	(807)	665	(685)	(551)	(675)	
14	Taxes other than income	17,082	(280)	11	16,802	5,486	736	6,222	9,281	497	369	363	70	
15	Operating expense before tax	\$ 241,181	\$ 9,093		\$ 250,274	\$ 60,787	\$ 8,328	\$ 69,115	\$ 157,501	\$ 8,449	\$ 6,335	\$ 7,724	\$ 1,150	
16	Operating income before income tax	38,801	(15,294)		23,506	20,920	4,155	25,075	(11)	(22)	-	(1,577)	41	
Income taxes														
17	Federal income tax - current	\$ 3,274	\$ (989)	12	\$ 2,284	\$ 2,903	\$ (124)	\$ 2,778	\$ (3)	\$ (7)	\$ -	\$ (497)	\$ 13	
18	State income tax - current	1,981	66	12	2,047	2,243	(39)	2,203	(1)	(2)	-	(158)	4	
19	Deferred income tax - federal	6,469	(118)	13	6,351	5,150	1,201	6,351	-	-	-	-	-	
20	Deferred income tax - state	1,144	(1,144)	13	-	-	-	-	-	-	-	-	-	
21	Investment tax credit	-	-	14	-	-	-	-	-	-	-	-	-	
22	Total tax expense	12,868	(2,187)		10,682	10,296	1,037	11,332	(5)	(9)	-	(654)	17	
23	Total operating expenses	\$ 254,049	\$ 6,907		\$ 260,955	\$ 71,083	\$ 9,365	\$ 80,448	\$ 157,497	\$ 8,440	\$ 6,335	\$ 7,070	\$ 1,167	
24	Operating income	\$ 25,932	\$ (13,108)		\$ 12,825	\$ 10,624	\$ 3,118	\$ 13,742	\$ (6)	\$ (13)	\$ -	\$ (922)	\$ 24	

PENNSYLVANIA POWER COMPANY
Statement of operating income, 12 Months Ending April 30, 2016, Normalized and Adjusted
to Reflect Revenue Necessary to Achieve Allowable Return
 (\$000)

Line No.	Description	Distribution (23) = (4) + (13)	Smart Meters (24) = (5) + (14)	Total Distribution (25) = (6) + (16)	Price to Compare (26) = (7) + (17)	Universal Service (27) = (8) + (18)	Energy Efficiency (28) = (9) + (19)	Default Service Support (29) = (10) + (20)	Solar (30) = (11) + (21)
Operating revenues									
1	Retail sales	\$ 118,840	\$ 12,392	\$ 131,232	\$ 157,310	\$ 8,427	\$ 6,260	\$ 6,147	\$ 1,191
2	STAS revenue	-	-	-	-	-	-	-	-
3	DSIC revenue	-	-	-	-	-	-	-	-
4	Sales for resale	-	-	-	-	-	76	-	-
5	Other operating revenue	3,315	-	3,315	180	-	-	-	-
6	Total operating revenue	\$ 122,155	\$ 12,392	\$ 134,547	\$ 157,490	\$ 8,427	\$ 6,335	\$ 6,147	\$ 1,191
Operating expenses									
7	PTC	\$ -	\$ -	\$ -	\$ 149,028	\$ -	\$ -	\$ 1,000	\$ 1,754
8	Distribution	16,772	-	16,772	-	-	-	4,380	-
9	Customer accounts	4,762	-	4,762	-	-	-	2,477	-
10	Customer service & info	5,009	-	5,009	-	7,287	-	55	-
11	Admin & gen expense	6,801	3,462	10,264	-	-	6,650	-	-
12	Depreciation - accrual	20,257	4,130	24,387	-	-	-	-	-
13	Amortization	1,700	-	1,700	(807)	665	(685)	(551)	(675)
14	Taxes other than income	7,865	731	8,596	9,281	497	369	363	70
15	Operating expense before tax	\$ 63,166	\$ 8,323	\$ 71,489	\$ 157,501	\$ 8,449	\$ 6,335	\$ 7,724	\$ 1,150
16	Operating income before tax	\$ 58,988	\$ 4,069	\$ 63,057	\$ (11)	\$ (22)	\$ -	\$ (1,577)	\$ 41
Income taxes									
17	Federal income tax - current	\$ 14,896	\$ (151)	\$ 14,744	\$ (3)	\$ (7)	\$ -	\$ (497)	\$ 13
18	State income tax - current	6,046	(48)	5,998	(1)	(2)	-	(158)	4
19	Deferred income tax - federal	5,150	1,201	6,351	-	-	-	-	-
20	Deferred income tax - state	-	-	-	-	-	-	-	-
21	Investment tax credit	-	-	-	-	-	-	-	-
22	Total tax expense	\$ 26,092	\$ 1,001	\$ 27,093	\$ (5)	\$ (9)	\$ -	\$ (654)	\$ 17
23	Total operating expenses	\$ 89,258	\$ 9,324	\$ 98,582	\$ 157,497	\$ 8,440	\$ 6,335	\$ 7,070	\$ 1,167
24	Operating income	\$ 32,897	\$ 3,068	\$ 35,965	\$ (6)	\$ (13)	\$ -	\$ (922)	\$ 24
25	Rate Base	\$ 378,239	\$ 35,280	\$ 413,519	\$ -	\$ -	\$ -	\$ -	\$ -
26	Rate of Return overall	8.70%	8.70%	8.70%	NA	NA	NA	NA	NA
27	Return on Equity	11.50%	11.50%	11.50%	NA	NA	NA	NA	NA

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Distribution
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u> (1)	<u>Revenue Adjustment Required</u> (2)	<u>Allowable Revenue</u> (3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 78,511	\$ 40,329	\$ 118,840
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	3,196	119	3,315
6	Total operating revenue	\$ 81,707	\$ 40,448	\$ 122,155
	<u>Operating expenses</u>			
7	PTC	\$ -	\$ -	\$ -
8	Distribution	16,772	-	16,772
9	Customer accounts	4,762	-	4,762
10	Customer service & info	5,009	-	5,009
11	Admin & gen expense	6,801	-	6,801
12	Depreciation - accrual	20,257	-	20,257
13	Amortization	1,700	-	1,700
14	Taxes other than income	5,486	2,379	7,865
15	Operating expense before tax	\$ 60,787	\$ 2,379	\$ 63,166
16	Operating income before tax	\$ 20,920	\$ 38,068	\$ 58,988
	<u>Income taxes</u>			
17	Federal income tax - current	\$ 2,903	\$ 11,993	\$ 14,896
18	State income tax - current	2,243	3,803	6,046
19	Deferred income tax - federal	5,150	-	5,150
20	Deferred income tax - state	-	-	-
21	Investment tax credit	-	-	-
22	Total tax expense	\$ 10,296	\$ 15,796	\$ 26,092
23	Total operating expenses	\$ 71,083	\$ 18,175	\$ 89,258
24	Operating income	\$ 10,624	\$ 22,273	\$ 32,897
25	Rate Base	\$ 378,239		\$ 378,239
26	Rate of Return overall	2.81%		8.70%
27	Return on Equity	-0.26%		11.50%

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Smart Meter
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 12,483	\$ (91)	\$ 12,392
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	-	-	-
6	Total operating revenue	\$ 12,483	\$ (91)	\$ 12,392
	<u>Operating expenses</u>			
7	PTC	\$ -	\$ -	\$ -
8	Distribution	-	-	-
9	Customer accounts	-	-	-
10	Customer service & info	-	-	-
11	Admin & gen expense	3,462	-	3,462
12	Depreciation - accrual	4,130	-	4,130
13	Amortization	-	-	-
14	Taxes other than income	736	(5)	731
15	Operating expense before tax	\$ 8,328	\$ (5)	\$ 8,323
16	Operating income before tax	4,155	(86)	4,069
	<u>Income taxes</u>			
17	Federal income tax - current	\$ (124)	\$ (27)	\$ (151)
18	State income tax - current	(39)	(9)	(48)
19	Deferred income tax - federal	1,201	-	1,201
20	Deferred income tax - state	-	-	-
21	Investment tax credit	-	-	-
22	Total tax expense	\$ 1,037	\$ (36)	\$ 1,001
23	Total operating expenses	\$ 9,365	\$ (41)	\$ 9,324
24	Operating income	\$ 3,118	\$ (50)	\$ 3,068
25	Rate Base	\$ 35,280		\$ 35,280
26	Rate of Return overall	8.84%		8.70%
27	Return on Equity	11.78%		11.50%

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Total Distribution
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u> (1)	<u>Revenue Adjustment Required</u> (2)	<u>Allowable Revenue</u> (3)
<u>Operating revenues</u>				
1	Retail sales	\$ 90,994	\$ 40,238	\$ 131,232
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	<u>3,196</u>	<u>119</u>	<u>3,315</u>
6	Total operating revenue	94,190	40,357	134,547
<u>Operating expenses</u>				
7	PTC	\$ -	\$ -	\$ -
8	Distribution	16,772	-	16,772
9	Customer accounts	4,762	-	4,762
10	Customer service & info	5,009	-	5,009
11	Admin & gen expense	10,264	-	10,264
12	Depreciation - accrual	24,387	-	24,387
13	Amortization	1,700	-	1,700
14	Taxes other than income	<u>6,222</u>	<u>2,374</u>	<u>8,596</u>
15	Operating expense before tax	\$ 69,115	\$ 2,374	\$ 71,489
16	Operating income before tax	\$ 25,075	\$ 37,983	\$ 63,057
<u>Income taxes</u>				
17	Federal income tax - current	\$ 2,778	\$ 11,966	\$ 14,744
18	State income tax - current	2,203	3,794	5,998
19	Deferred income tax - federal	6,351	-	6,351
20	Deferred income tax - state	-	-	-
21	Investment tax credit	<u>-</u>	<u>-</u>	<u>-</u>
22	Total tax expense	\$ 11,332	\$ 15,760	\$ 27,093
23	Total operating expenses	\$ 80,448	\$ 18,134	\$ 98,582
24	Operating income	\$ 13,742	\$ 22,222	\$ 35,965
25	Rate Base	\$ 413,519		\$ 413,519
26	Rate of Return overall	3.32%		8.70%
27	Return on Equity	-0.26%		11.50%

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 1
 \$000

Adjustment of Base Operating Revenues

To adjust base operating revenues (1) for changes in number of customers, (2) to roll in State Tax Adjustment Surcharge ("STAS") revenues into base rates, (3) to roll in Distribution System Improvement Charge ("DSIC") revenue into base rates, (4) for Energy Efficiency and Behind the Meter generation, (5) for other revenue, and (6) to eliminate unbilled revenues. Adjustments (1) through (5) are supported by Mr. K. M. Siedt. The adjustment for unbilled revenues is supported by Mr. R. A. D'Angelo.

<u>Line</u>	<u>No.</u>	<u>Description</u>	<u>Amount</u>	
			(1)	(2)
	1	Base revenues per budget for the 12 months ending 12/31/17		\$ 270,643
		Normalizing adjustments:		
	2	Customers - increase to yr end level	\$ 134	
		Specific adjustments		
	3	Roll-in of STAS	\$ -	
	4	Roll-in of DSIC	1,446	
	5	Adjust for Energy Efficiency and Behind the Meter Generation	(1,398)	
	6	Adjust for Other Revenues	(545)	
	7	Eliminate unbilled revenues	<u>49</u>	
	8	Total (Lines 3+4+5+6+ 7)	\$ (449)	
	9	Normalizing adjustment (Lines 2 + 8)		<u>(315)</u>
	10	Base revenues per budget for the 12 months ending 12/31/17, as adjusted		<u>\$ 270,329</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 2
\$000

Adjustment of State Tax Adjustment Surcharge Revenues

To remove state tax adjustment surcharge ("STAS") revenues. Normalized STAS revenues are being rolled into base rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	STAS revenue per budget for the 12 months ending 12/31/17	\$ -
2	Eliminate per budget STAS	<u>-</u>
3	STAS revenue per budget for the 12 months ending 12/31/17, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 3
\$000

Adjustment of Distribution Improvement System Charge Revenues

To remove distribution system improvement charge ("DSIC") revenues. Normalized DSIC revenues are being rolled into base rates in Normalization Adjustment No. 1.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	DSIC revenue per budget for the 12 months ending 12/31/17	\$ 4,643
2	Eliminate per budget DSIC	<u>(4,643)</u>
3	DSIC revenue per budget for the 12 months ending 12/31/17, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 4
 \$000

Adjustment of Other Operating Revenues

To adjust other operating revenue (1) to remove American Transmission System Incorporated (ATSI) ground lease revenues; and (2) to adjust late payment charges. The adjustment to late payment charge is supported by Mr. K. M. Siedt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other Operating revenue per budget for the 12 months ending 12/31/17		\$ 4,620
2	New Payment charge charges (Exhibit KMS-2)	\$ 1,365	
3	Less Late Payment charge per budget	<u>1,291</u>	
4	Adjustment to LPC	74	
5	Eliminate ATSI ground lease	<u>(1,318)</u>	
6	Total normalizing adjustment (Lines 4 + 5)		(1,244)
7	Other Operating revenue per budget for the 12 months ending 12/31/17, as adjusted		<u>\$ 3,376</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 5
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense (1) to reflect year end wage and employee levels, (2) to adjust service company payroll expenses to reflect year end and wage and employee levels, and (3) to include the amortization of gains or losses on reacquired debt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Distribution expense per budget for the 12 months ending 12/31/17		\$ 20,561
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rate (Supporting Schedule No. 1, Line 16, Col 2).	\$ 157	
3	Service Company Distribution payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage and salary rate (Supporting Schedule 1, Line 28, Col. 2)	19	
4	Amortization of (gain) or loss on reacquired debt	366	
5	Increase distribution expenses for contractor safety request	<u>48</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>591</u>
7	Distribution expense per budget for the 12 months ending 12/31/17, as adjusted (Lines 1 + 6)		<u>\$ 21,152</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 5
 (\$000)

Adjustment to Payroll Expense to Reflect Year End Employee Levels and Wage Rates

To determine the additional payroll expense associated with (1) year end bargaining and non-bargaining wage rates and employee levels, and (2) Service Company year end wage rates and employee levels; and to allocate the additional payroll expense to individual components. Mr. T. J. Dolezal supports the labor allocation factors.

Line No.	Description	Amount	
		(1)	(2)
1	Total company payroll (Exhibit RAD 27)		\$ 18,151
	<u>Non-Bargaining</u>		
2	Straight time per budget for January 1, 2017 through February 28, 2017	\$ 693	
3	Straight time 3% increase effective 3/1/2017 (Line 2 x 3%)	21	
4	Straight time per budget for the 12 months ending 12/31/2017, as adjusted	\$ 4,394	
5	Straight time 3% increase effective 3/1/2017 (Line 4 x 3%)	132	
	<u>Bargaining</u>		
6	Straight time per budget for January 1, 2017 through June 30, 2017	\$ 5,384	
7	Straight time 2.5% increase effective 3/1/2017 (Line 6 x 2.5%)	135	
8	Straight time per budget for the 12 months ending 12/31/2017, as adjusted	\$ 11,038	
9	Straight time 2.5% increase effective 3/1/2017 (Line 8 x 2.5%)	276	
10	Total company payroll adjustments		<u>563</u>
11	Total Payroll adjustment (Line 1 + 10)		<u>18,714</u>
12	O&M allocation %	45.69%	
13	O&M payroll adjustment (Line 10 x 13)	\$ 257	
	<u>Allocation of payroll adjustment:</u>		
14	Price to Compare	0.00%	\$ -
15	Transmission	0.00%	-
16	Distribution	61.18%	157
17	Customer accounts	18.53%	48
18	Customer service	14.74%	38
19	Administrative and general	<u>5.54%</u>	<u>14</u>
20	Total	100%	<u>\$ 257</u>
	<u>Service Company</u>		
21	Straight time per budget for January 1, 2017 through February 28, 2017	\$ 616	
22	Straight time 3% increase effective 3/1/2016 (Line 21 x 3%)	18	
23	Straight time per budget for the 12 months ending 12/31/2017, as adjusted	\$ 4,004	
24	Straight time 3% increase effective 3/1/2017 (Line 23 x 3%)	120	
25	Total service company payroll adjustments (Lines 22 + 24)		<u>\$ 139</u>
	<u>Allocation of Service Company payroll adjustment (Exhibit RAD-25)</u>		
26	Price to Compare	0.00%	\$ -
27	Transmission	0.00%	-
28	Distribution	13.95%	19
29	Customer accounts	25.08%	35
30	Administrative and general	<u>60.97%</u>	<u>85</u>
31	Total	100%	<u>\$ 139</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 6
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense (1) to reflect year end wage rates and employee levels, (2) to reflect Service Company year end wage rates and employee levels, (3) to include increased O&M costs associated with serving new customers, and (4) to include interest on customer deposits.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Account expense per budget for the 12 months ending 12/31/17		\$ 6,923
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalizing Adjustment No. 5, Supporting Schedule No. 1, Line 17, Column 2)	\$ 48	
3	Service Company customer account payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage and salary rates, (Normalizing Adjustment No. 5, Supporting Schedule 1, Line 29, Col. 2)		35
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Supporting Schedule 1, Line 10)		2
5	Interest on customer deposits, (Supporting Schedule 2, Line 3)	<u>231</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>315</u>
7	Customer Account expense per budget for the 12 months ending 12/31/17, as adjusted		<u>\$ 7,239</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 6
 (\$000)

Adjustment of Other O&M Costs Associated with Serving New Customers

To determine the cost associated with serving the additional customers reflected in Normalization Adjustment No. 1. The ratio of non-payroll customer account expense to total revenue is applied to the additional revenue from increased customers to estimate this cost. The Commission previously recognized and approved this adjustment. The adjustment to base operating revenue for changes in number of customers is supported by Mr. K. M. Siedt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
<u>Customer Account Expense Excluding Labor and Uncollectible</u>		
1	Customer Account expense per budget for the 12 months ending 12/31/17	\$ 6,923
2	Less: Uncollectible expense	(3,697)
3	Less: Labor expense	<u>(1,661)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 1,565</u>
<u>Total Distribution Revenue</u>		
5	Distribution revenues per budget	\$ 91,358
6	Late payment charges per budget	1,291
7	Total	<u>\$ 92,649</u>
8	Ratio of customer account expense to total revenue (Line 4 / Line 7)	1.69%
9	Revenue from added customers Revenue from added customers (Normalization Adjustment No. 1, Line 2)	\$ 134
10	Additional expense from added customers (Lines 8 x 9)	<u>\$ 2</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No.2 to Normalizing Adjustment No. 6
 (\$000)

Adjustment to Allow for Interest Expense on Customer Deposits

To determine the interest paid on customer deposits. Since customer deposits are funds supplied to the Company by customers, they are included in rate base as a deduction. The Commission previously recognized this adjustment to include the corresponding interest paid to customers on these deposits as a expense.

<u>Line No.</u>	<u>Description</u>	<u>Residential</u> (1)	<u>Non Residential</u> (2)	<u>Total</u> (3)
1	Customer deposits included in rate base (Exhibit RAD-1, Page 1, Column 1, Line 14)	\$ 2,790	\$ 2,450	\$ 5,239
2	Interest rate on deposits	3%	6%	
3	Interest expense on customer deposits	<u>\$ 84</u>	<u>\$ 147</u>	<u>\$ 231</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 7
\$000

Adjustment of Customer Service and Information Expense

To adjust customer service and information expense to reflect year end wage and employee levels.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per budget for the 12 months ending 12/31/17		\$ 12,313
2	Customer Service payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 18, Column 2)	\$ 38	
3	Total normalizing adjustment		<u>38</u>
4	Customer Service expense per budget for the 12 months ending 12/31/17, as adjusted		<u>\$ 12,351</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 8
 \$000

Adjustment of Administrative and General Expense

To adjust administrative and general expenses (1) to reflect year end wage rates and employee levels, (2) to reflect Service Company year end wage rates and employee levels, (3) to reflect OPEB expense at service cost level, (4) to reflect pension expense at the ten year cash level, (5) to reflect employee benefits expense at year end wage rates and employee levels, and (6) to include amortization of rate case expenses.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		<u>(1)</u>	<u>(2)</u>
1	Administrative & general expense per budget for the 12 months ending 12/31/17		\$ 13,937
2	Administrative & general expenses related to EE&C	(6,650)	
3	Administrative & general expenses related to Smart Meters	<u>(3,462)</u>	
4	Adjustment to administrative & general expenses	(10,112)	
5	Administrative & general payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 19, Column 2)		14
6	Service Company Administrative & general payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage & salary rates, (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 30, Column 2)		85
7	Adjust OPEB expense to service cost level, (Supporting Schedule No. 1, Line 12, Col. 1)		892
8	Adjust pension expense to ten year cash level, (Supporting Schedule No. 2, Line 19, Col. 3)		1,783
9	Adjust employee benefit costs (Supporting Schedule No. 3, Line 8, Column 3)		122
10	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$ 162	
11	Recovery period - 2 years	<u>2</u>	
12	Annual amount (Line 7 / Line 8)	\$ 81	\$ 81
13	Total normalizing adjustment (Lines 5+6+7+8+9+12)		<u>\$ 2,977</u>
14	Administrative and general expense per budget for the 12 months ending 12/31/17, as adjusted		<u>\$ 16,914</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 8
 \$000

Adjustment for OPEB Expense

To adjust OPEB expense to the test year service cost. The service cost represents the actuarial present value of benefit liabilities accrued under the plan benefit formula for services rendered during the test year. Inclusion of the service cost in rates provides for recovery of the current cost of benefits earned by plan participants. Any excess or shortfall related to the expected return on plan assets are not included because their inclusion would artificially reduce or increase total costs and result in the recovery of more or less than the actual normal cost of service. The adjustment for OPEB expense to the current service cost amount was adopted by the Commission at Docket Numbers R-00061366 and R-00061367 and included at Docket Nos. R-2014-2428745; R-2014-2428743; R-2014-2428744 and R-2014-2428742.

<u>Line No.</u>	<u>Description</u>	<u>O&M</u> (1)	<u>Capital</u> (2)	<u>Total</u> (3)
1	O&M - Capital allocation ratios	45.69%	54.31%	100.00%
2	Company OPEB expense included in budget (Exhibit RAD 27)	\$ (712)	\$ (846)	\$ (1,558)
3	FirstEnergy Service Corp. OPEB expense	\$ (11,003)	\$ (13,079)	\$ (24,082)
4	Allocation ratio	1.56%	1.56%	1.56%
5	Allocated FirstEnergy Service Corp. OPEB expense included in budget (Lines 3 x 4)	\$ (172)	\$ (204)	\$ (376)
6	Total OPEB expense included in budget (Lines 2 + 5)	\$ (884)	\$ (1,050)	\$ (1,934)
7	Service cost for company OPEB expense	\$ 4	\$ 5	\$ 9
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 256	\$ 304	\$ 560
9	Allocation ratio	1.56%	1.56%	1.56%
10	Allocated FirstEnergy Service Corp. service cost (Lines 8 x 9)	\$ 4	\$ 5	\$ 9
11	Total OPEB service cost (Line 7 + 10)	\$ 8	\$ 10	\$ 18
12	Adjustment to set OPEB expense at ongoing service cost level (Lines 11 - 6)	\$ 892	\$ 1,060	\$ 1,952

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 2 to Normalizing Adjustment No. 8
 \$000

Adjustment for Pension Expense

To adjust pension expense to a ten year average level of actual cash contributions under the methodology that was adopted by the Commission at Docket Numbers R-00061366 and R-0061367, and included at Docket Nos. R-2014-2428745; R-2014-2428743; R-2014-2428744 and R-2014-2428742.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1) Total	(2) O&M %	(3) O&M
1	<u>Company Cash Contributions</u>			
2	2009 Cash Pension Contribution	21,359	33.35%	7,123
3	2011 Cash Pension Contribution	12,000	41.69%	5,003
4	2016 Cash Pension Contribution	<u>14,856</u>	38.05%	<u>5,653</u>
5	Total Company Cash Pension Contributions	\$ 48,215		\$ 17,779
	<u>FirstEnergy Service Company Cash Contributions</u>			
6	2016 Pension Contribution	24,760		
7	Company Allocation Factor	<u>1.56%</u>		
8	2016 Service Company Pension Contribution allocated to the Company	\$ 386	38.05%	<u>147</u>
9	2017 Pension Contribution	221,360		
10	Company Allocation Factor	<u>1.56%</u>		
11	2017 Service Company Pension Contribution allocated to the Company	\$ 3,453	45.69%	<u>1,578</u>
12	Total FirstEnergy Service Company Cash Pension Contributions allocated to the Company	\$ 3,839		\$ 1,725
13	Total Pension cash contributions (Lines 5 + 12)	\$ 52,054		\$ 19,503
14	Number of years	<u>10</u>		<u>10</u>
15	Pension expense cash contribution, averaged over 10 years	\$ 5,205		\$ 1,950
16	O&M Pension Expense included in budget			<u>167</u>
17	Adjustment to Pension Expense (Lines 15 - 16)			\$ <u>1,783</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 3 to Normalizing Adjustment No. 8
 \$000

Adjustment to Employee Benefit Expense to Reflect Year End Employee Levels and Ongoing Wage Rates

To determine the normalized costs associated with providing additional employee benefits related to the increased O&M payroll expense reflected in Normalization Adjustment No. 5, Supporting Schedule No. 1.

Employee benefits applicable to operating expenses:

<u>Line No.</u>	<u>Description</u>	<u>Effective Rate (a)</u>	<u>Payroll Adjustment</u>	<u>Benefit Adjustment</u>
		(1)	(2)	(3) = (1) x (2)
1	Workers compensation	0.722%	\$ 257 (b)	\$ 2
2	Pension costs	26.563%	\$ 257 (b)	68
3	OPEB costs	0.051%	\$ 257 (b)	-
4	Life insurance	0.160%	\$ 257 (b)	-
5	Medical insurance	9.878%	\$ 257 (b)	25
6	Savings plan	3.030%	\$ 257 (b)	8
7	Other (Exhibit RAD-27)	7.394%	\$ 257 (b)	19
8	Total increase due to payroll adjustment			<u>\$ 122</u>

(a) Summary of effective employee benefit rates based on total payroll for the 12 months ending 12/31/17

	<u>Total Amount</u>	<u>Total Payroll</u>	<u>Effective Rate</u>
Workers compensation (Exhibit RAD 27)	\$ 131	\$ 18,151 (a)	0.722%
Pension costs - normalized basis	4,822	\$ 18,151 (a)	26.563%
OPEB costs - service cost	9	\$ 18,151 (a)	0.051%
Life insurance (Exhibit RAD 27)	29	\$ 18,151 (a)	0.160%
Medical insurance (Exhibit RAD 27)	1,793	\$ 18,151 (a)	9.878%
Savings plan (Exhibit RAD 27)	550	\$ 18,151 (a)	3.030%
Other (Exhibit RAD 27)	1,342	\$ 18,151 (a)	7.394%

(b) Adjustment No. 5, Supporting Schedule No. 1, Line 7.

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 9
 \$000

Adjustment of Depreciation Expense

To adjust depreciation expense (1) C (ELG) rates on adjusted rate base, (2) to adjust cost of removal / salvage expense to a five year average per Commission practice, and (3) eliminate legacy meter cost of removal from the five year average. Mr. J. J. Spanos supports the ELG depreciation rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>			
		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
1	Depreciation expense per budget for the 12 months ending 12/31/17				\$ 18,352
2	Cost of removal/salvage expense per budget for the 12 months ending 12/31/17 (Exhibit RAD-30)		\$ 3,306		
3	Depreciation accrual per budget (Lines 1 - 2)		\$ 15,047		
4	Depreciation expense accrual on adjusted rate base at average remaining life rate (Exhibit RAD-53, page 2)		\$ 21,809		
5	Adjustment for ELG accrual for plant (Lines 4 - 3)			\$ 6,762	
6	Cost of removal/salvage expense per budget for the 12 months ending 12/31/17 (Exhibit RAD-30)		\$ 3,306		
	Cost of removal and salvage 2011 - 2015 (Exhibit RAD-30)				
7	2011	\$ 1,332			
8	2012	2,217			
9	2013	5,046			
10	2014	2,666			
11	2015	4,032			
12	Total	\$ 15,293			
13	Five year average (Line 12 / 5)	\$ 3,058.59			
14	Less five year average for legacy meter cost of removal	(481)			
15	Total cost of removal	\$ 2,578			
16	Adjustment of cost of removal/salvage expense to a five year average (Lines 15 - 6)			(728)	
17	Total normalizing adjustment (Lines 5 + 16)				6,035
18	Depreciation expense per budget for the 12 months ending 12/31/17, as adjusted				\$ 24,387

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 10
 \$000

Adjustment of Amortization Expense

To adjust amortization expense to (1) exclude smart meter amortization in the budget; and (2) include the amortization of additional legacy meters.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Amortization expense per budget for the 12 months ending 12/31/2017		\$ 229
2	Adjustment for amortization of legacy meters (Adj. 10 Sched 1, Line 2)	(465)	
3	Eliminate smart meter amortization per budget	<u>(118)</u>	
4	Total normalizing adjustment		<u>(583)</u>
5	Amortization expense per budget for the 12 months ending 12/31/17, as adjusted		\$ <u>(354)</u>

PENNSYLVANIA POWER COMPANY
Supporting Schedule No. 1 to Normalizing Adjustment No. 10
\$000

Adjustment for Amortization Expense of Legacy Meters

To determine additional legacy meters to fully recover all legacy meter costs over 39 months of the original amortization period.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
		(1)
1	Total Legacy Meters and Cost of Removal to be recovered (Exhibit RAD-64)	\$ 9,287
2	Less Legacy Meters and Cost of Removal in Base Rates	<u>10,797</u>
3	Unrecovered Legacy Meters	<u>(1,510)</u>
4	Annual amount of unrecovered legacy meter (Lines 3 /39 months x 12 months)	<u>\$ (465)</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 11
 \$000

Adjustment of Taxes Other Than Income

To adjust gross receipts tax expense to (1) reflect normalized sales revenues, to (2) adjust payroll tax expenses for normalized payroll and employee expenses.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
1	Taxes Other Than income per budget for the 12 months ending 12/31/17			\$ 17,082
	Gross Receipts Tax			
2	Normalized sales revenues (Exhibit RAD-2, page 1, Col. 3)	\$ 270,329		
3	Gross receipts tax @ 5.9%	15,949		
4	Gross receipts tax included in budget (Exhibit RAD-32, page 1)	<u>16,236</u>		
5	Adjustment for gross receipts tax at normalized revenue level (Lines 3 - 4)		\$ (287)	
6	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>7</u>	
7	Total normalizing adjustment (Lines 5 + 6)			<u>(280)</u>
8	Taxes other than income per budget for the 12 months ending 12/31/17, as adjusted			<u>\$ 16,802</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No.1 to Normalizing Adjustment No. 11
 \$000

Adjustment to Taxes Other Than Income to reflect changes in payroll taxes.

To determine the additional payroll tax expense associated with the increased O&M payroll expense reflected in Normalization Adjustment No. 5, Supporting Schedule No. 1.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> <u>(1)</u>
1	Total payroll per budget for the 12 months ending 12/31/2017 (Normalization Adjustment No. 5, Schedule 1, Line 1, Col 3)	\$ 18,151
2	Total payroll tax included in budget, (Exhibit RAD-32)	<u>495</u>
3	Effective payroll tax rate (Line 2 / Line 1)	<u>2.73%</u>
4	Total payroll as adjusted (Normalization Adjustment No. 5 Schedule 1, Line 5)	<u>\$ 18,714</u>
5	Payroll tax on normalized payroll (Lines 3 x 4)	\$ 510
6	Total Company payroll tax adjustment (Lines 5 - 2)	\$ 15
7	O&M Allocation percentage	45.69%
8	Adjustment for payroll tax (Lines 6 x 7)	<u>\$ 7</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 12
 \$000

Adjustment of Federal & State Income Taxes

To adjust federal and state income taxes to reflect the revenue and expense levels shown on Exhibit RAD-2, Page 1, Col. 3 - Budget as Adjusted.

Line No.	Description	Total Company Calculated Taxes (1)	Distribution Calculated Taxes (2)	Smart Meter Rider Calculated Taxes (3)	Total Distribution (4) = (2) + (3)	PTC Calculated Taxes (5)	Universal Service Calculated Taxes (7)	Energy Efficiency Calculated Taxes (8)	DSS Calculated Taxes (9)	Solar Calculated Taxes (10)
1	Total operating revenue	\$ 273,780	\$ 81,707	\$ 12,483	\$ 94,190	\$ 157,490	\$ 8,427	\$ 6,335	\$ 6,147	\$ 1,191
2	Less: Total O & M Expense	209,438	33,344	3,462	36,807	149,028	7,287	6,650	7,912	1,764
3	Depreciation - accrual	21,809	17,679	4,130	21,809	-	-	-	-	-
4	Average net salvage	2,578	2,578	-	2,578	-	-	-	-	-
5	Amortization	(354)	1,700	-	1,700	(807)	665	(685)	(551)	(675)
6	Taxes other than income taxes	16,802	5,486	736	6,222	9,281	497	369	363	70
7	Total deductions	\$ 250,274	\$ 60,787	\$ 8,328	\$ 69,115	\$ 157,501	\$ 8,449	\$ 6,335	\$ 7,724	\$ 1,150
8	Net operating income before income taxes	\$ 23,506	\$ 20,920	\$ 4,155	\$ 25,075	\$ (11)	\$ (22)	\$ 0	\$ (1,577)	\$ 41
9	Less: Interest Charges (A)	12,150	11,113	1,037	12,150	-	-	-	-	-
10	Net income before income taxes	\$ 11,357	\$ 9,806	\$ 3,118	\$ 12,925	\$ (11)	\$ (22)	\$ 0	\$ (1,577)	\$ 41
Adjustments to taxable income:										
11	Book Average net salvage	\$ 2,578	\$ 2,578	\$ -	\$ 2,578	\$ -	\$ -	\$ -	\$ -	\$ -
12	Adj. of book depreciation to tax basis (B)	(5,925)	(2,411)	(3,513)	(5,925)	-	-	-	-	-
13	Adj. to amortization to Legacy Meter	1,694	1,694	-	1,694	-	-	-	-	-
14	Tax cost of removal/salvage	(2,914)	(2,914)	-	(2,914)	-	-	-	-	-
15	Adjust cash pension	1,783	1,783	-	1,783	-	-	-	-	-
16	Net adjustment	(2,784)	730	(3,513)	(2,784)	-	-	-	-	-
17	Income subject to income tax	8,573	10,536	(395)	10,141	(11)	(22)	-	(1,577)	41
Adjustments to state taxable income:										
18	Plus: Federal Bonus Depreciation	\$ 16,250	\$ 16,250	\$ -	\$ 16,250	\$ -	\$ -	\$ -	\$ -	\$ -
19	Less: Additional State Depreciation	(4,336)	(4,336)	-	(4,336)	-	-	-	-	-
20	Net adjustment to state taxable income	\$ 11,913	\$ 11,913	\$ -	\$ 11,913	\$ -	\$ -	\$ -	\$ -	\$ -
21	Income subject to state income tax (Lines 17 + 20)	\$ 20,486	\$ 22,449	\$ (395)	\$ 22,054	\$ (11)	\$ (22)	\$ -	\$ (1,577)	\$ 41
22	State income tax @ 9.99%	2,047	2,243	(39)	2,203	(1)	(2)	-	(158)	4
23	Taxes as budgeted	1,981	1,981	-	1,981	-	-	-	-	-
24	Adjustment to state income tax	60	262	(39)	222	(1)	(2)	-	(158)	4
25	Income subject to federal income tax	\$ 6,526	\$ 8,293	\$ (356)	\$ 7,938	\$ (10)	\$ (20)	\$ -	\$ (1,419)	\$ 37
26	Federal income tax @ 35%	2,284	2,903	(124)	2,778	(3)	(7)	-	(497)	13
27	Taxes as budgeted	3,274	3,274	-	3,274	-	-	-	-	-
28	Adjustment to federal income tax	(959)	(371)	(124)	(495)	(3)	(7)	-	(497)	13

(A) Computation of interest charges

Total rate base	\$ 413,519	\$ 413,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt ratio	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%
Cost of debt	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%
Interest expense	\$ 12,150	\$ 11,113	\$ 1,037	\$ 12,150	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(B) Adjustment of book depreciation to tax basis:

Tax depreciation	\$ 27,734	\$ 20,090	\$ 7,643	\$ 27,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Book depreciation	21,809	17,679	4,130	21,809	-	-	-	-	-	-
Depreciation adjustment	5,925	2,411	3,513	5,925	-	-	-	-	-	-

PENNSYLVANIA POWER COMPANY
Supporting Schedule No. 1 to Normalization Adjustment No. 12
\$000

Adjustment of Tax Depreciation

To adjust tax depreciation to eliminate the cost of removal component.

<u>Line No.</u>	<u>Description</u>	<u>Total Exhibit RAD-33 (1)</u>
1	Tax depreciation expense per budget	\$ 30,648
2	Cost of removal salvage in tax depreciation	<u>2,914</u>
3	Net Tax depreciation (Line 1 - Line 2)	27,734
4	Smart Meter tax depreciation	<u>7,643</u>
5	Distribution tax depreciation (Line 3 - Line 4)	<u>\$ 20,090</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 13
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects (1) the adjustment of Federal deferrals to reflect year-end plant and (2) miscellaneous federal deferred taxes not associated with liberalized depreciation. All state deferred taxes associated with liberalized depreciation have been eliminated.

<u>Line No.</u>	<u>Description</u>	<u>Provision for Deferred Taxes - Net</u>	
		<u>Federal</u>	<u>State</u>
		<u>(1)</u>	<u>(2)</u>
1	Deferred taxes per budget, 12 months ending 12/31/2017	\$ 6,469	\$ 1,144
2	Deferred taxes - liberalized depreciation, (Exhibit RAD-41, page 17)	6,351	
3	Less Deferred taxes - Smart meters	<u>1,201</u>	<u>-</u>
4	Distribution deferred taxes	5,150	
5	Adjustment to deferred tax expense (Lines 2 - 1)	\$ (118)	\$ (1,144)
6	Deferred tax expense per budget for the 12 months ending 12/31/17, as adjusted	<u>\$ 6,351</u>	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 14
\$000

Adjustment of Investment Tax Credit

Not Applicable

PENNSYLVANIA POWER COMPANY
Rate Base At Original Cost
Normalized To Year-End Conditions at December 31, 2016
(\$000)

Line No.	Description	Adjustments and Normalizations			Pa Jurisdictional Normalized Rate Base			
		Per Budget (1)	Normalizations (2)	Adj No. (3)	Distribution (4)	Smart Meter Costs (5)	PA Jurisdictional Total (6) = (4) + (5)	
1	Electric Plant:							
2	Plant in service	\$ 662,784	\$ (6,754)	1	\$ 612,597	\$ 43,433	\$ 656,030	
3	Plant held for future use	1,764	(1,764)	2	-	-	-	
4	Construction work in progress - pollution control and safety	-	-	-	-	-	-	
4	Total electric plant	\$ 664,548	\$ (8,518)		\$ 612,597	\$ 43,433	\$ 656,030	
	Depreciation & Amortization Reserve:							
5	Plant in service	\$ 189,283	\$ (676)	3	\$ 174,835	\$ 13,773	\$ 188,608	
6	Plant held for future use	-	-	-	-	-	-	
7	Total depreciation & amortization reserve	\$ 189,283	\$ (676)		\$ 174,835	\$ 13,773	\$ 188,608	
8	Net Electric Plant	\$ 475,265	\$ (7,843)		\$ 437,762	\$ 29,660	\$ 467,422	
	Additions:							
9	Cash working capital	-	\$ 28,906	4	\$ 28,906	\$ -	\$ 28,906	
10	M&S inventories	-	3,245	5	3,245	-	3,245	
11	Legacy meters	-	7,847	6	7,847	-	7,847	
12	Deferred storm	-	1,430	7	1,430	-	1,430	
13	Total additions	-	\$ 41,428		\$ 41,428	\$ -	\$ 41,428	
	Deductions:							
14	Customer deposits	\$ 5,239	-		\$ 5,239	\$ -	\$ 5,239	
15	Customer advances for construction	33	-		33	-	33	
16	Accum. Deferred income taxes - Liberalized depreciation	148,470	(31,657)	8	109,440	7,373	116,813	
17	Operating reserves (net of taxes)	1,250	-	9	1,250	-	1,250	
18	Total deductions	\$ 154,992	\$ (31,657)		\$ 115,962	\$ 7,373	\$ 123,335	
19	Total Rate Base	\$ 320,272	\$ 65,242		\$ 363,227	\$ 22,287	\$ 385,514	
20	Pro forma return at present rates (PA Distribution)	\$ 19,524						
21		5.06%						
22	Pro forma return at proposed rates (PA Distribution)	\$ 33,525						
23		8.70%						

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 1
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to (1) eliminate the Asset Retirement Cost ("ARC"); (2) to include LED Street Lights. (3) eliminate Transmission easements and land (4) eliminate American Transmission Systems, Inc. ("ATSI") plant in accordance with the settlement agreement at Docket A-110450F0016. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

Line No.	Description	Adjustments (1)	Plant in Service (2)
1	Budgeted Plant in Service at 12/31/2016 (Exhibit RAD-47, Attach. B, p. 1 and 2)		\$ 662,784
	Normalizing adjustment:		
2	Eliminate ARC (Exhibit RAD-47, Attach. B, p. 2)	(37)	
3	Increase LED Street Lighting (Exhibit RAD-47, Attach. B, p. 2)	4,578	
4	Eliminate Transmission easements and land (Exhibit RAD-47, Attach. B, p. 1)	(10,520)	
5	Eliminate ATSI Plant from 1999 Agreement (Exhibit RAD-47, Attach. B, p. 2)	(775)	
6	Normalization Adjustment		(6,754)
7	Plant in Service at 12/31/2016, as adjusted		\$ 656,030

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 2
(\$000)

Adjustment of Plant Held for Future Use

To adjust Plant Held for Future Use. As an alternative to rate base treatment, the Company is requesting the allowance of deferred carrying charges on any current or future investments in Plant Held for Future Use with definitive plans of utilization within a ten-year period. This is consistent with long-standing Commission policy.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Per budget Plant Held for Future Use at 12/31/2016	\$ 1,764
	Normalizing adjustment:	
2	Eliminate Plant Held for Future Use	<u>(1,764)</u>
3	Plant Held for Future Use at 12/31/2016, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 3
 (\$000)

Adjustment of Depreciation Reserves - Plant In Service

To adjust the budgeted gross plant in service to (1) eliminate the Asset Retirement Cost ("ARC"); and (2) eliminate American Transmission Systems, Inc. ("ATSI") plant in accordance with the settlement agreement at Docket A-110450F0016. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

<u>Line No.</u>	<u>Description</u>	<u>Depreciation Reserves</u>	
		<u>Adjustments</u>	<u>Plant in Service</u>
		(1)	(2)
1	Plant in Service depreciation reserves at 12/31/2016 (Exhibit RAD-47, Attach. A, p. 3 and 4		\$ 189,283
	Normalizing adjustments:		
2	Eliminate ARC (Exhibit RAD-47, Attach. B, p. 3)	(25)	
3	Eliminate ATSI reserve per 1999 Agreement (Exhibit RAD-47, Attach. B, p. 3)	<u>(651)</u>	
4	Normalization Adjustment (Lines 2 + 3)		<u>(676)</u>
5	Plant in Service depreciation reserves at 12/31/2016, as adjusted		\$ <u>188,608</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 4
 (\$000)

Adjustment of Cash Working Capital

To recognize cash working capital at year-end level. This adjustment is supported by Penn Power Witness Mr. J.L. Adams in Statement No. 5.

<u>Line No.</u>	<u>Description</u>	<u>Cash Working Capital</u>	
		<u>(1)</u>	<u>(2)</u>
1	Cash working capital per budget at 12/31/2016		\$ -
	Normalizing adjustment:		
2	Cash working capital normalized to year-end	\$ 28,906	
3	Cash working capital per budget	<u>-</u>	
4	Normalization Adjustment		<u>28,906</u>
5	Cash working capital at 12/31/2016, as adjusted		<u>\$ 28,906</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 5
 (\$000)

Adjustment of Material and Supplies Inventories

To recognize the Company's distribution portion of FE Service material and services ("M&S") inventory levels projected at 12/31/2016.

<u>Line No.</u>	<u>Description</u>	<u>M&S Inventories</u>	
		<u>(1)</u>	<u>(2)</u>
1	M&S Inventory per budget at 12/31/2016		\$ -
	Normalizing adjustment:		
2	Distribution component of projected FE Service M&S Inventory allocated to the company at 12/31/2016 (Exhibit RAD-13)	\$ 3,245	
3	M&S Inventory per budget at 12/31/2016	<u>-</u>	
4	Normalization Adjustment		<u>3,245</u>
5	M&S inventory at 12/31/2016, as adjusted		<u>\$ 3,245</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 6
 (\$000)

Adjustment for Legacy Meters

To include legacy meters in a regulatory asset as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341993.

<u>Line No.</u>	<u>Description</u>	<u>Legacy Meters</u>	
		<u>(1)</u>	<u>(2)</u>
1	Net legacy meters in regulatory asset at 12/31/2016		\$ -
2	Legacy meter normalized to year-end	<u>7,847</u>	
3	Normalization Adjustment		<u>7,847</u>
4	Net legacy meters in regulatory asset at 12/31/2016, as adjusted		<u>\$ 7,847</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 7
(\$000)

Adjustment for Deferred Storm Damage Expenses

<u>Line No.</u>	<u>Description</u>	<u>Storms</u>	
		(1)	(2)
1	Unamortized storm damage deferral expense per budget at 12/31/2016	\$ -	\$ -
2	Storm Reserve Balance	<u>1,430</u>	
3	Normalization Adjustment		<u>1,430</u>
4	Storm damage deferral expense at 12/31/2016, as adjusted		<u>\$ 1,430</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 8
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

This adjustment adjusts the budgeted deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate remaining state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; and (2) Eliminate Other excludable items.

Line No.	<u>Description</u>	<u>Adjustments</u>	<u>Accum Reserve for Deferred Taxes - Liberalized Depreciation</u>
		(1)	(2)
1	Deferred taxes per budget - liberalized depreciation at 12/31/2016		\$ 148,470
	Normalizing adjustments:		
2	Eliminate remaining state deferred taxes - liberalized depreciation including the federal benefit of those taxes	\$ (18,391)	
3	Eliminate Other Excludable Items (Leases)	(13,266)	
4	Normalization Adjustment		(31,657)
5	Deferred taxes - liberalized depreciation at 12/31/2016, as adjusted		\$ 116,813

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 9
(\$000)

Adjustment of Operating Reserves

Not Applicable

PENNSYLVANIA POWER COMPANY

Rate of Return at December 31, 2016

Line No.	Exhibit JD-24 Capital Amounts (1)	Capital Ratios (2)	Cost Rate (3)	Weighted Cost Rate (3) = (2) X (3)	
1	Total long-term debt	151,981	49.9%	5.88%	2.94%
2	Total preferred stock	-	0.00%	0.00%	0.00%
3	Total common equity	152,390	50.1%	11.50%	5.76%
4	Total capitalization	\$ 304,371	100.00%		8.70%

PENNSYLVANIA POWER COMPANY
Statement of Operating Income, 12 Months Ending December 31, 2016, Normalized and Adjusted
to Reflect Revenue Necessary to Achieve Allowable Return
 (\$000)

Line No.	Description	Per Budget (1)	Normalizations & Adjustments (2)	Adj. No.	Budget as Adjusted (3)=(1)+(2)	Distribution (4)	Smart Meters (5)	Total Distribution (6)=(4)+(5)	PTC (7)	Normalized PaPUC Jurisdictional			
										Universal Service (8)	Riders Energy Efficiency (9)	Default Service Support (10)	Solar (11)
Operating revenues													
1	Retail sales	\$ 278,201	\$ (949)	1	\$ 277,252	\$ 78,694	\$ 12,483	\$ 91,177	\$ 164,193	\$ 8,360	\$ 5,965	\$ 6,375	\$ 1,183
2	STAS revenue	-	-	2	-	-	-	-	-	-	-	-	-
3	DSIC revenue	1,446	(1,446)	3	-	-	-	-	-	-	-	-	-
4	Sales for resale	144	-	-	144	-	-	-	-	-	144	-	-
5	Other operating revenue	4,925	(1,318)	4	3,608	3,428	-	3,428	180	-	-	-	-
6	Total operating revenue	\$ 284,717	\$ (3,713)		\$ 281,004	\$ 82,122	\$ 12,483	\$ 94,605	\$ 164,373	\$ 8,360	\$ 6,108	\$ 6,375	\$ 1,183
Operating expenses													
7	Price To Compare	\$ 157,613	-	-	\$ 157,613	-	-	-	\$ 155,146	-	-	-	\$ 1,000
8	Distribution	18,946	624	5	19,570	15,412	-	15,412	-	-	-	-	4,158
9	Customer accounts	6,410	306	6	6,717	5,797	-	5,797	-	-	-	-	919
10	Customer service & info	11,350	31	7	11,381	4,254	-	4,254	-	7,072	-	-	55
11	Admin & gen expense	13,796	2,495	8	16,292	6,888	3,462	10,350	-	-	5,941	-	-
12	Depreciation - accrual	17,534	4,767	9	22,300	18,665	3,636	22,300	-	-	-	-	-
13	Amortization and Accretion	2,085	(583)	10	1,503	1,700	-	1,700	(393)	861	(185)	(115)	(365)
14	Taxes other than income	17,292	(133)	11	17,160	5,446	736	6,182	9,687	493	352	376	70
15	Operating expense before tax	\$ 245,028	\$ 7,508		\$ 252,536	\$ 58,162	\$ 7,834	\$ 65,996	\$ 164,440	\$ 8,426	\$ 6,108	\$ 6,393	\$ 1,172
16	Operating income before income tax	39,689	(11,221)		28,468	23,960	4,649	28,609	(67)	(67)	-	(18)	11
Income taxes													
17	Federal income tax - current	\$ 1,589	\$ 976	12	\$ 2,565	\$ 3,548	\$ (939)	\$ 2,609	\$ (21)	\$ (21)	\$ -	\$ (6)	\$ 3
18	State income tax - current	2,044	502	12	2,547	2,859	(288)	2,561	(7)	(7)	-	(2)	1
19	Deferred income tax - federal	8,374	(4,459)	13	3,915	1,334	2,581	3,915	-	-	-	-	-
20	Deferred income tax - state	1,150	(1,150)	13	-	-	-	-	-	-	-	-	-
21	Investment tax credit	-	-	14	-	-	-	-	-	-	-	-	-
22	Total tax expense	\$ 13,158	\$ (4,131)		\$ 9,027	\$ 7,742	\$ 1,344	\$ 9,085	\$ (28)	\$ (28)	\$ -	\$ (6)	\$ 4
22	Total operating expenses	\$ 258,186	\$ 3,377		\$ 261,563	\$ 65,904	\$ 9,178	\$ 75,081	\$ 164,412	\$ 8,399	\$ 6,108	\$ 6,385	\$ 1,177
23	Operating income	\$ 26,531	\$ (7,090)		\$ 19,441	\$ 16,218	\$ 3,305	\$ 19,524	\$ (39)	\$ (39)	\$ -	\$ (11)	\$ 6

PENNSYLVANIA POWER COMPANY
Statement of Operating Income, 12 Months Ending December 31, 2016, Normalized and Adjusted
to Reflect Revenue Necessary to Achieve Allowable Return
 (\$000)

Line No.	Description	Distribution (13)	Smart Meters (14)	Total Distribution (15) = (13) + (14)	Price to Compare (16)	Riders				
						Universal Service (17)	Energy Efficiency (18)	Default Service Support (20)	Solar (21)	
<u>Operating revenues</u>										
1	Retail sales	\$ 27,916	\$ (2,483)	\$ 25,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	STAS revenue	-	-	-	-	-	-	-	-	-
3	DSIC revenue	-	-	-	-	-	-	-	-	-
4	Sales for resale	-	-	-	-	-	-	-	-	-
5	Other operating revenue	-	-	-	-	-	-	-	-	-
6	Total operating revenue	\$ 27,916	\$ (2,483)	\$ 25,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Operating expenses</u>										
7	PTC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Distribution	-	-	-	-	-	-	-	-	-
9	Customer accounts	-	-	-	-	-	-	-	-	-
10	Customer service & info	-	-	-	-	-	-	-	-	-
11	Admin & gen expense	-	-	-	-	-	-	-	-	-
12	Depreciation - accrual	-	-	-	-	-	-	-	-	-
13	Amortization	-	-	-	-	-	-	-	-	-
14	Taxes other than income	1,647	(147)	1,501	-	-	-	-	-	-
15	Operating expense before tax	\$ 1,647	\$ (147)	\$ 1,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Operating income before income taxes	\$ 26,269	\$ (2,337)	\$ 23,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Income taxes</u>										
17	Federal income tax - current	\$ 8,276	\$ (736)	\$ 7,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18	State income tax - current	2,624	(233)	2,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19	Deferred income tax - federal	-	-	-	-	-	-	-	-	-
20	Deferred income tax - state	-	-	-	-	-	-	-	-	-
21	Investment tax credit	-	-	-	-	-	-	-	-	-
22	Total tax expense	\$ 10,900	\$ (970)	\$ 9,930	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Total operating expenses	\$ 12,547	\$ (1,116)	\$ 11,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24	Operating income	\$ 15,369	\$ (1,367)	\$ 14,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PENNSYLVANIA POWER COMPANY
Statement of operating income, 12 Months Ending December 31, 2016, Normalized and Adjusted
to Reflect Revenue Necessary to Achieve Allowable Return
 (\$000)

Line No.	Description	Distribution (23) = (4) + (13)	Smart Meters (24) = (6) + (14)	Total Distribution (25) = (6) + (16)	Price to Compare (26) = (7) + (17)	Universal Service (27) = (8) + (18)	Riders			Solar (30) = (11) + (21)
							Energy Efficiency (28) = (9) + (19)	Default Service Support (29) = (10) + (20)		
Operating revenues										
1	Retail sales	\$ 106,610	\$ 10,000	\$ 116,610	\$ 164,193	\$ 8,360	\$ 5,965	\$ 6,375	\$ 1,183	-
2	STAS revenue	-	-	-	-	-	-	-	-	-
3	DSIC revenue	-	-	-	-	-	-	-	-	-
4	Sales for resale	-	-	-	-	-	144	-	-	-
5	Other operating revenue	3,428	-	3,428	180	-	-	-	-	-
6	Total operating revenue	\$ 110,038	\$ 10,000	\$ 120,037	\$ 164,373	\$ 8,360	\$ 6,108	\$ 6,375	\$ 1,183	-
Operating expenses										
7	PTC	-	-	-	\$ 155,146	-	-	-	\$ 1,000	\$ 1,468
8	Distribution	15,412	-	15,412	-	-	-	-	4,158	-
9	Customer accounts	5,797	-	5,797	-	-	-	-	919	-
10	Customer service & info	4,254	-	4,254	-	7,072	-	-	55	-
11	Admin & gen expense	6,888	3,462	10,350	-	-	5,941	-	-	-
12	Depreciation - accrual	18,665	3,636	22,300	-	-	-	-	-	-
13	Amortization	1,700	-	1,700	(393)	861	(185)	(115)	(365)	-
14	Taxes other than income	7,093	589	7,682	9,687	493	352	376	70	-
15	Operating expense before tax	\$ 59,809	\$ 7,687	\$ 67,497	\$ 164,440	\$ 8,426	\$ 6,108	\$ 6,393	\$ 1,172	-
16	Operating income before tax	\$ 50,228	\$ 2,312	\$ 52,541	\$ (67)	\$ (67)	\$ -	\$ (18)	\$ 11	-
Income taxes										
17	Federal income tax - current	\$ 11,824	\$ (1,675)	\$ 10,149	\$ (21)	\$ (21)	\$ -	\$ (6)	\$ 3	-
18	State income tax - current	5,483	(531)	4,952	(7)	(7)	-	(2)	1	-
19	Deferred income tax - federal	1,334	2,581	3,915	-	-	-	-	-	-
20	Deferred income tax - state	-	-	-	-	-	-	-	-	-
21	Investment tax credit	-	-	-	-	-	-	-	-	-
22	Total tax expense	\$ 18,641	\$ 374	\$ 19,016	\$ (28)	\$ (28)	\$ -	\$ (8)	\$ 4	-
23	Total operating expenses	\$ 78,451	\$ 8,062	\$ 86,512	\$ 164,412	\$ 8,399	\$ 6,108	\$ 6,385	\$ 1,177	-
24	Operating income	\$ 31,587	\$ 1,938	\$ 33,525	\$ (39)	\$ (39)	\$ -	\$ (11)	\$ 6	-
25	Rate Base	\$ 363,227	\$ 22,287	\$ 385,514	\$ -	\$ -	\$ -	\$ -	\$ -	-
26	Rate of Return overall	8.70%	8.70%	8.70%	NA	NA	NA	NA	NA	NA
27	Return on Equity	11.50%	11.50%	11.50%	NA	NA	NA	NA	NA	NA

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Distribution
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 78,694	\$ 27,916	\$ 106,610
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	3,428	-	3,428
6	Total operating revenue	\$ 82,122	\$ 27,916	\$ 110,038
	<u>Operating expenses</u>			
7	PTC	\$ -	\$ -	\$ -
8	Distribution	15,412	-	15,412
9	Customer accounts	5,797	-	5,797
10	Customer service & info	4,254	-	4,254
11	Admin & gen expense	6,888	-	6,888
12	Depreciation - accrual	18,665	-	18,665
13	Amortization	1,700	-	1,700
14	Taxes other than income	5,446	1,647	7,093
15	Operating expense before tax	\$ 58,162	\$ 1,647	\$ 59,809
16	Operating income before tax	\$ 23,960	\$ 26,269	\$ 50,228
	<u>Income taxes</u>			
17	Federal income tax - current	\$ 3,548	\$ 8,276	\$ 11,824
18	State income tax - current	2,859	2,624	5,483
19	Deferred income tax - federal	1,334	-	1,334
20	Deferred income tax - state	-	-	-
21	Investment tax credit	-	-	-
22	Total tax expense	\$ 7,742	\$ 10,900	\$ 18,641
23	Total operating expenses	\$ 65,904	\$ 12,547	\$ 78,451
24	Operating income	\$ 16,218	\$ 15,369	\$ 31,587
25	Rate Base	\$ 363,227		\$ 363,227
26	Rate of Return overall	4.47%		8.70%
27	Return on Equity	3.05%		11.50%

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Smart Meter
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 12,483	\$ (2,483)	\$ 10,000
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	-	-	-
6	Total operating revenue	\$ 12,483	\$ (2,483)	\$ 10,000
	<u>Operating expenses</u>			
7	PTC	\$ -	\$ -	\$ -
8	Distribution	-	-	-
9	Customer accounts	-	-	-
10	Customer service & info	-	-	-
11	Admin & gen expense	3,462	-	3,462
12	Depreciation - accrual	3,636	-	3,636
13	Amortization	-	-	-
14	Taxes other than income	736	(147)	589
15	Operating expense before tax	\$ 7,834	\$ (147)	\$ 7,687
16	Operating income before tax	4,649	(2,337)	2,312
	<u>Income taxes</u>			
17	Federal income tax - current	\$ (939)	\$ (736)	\$ (1,675)
18	State income tax - current	(298)	(233)	(531)
19	Deferred income tax - federal	2,581	-	2,581
20	Deferred income tax - state	-	-	-
21	Investment tax credit	-	-	-
22	Total tax expense	\$ 1,344	\$ (970)	\$ 374
23	Total operating expenses	\$ 9,178	\$ (1,116)	\$ 8,062
24	Operating income	\$ 3,305	\$ (1,367)	\$ 1,938
25	Rate Base	\$ 22,287		\$ 22,287
26	Rate of Return overall	14.83%		8.70%
27	Return on Equity	23.75%		11.50%

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Total Distribution
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u> (1)	<u>Revenue Adjustment Required</u> (2)	<u>Allowable Revenue</u> (3)
<u>Operating revenues</u>				
1	Retail sales	\$ 91,177	\$ 25,432	\$ 116,610
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	<u>3,428</u>	<u>-</u>	<u>3,428</u>
6	Total operating revenue	94,605	25,432	120,037
<u>Operating expenses</u>				
7	PTC	\$ -	\$ -	\$ -
8	Distribution	15,412	-	15,412
9	Customer accounts	5,797	-	5,797
10	Customer service & info	4,254	-	4,254
11	Admin & gen expense	10,350	-	10,350
12	Depreciation - accrual	22,300	-	22,300
13	Amortization	1,700	-	1,700
14	Taxes other than income	<u>6,182</u>	<u>1,501</u>	<u>7,682</u>
15	Operating expense before tax	\$ 65,996	\$ 1,501	\$ 67,497
16	Operating income before tax	\$ 28,609	\$ 23,932	\$ 52,541
<u>Income taxes</u>				
17	Federal income tax - current	\$ 2,609	\$ 7,539	\$ 10,149
18	State income tax - current	2,561	2,391	4,952
19	Deferred income tax - federal	3,915	-	3,915
20	Deferred income tax - state	-	-	-
21	Investment tax credit	<u>-</u>	<u>-</u>	<u>-</u>
22	Total tax expense	\$ 9,085	\$ 9,930	\$ 19,016
23	Total operating expenses	\$ 75,081	\$ 11,431	\$ 86,512
24	Operating income	\$ 19,524	\$ 14,002	\$ 33,525
25	Rate Base	\$ 385,514		\$ 385,514
26	Rate of Return overall	5.06%		8.70%
27	Return on Equity	3.05%		11.50%

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 1
 \$000

Adjustment of Base Operating Revenues

To adjust base operating revenues (1) for changes in number of customers, (2) to roll in State Tax Adjustment Surcharge ("STAS") revenues into base rates, (3) to roll in Distribution System Improvement Charge ("DSIC") revenue into base rates, (4) for Energy Efficiency and Behind the Meter generation, (5) for other revenue, and (6) to eliminate unbilled revenues. Adjustments (1) through (5) are supported by Mr. K. M. Siedt. The adjustment for unbilled revenues is supported by Mr. R. A. D'Angelo.

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Base revenues per budget for the 12 months ending 12/31/16		\$ 278,201
	Normalizing adjustments:		
2	Customers - increase to yr end level	\$ 160	
	Specific adjustments		
3	Roll-in of STAS	\$ -	
4	Roll-in of DSIC	1,446	
5	Adjust for Energy Efficiency and Behind the Meter Generation	(2,082)	
6	Adjust for Other Revenues	(545)	
7	Eliminate unbilled revenues	<u>72</u>	
8	Total (Lines 3+4+5+6+ 7)	\$ (1,109)	
9	Normalizing adjustment (Lines 2 + 8)		<u>(949)</u>
10	Base revenues per budget for the 12 months ending 12/31/16, as adjusted		<u>\$ 277,252</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 2
\$000

Adjustment of State Tax Adjustment Surcharge Revenues

To remove state tax adjustment surcharge ("STAS") revenues. Normalized STAS revenues are being rolled into base rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
0		
1	STAS revenue per budget for the 2 months ending 12/31/16	\$ -
2	Eliminate per budget STAS	<u>-</u>
3	STAS revenue per budget for the 12 months ending 12/31/16, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 3
\$000

Adjustment of Distribution Improvement System Charge Revenues

To remove distribution system improvement charge ("DSIC") revenues. Normalized DSIC revenues are being rolled into base rates in Normalization Adjustment No. 1.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	DSIC revenue per budget for the 12 months ending 12/31/16	\$ 1,446
2	Eliminate per budget DSIC	<u>(1,446)</u>
3	DSIC revenue per budget for the 12 months ending 12/31/16, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 4
\$000

Adjustment of Other Operating Revenues

To adjust other operating revenue (1) to remove American Transmission System Incorporated (ATSI) ground lease revenues; and (2) to adjust late payment charges. The adjustment to late payment charge is supported by Mr. K. M. Siedt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other Operating revenue per budget for the 12 months ending 12/31/16		\$ 4,926
2	Eliminate ATSI ground lease	<u>(1,318)</u>	
3	Normalizing adjustment		(1,318)
4	Other Operating revenue per budget for the 12 months ending 12/31/16, as adjusted		<u>\$ 3,608</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 5
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense (1) to reflect year end wage and employee levels, (2) to adjust service company payroll expenses to reflect year end and wage and employee levels, and (3) to include the amortization of gains or losses on reacquired debt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		<u>(1)</u>	<u>(2)</u>
1	Distribution expense per budget for the 12 months ending 12/31/16		\$ 18,946
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rate (Supporting Schedule No. 1, Line 16, Col 2).	\$ 129	
3	Service Company Distribution payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage and salary rate (Supporting Schedule 1, Line 28, Col. 2)	35	
4	Amortization of (gain) or loss on reacquired debt	412	
5	Increase distribution expenses for contractor safety request	<u>48</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>624</u>
7	Distribution expense per budget for the 12 months ending 12/31/16, as adjusted (Lines 1 + 6)		<u>\$ 19,570</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 5
 (\$000)

Adjustment to Payroll Expense to Reflect Year End Employee Levels and Wage Rates

To determine the additional payroll expense associated with (1) year end bargaining and non-bargaining wage rates and employee levels, and (2) Service Company year end wage rates and employee levels; and to allocate the additional payroll expense to individual components. Mr. T. J. Dolezal supports the labor allocation factors.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Total company payroll (Exhibit RAD 27)		\$ 17,805
	<u>Non-Bargaining</u>		
2	Straight time per budget for January 1, 2016 through February 28, 2016	\$ 678	
3	Straight time 3% increase effective 3/1/2016 (Line 2 x 3%)	20	
4	Straight time per budget for the 12 months ending 12/31/2016, as adjusted	\$ 4,290	
5	Straight time 3% increase effective 3/1/2016 (Line 4 x 3%)	129	
	<u>Bargaining</u>		
6	Straight time per budget for January 1, 2016 through June 30, 2016	\$ 5,406	
7	Straight time 2.5% increase effective 3/1/2016 (Line 6 x 2.5%)	135	
8	Straight time per budget for the 12 months ending 12/31/2016, as adjusted	\$ 10,840	
9	Straight time 2.5% increase effective 3/1/2016 (Line 8 x 2.5%)	271	
10	Total company payroll adjustments		<u>555</u>
11	Total Payroll adjustment (Line 1 + 10)		<u>18,360</u>
12	O&M allocation %	38.05%	
13	O&M payroll adjustment (Line 10 x 12)	\$ 211	
	<u>Allocation of payroll adjustment:</u>		
14	Price to Compare	0.00%	\$ -
15	Transmission	0.00%	-
16	Distribution	61.18%	129
17	Customer accounts	18.53%	39
18	Customer service	14.74%	31
19	Administrative and general	5.54%	12
20	Total	100%	<u>\$ 211</u>
	<u>Service Company</u>		
21	Straight time per budget for January 1, 2016 through February 28, 2016	\$ 617	
22	Straight time 3% increase effective 3/1/2016 (Line 21 x 3%)	19	
23	Straight time per budget for the 12 months ending 12/31/2016, as adjusted	\$ 4,098	
24	Straight time 3% increase effective 3/1/2016 (Line 23 x 3%)	123	
25	Total service company payroll adjustments (Lines 22 + 24)		<u>\$ 141</u>
	<u>Allocation of Service Company payroll adjustment (Exhibit RAD-25)</u>		
26	Price to Compare	0.00%	\$ -
27	Transmission	0.00%	-
28	Distribution	24.69%	35
29	Customer accounts	24.17%	34
30	Administrative and general	51.16%	72
31	Total	100%	<u>\$ 141</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 6
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense (1) to reflect year end wage rates and employee levels, (2) to reflect Service Company year end wage rates and employee levels, (3) to include increased O&M costs associated with serving new customers, and (4) to include interest on customer deposits.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Account expense per budget for the 12 months ending 12/31/16		\$ 6,410
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalizing Adjustment No. 5, Supporting Schedule No. 1, Line 17, Column 2)	\$ 39	
3	Service Company customer account payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage and salary rates, (Normalizing Adjustment No. 5, Supporting Schedule 1, Line 29, Col. 2)		34
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Supporting Schedule 1, Line 10)		2
5	Interest on customer deposits, (Supporting Schedule 2, Line 3)	<u>231</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>306</u>
7	Customer Account expense per budget for the 12 months ending 12/31/16, as adjusted		<u>\$ 6,717</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 6
 (\$000)

Adjustment of Other O&M Costs Associated with Serving New Customers

To determine the cost associated with serving the additional customers reflected in Normalization Adjustment No. 1. The ratio of non-payroll customer account expense to total revenue is applied to the additional revenue from increased customers to estimate this cost. The Commission previously recognized and approved this adjustment. The adjustment to base operating revenue for changes in number of customers is supported by Mr. K. M. Siedt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
	<u>Customer Account Expense Excluding Labor and Uncollectible</u>	
1	Customer Account expense per budget for the 12 months ending 12/31/16	\$ 6,410
2	Less: Uncollectible expense	(3,365)
3	Less: Labor expense	<u>(1,661)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 1,384</u>
	<u>Total Distribution Revenue</u>	
5	Distribution revenues per budget	\$ 92,126
6	Late payment charges per budget	<u>1,291</u>
7	Total	<u>\$ 93,417</u>
8	Ratio of customer account expense to total revenue (Line 4 / Line 7)	1.48%
9	Revenue from added customers (Normalization Adjustment No. 1, Line 2)	\$ 160
10	Additional expense from added customers (Lines 8 x 9)	<u>\$ 2</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No.2 to Normalizing Adjustment No. 6
 (\$000)

Adjustment to Allow for Interest Expense on Customer Deposits

To determine the interest paid on customer deposits. Since customer deposits are funds supplied to the Company by customers, they are included in rate base as a deduction. The Commission previously recognized this adjustment to include the corresponding interest paid to customers on these deposits as a expense.

<u>Line No.</u>	<u>Description</u>	<u>Residential</u> (1)	<u>Non Residential</u> (2)	<u>Total</u> (3)
1	Customer deposits included in rate base (Exhibit RAD-3, Page 1, Column 1, Line 14)	\$ 2,790	\$ 2,450	\$ 5,239
2	Interest rate on deposits	3%	6%	
3	Interest expense on customer deposits	<u>\$ 84</u>	<u>\$ 147</u>	<u>\$ 231</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 7
\$000

Adjustment of Customer Service and Information Expense

To adjust customer service and information expense to reflect year end wage and employee levels.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per budget for the 12 months ending 12/31/16		\$ 11,350
2	Customer Service payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 18, Column 2)	\$ 31	
3	Total normalizing adjustment		<u>31</u>
4	Customer Service expense per budget for the 12 months ending 12/31/16, as adjusted		<u>\$ 11,381</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 8
 \$000

Adjustment of Administrative and General Expense

To adjust administrative and general expenses (1) to reflect year end wage rates and employee levels, (2) to reflect Service Company year end wage rates and employee levels, (3) to reflect OPEB expense at service cost level, (4) to reflect pension expense at the ten year cash level, (5) to reflect employee benefits expense at year end wage rates and employee levels, and (6) to include amortization of rate case expenses.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Administrative & general expense per budget for the 12 months ending 12/31/16	\$	13,796
2	Administrative & general expenses related to EE&C	(5,941)	
3	Administrative & general expenses related to Smart Meters	<u>(3,989)</u>	
4	Adjustment to administrative & general expenses	(9,930)	
5	Administrative & general payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 19, Column 2)		12
6	Service Company Administrative & general payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage & salary rates, (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 30, Column 2)		72
7	Adjust OPEB expense to service cost level, (Supporting Schedule No. 1, Line 12, Col. 1)		742
8	Adjust pension expense to ten year cash level, (Supporting Schedule No. 2, Line 19, Col. 3)		1,487
9	Adjust employee benefit costs (Supporting Schedule No. 3, Line 8, Column 3)		101
10	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$	162
11	Recovery period - 2 years	<u>2</u>	
12	Annual amount (Line 7 / Line 8)	\$	81
13	Total normalizing adjustment (Lines 5+ 6+7+8+9+12)	\$	<u>2,495</u>
14	Administrative and general expense per budget for the 12 months ending 12/31/16, as adjusted	\$	<u>16,292</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 8
 \$000

Adjustment for OPEB Expense

To adjust OPEB expense to the test year service cost. The service cost represents the actuarial present value of benefit liabilities accrued under the plan benefit formula for services rendered during the test year. Inclusion of the service cost in rates provides for recovery of the current cost of benefits earned by plan participants. Any excess or shortfall related to the expected return on plan assets are not included because their inclusion would artificially reduce or increase total costs and result in the recovery of more or less than the actual normal cost of service. The adjustment for OPEB expense to the current service cost amount was adopted by the Commission at Docket Numbers R-00061366 and R-00061367 and included at Docket Nos. R-2014-2428745; R-2014-2428743; R-2014-2428744 and R-2014-2428742.

<u>Line No.</u>	<u>Description</u>	<u>O&M</u> (1)	<u>Capital</u> (2)	<u>Total</u> (3)
1	O&M - Capital allocation ratios	38.05%	61.95%	100.00%
2	Company OPEB expense included in budget (Exhibit RAD 27)	\$ (592)	\$ (965)	\$ (1,557)
3	FirstEnergy Service Corp. OPEB expense	\$ (9,220)	\$ (15,012)	\$ (24,232)
4	Allocation ratio	<u>1.56%</u>	<u>1.56%</u>	<u>1.56%</u>
5	Allocated FirstEnergy Service Corp. OPEB expense included in budget (Lines 3 x 4)	\$ (144)	\$ (234)	\$ (378)
6	Total OPEB expense included in budget (Lines 2 + 5)	\$ (736)	\$ (1,199)	\$ (1,935)
7	Service cost for company OPEB expense	\$ 3	\$ 6	\$ 9
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 207	\$ 337	\$ 544
9	Allocation ratio	<u>1.56%</u>	<u>1.56%</u>	<u>1.56%</u>
10	Allocated FirstEnergy Service Corp. service cost (Lines 8 x 9)	\$ 3	\$ 5	\$ 8
11	Total OPEB service cost (Line 7 + 10)	\$ 6	\$ 11	\$ 17
12	Adjustment to set OPEB expense at ongoing service cost level (Lines 11 - 6)	\$ 742	\$ 1,210	\$ 1,952

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 2 to Normalizing Adjustment No. 8
 \$000

Adjustment for Pension Expense

To adjust pension expense to a ten year average level of actual cash contributions under the methodology that was adopted by the Commission at Docket Numbers R-00061366 and R-0061367, and included at Docket Nos. R-2014-2428745; R-2014-2428743; R-2014-2428744 and R-2014-2428742.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1) Total	(2) O&M %	(3) O&M
1	<u>Company Cash Contributions</u>			
2	2009 Cash Pension Contribution	21,359	33.35%	7,123
3	2011 Cash Pension Contribution	12,000	41.69%	5,003
4	2016 Cash Pension Contribution	14,856	38.05%	5,653
5	Total Company Cash Pension Contributions	\$ 48,215		\$ 17,779
	<u>FirstEnergy Service Company Cash Contributions</u>			
6	2016 Pension Contribution	24,760		
7	Company Allocation Factor	1.56%		
8	2016 Service Company Pension Contribution allocated to the Company	\$ 386	38.05%	147
9	Total Pension cash contributions (Lines 5 + 8)	\$ 48,601		\$ 17,926
10	Number of years	10		10
11	Pension expense cash contribution, averaged over 10 years	\$ 4,860		\$ 1,793
12	O&M Pension Expense included in budget			305
13	Adjustment to Pension Expense (Lines 11 - 12)			\$ 1,487

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 3 to Normalizing Adjustment No. 8
 \$000

Adjustment to Employee Benefit Expense to Reflect Year End Employee Levels and Ongoing Wage Rates

To determine the normalized costs associated with providing additional employee benefits related to the increased O&M payroll expense reflected in Normalization Adjustment No. 5, Supporting Schedule No. 1.

Employee benefits applicable to operating expenses:

Line No.	Description	Effective	Payroll	Benefit
		Rate (a)	Adjustment	Adjustment
		(1)	(2)	(3) = (1) x (2)
1	Workers compensation	0.736%	\$ 211 (b)	\$ 2
2	Pension costs	27.079%	\$ 211 (b)	57
3	OPEB costs	0.051%	\$ 211 (b)	-
4	Life insurance	0.157%	\$ 211 (b)	-
5	Medical insurance	9.632%	\$ 211 (b)	20
6	Savings plan	3.038%	\$ 211 (b)	6
7	Other (Exhibit RAD-27)	7.588%	\$ 211 (b)	16
8	Total increase due to payroll adjustment			<u>\$ 101</u>

(a) Summary of effective employee benefit rates based on total payroll for the 12 months ending 12/31/16

	Total	Total	Effective
	Amount	Payroll	Rate
Workers compensation (Exhibit RAD 27)	\$ 131	\$ 17,805 (a)	0.736%
Pension costs - normalized basis	4,822	\$ 17,805 (a)	27.079%
OPEB costs - service cost	9	\$ 17,805 (a)	0.051%
Life insurance (Exhibit RAD 27)	28	\$ 17,805 (a)	0.157%
Medical insurance (Exhibit RAD 27)	1,715	\$ 17,805 (a)	9.632%
Savings plan (Exhibit RAD 27)	541	\$ 17,805 (a)	3.038%
Other (Exhibit RAD 27)	1,351	\$ 17,805 (a)	7.588%

(b) Adjustment No. 5, Supporting Schedule No. 1, Line 7.

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 9
 \$000

Adjustment of Depreciation Expense

To adjust depreciation expense (1) to reflect equal life group (ELG) rates on adjusted rate base, (2) to adjust cost of removal / salvage expense to a five year average per Commission practice, and (3) eliminate legacy meter cost of removal from the five year average. Mr. J. J. Spanos supports the ELG depreciation rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>			
		(1)	(2)	(3)	(4)
1	Depreciation expense per budget for the 12 months ending 12/31/16				\$ 17,534
2	Cost of removal/salvage expense per budget for the 12 months ending 12/31/16 (Exhibit RAD-30)		\$ 3,242		
3	Depreciation accrual per budget (Lines 1 - 2)		\$ 14,292		
4	Depreciation expense accrual on adjusted rate base at average remaining life rate (Exhibit RAD-53, page 2)		\$ 19,723		
5	Adjustment for average remaining life accrual for plant (Lines 4 - 3)			\$ 5,431	
6	Cost of removal/salvage expense per budget for the 12 months ending 12/31/16 (Exhibit RAD-30)		\$ 3,242		
	Cost of removal and salvage 2011 - 2015 (Exhibit RAD-30)				
7	2013	\$ 1,332			
8	2014	2,217			
9	2013	5,046			
10	2014	2,666			
11	2015	4,032			
12	Total	\$ 15,293			
13	Five year average (Line 12 / 5)	\$ 3,059			
14	Less five year average for legacy meter cost of removal	(481)			
15	Total cost of removal	\$ 2,578			
16	Adjustment of cost of removal/salvage expense to a five year average (Lines 15 - 6)			(664)	
17	Total normalizing adjustment (Lines 5 + 16)				4,767
18	Depreciation expense per budget for the 12 months ending 12/31/16, as adjusted				\$ 22,300

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 10
 \$000

Adjustment of Amortization Expense

To adjust amortization expense to (1) exclude smart meter amortization in the budget; and (2) include the amortization of additional legacy meters.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Amortization expense per budget for the 12 months ending 12/31/2016		\$ 2,085
2	Adjustment for amortization of legacy meters (Adj. 10 Sched 1, Line 4)	(465)	
3	Eliminate smart meter amortization per budget	<u>(118)</u>	
4	Total normalizing adjustment		<u>(583)</u>
5	Amortization expense per budget for the 12 months ending 12/31/16, as adjusted		<u>\$ 1,503</u>

PENNSYLVANIA POWER COMPANY
Supporting Schedule No. 1 to Normalizing Adjustment No. 10
\$000

Adjustment for Amortization Expense of Legacy Meters

To determine additional legacy meters to fully recover all legacy meter costs over 39 months of the original amortization period.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Total Legacy Meters and Cost of Removal to be recovered (Exhibit RAD-64)	\$ 9,287
2	Less Legacy Meters and Cost of Removal in Base Rates	<u>10,797</u>
3	Unrecovered Legacy Meters	<u>(1,510)</u>
4	Annual amount of unrecovered legacy meter (Lines 3 /39 months x 12 months)	<u>\$ (465)</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 11
 \$000

Adjustment of Taxes Other Than Income

To adjust gross receipts tax expense to (1) reflect normalized sales revenues, to (2) adjust payroll tax expenses for normalized payroll and employee expenses.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
1	Taxes Other Than Income per budget for the 12 months ending 12/31/16			\$ 17,292
	Gross Receipts Tax			
2	Normalized sales revenues (Exhibit RAD-4, page 1, Col. 3)	\$ 277,252		
3	Gross receipts tax @ 5.9%	16,358		
4	Gross receipts tax included in budget (Exhibit RAD-32, page 1)	<u>16,496</u>		
5	Adjustment for gross receipts tax at normalized revenue level (Lines 3 - 4)		\$ (138)	
6	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>5</u>	
7	Total normalizing adjustment (Lines 5 + 6)			<u>(133)</u>
8	Taxes other than income per budget for the 12 months ending 12/31/16, as adjusted			\$ <u>17,160</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No.1 to Normalizing Adjustment No. 11
 \$000

Adjustment to Taxes Other Than Income to reflect changes in payroll taxes.

To determine the additional payroll tax expense associated with the increased O&M payroll expense reflected in Normalization Adjustment No. 5, Supporting Schedule No. 1.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Total payroll per budget for the 12 months ending 12/31/2016 (Normalization Adjustment No. 5, Schedule 1, Line 1, Col 3)	\$ 17,805
2	Total payroll tax included in budget, (Exhibit RAD-32)	<u>449</u>
3	Effective payroll tax rate (Line 2 / Line 1)	<u>2.52%</u>
4	Total payroll as adjusted (Normalization Adjustment No. 5 Schedule 1, Line 5)	<u>\$ 18,360</u>
5	Payroll tax on normalized payroll (Lines 3 x 4)	\$ 463
6	Total Company payroll tax adjustment (Lines 5 - 2)	\$ 14
7	O&M Allocation percentage	38.05%
8	Adjustment for payroll tax (Lines 6 x 7)	<u>\$ 5</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 12
\$000

Adjustment of Federal & State Income Taxes

To adjust federal and state income taxes to reflect the revenue and expense levels shown on Exhibit RAD-4, Page 1, Col. 3 - Budget as Adjusted.

Line No.	Description	Total Company Calculated Taxes (1)	Distribution Calculated Taxes (2)	Smart Meter Rider Calculated Taxes (3)	Total Distribution (4) = (2) + (3)	PTC Calculated Taxes (5)	Universal Service Calculated Taxes (7)	Energy Efficiency Calculated Taxes (8)	DSS Calculated Taxes (9)	Solar Calculated Taxes (10)
1	Total operating revenue	\$ 281,004	\$ 82,122	\$ 12,483	\$ 94,605	\$ 164,373	\$ 8,360	\$ 6,108	\$ 6,375	\$ 1,183
2	Less: Total O & M Expense	211,573	32,352	3,462	35,814	155,146	7,072	5,941	6,132	1,468
3	Depreciation - accrual	19,723	16,087	3,636	19,723	-	-	-	-	-
4	Average net salvage	2,578	2,578	-	2,578	(393)	861	(185)	(115)	(365)
5	Amortization	1,503	1,700	-	1,700	9,687	493	352	376	70
6	Taxes other than income taxes	17,160	5,446	736	6,182	164,440	8,426	6,108	6,393	1,172
7	Total deductions	\$ 252,536	\$ 58,162	\$ 7,834	\$ 65,996	\$ (67)	\$ (67)	\$ (0)	\$ (18)	\$ 11
8	Net operating income before income taxes	\$ 28,468	\$ 23,960	\$ 4,649	\$ 28,609	\$ (67)	\$ (67)	\$ (0)	\$ (18)	\$ 11
9	Less: Interest Charges (A)	11,327	10,672	655	11,327	-	-	-	-	-
10	Net income before income taxes	\$ 17,140	\$ 13,287	\$ 3,994	\$ 17,282	\$ (67)	\$ (67)	\$ (0)	\$ (18)	\$ 11
Adjustments to taxable income:										
11	Book Average net salvage	\$ 2,578	\$ 2,578	\$ -	\$ 2,578	\$ -	\$ -	\$ -	\$ -	\$ -
12	Adj. of book depreciation to tax basis (B)	(10,174)	(3,199)	(6,975)	(10,174)	\$ -	\$ -	\$ -	\$ -	\$ -
13	Adj. to amortization to Legacy Meter	1,694	1,694	-	1,694	\$ -	\$ -	\$ -	\$ -	\$ -
14	Tax cost of removal/salvage	(2,851)	(2,851)	-	(2,851)	\$ -	\$ -	\$ -	\$ -	\$ -
15	Adjust cash pension	1,487	1,487	-	1,487	\$ -	\$ -	\$ -	\$ -	\$ -
16	Net adjustment	(7,265)	(290)	(6,975)	(7,265)	(67)	(67)	-	(18)	11
17	Income subject to income tax	9,875	12,997	(2,981)	10,016	(67)	(67)	-	(18)	11
Adjustments to state taxable income:										
18	Plus: Federal Bonus Depreciation	\$ 19,931	\$ 19,931	\$ -	\$ 19,931	\$ -	\$ -	\$ -	\$ -	\$ -
19	Less: Additional State Depreciation	(4,312)	(4,312)	-	(4,312)	\$ -	\$ -	\$ -	\$ -	\$ -
20	Net adjustment to state taxable income	\$ 15,619	\$ 15,619	\$ -	\$ 15,619	\$ -	\$ -	\$ -	\$ -	\$ -
21	Income subject to state income tax (Lines 17 + 20)	\$ 25,494	\$ 28,616	\$ (2,981)	\$ 25,635	\$ (67)	\$ (67)	\$ -	\$ (18)	\$ 11
22	State income tax @ 9.99%	\$ 2,547	\$ 2,859	\$ (298)	\$ 2,561	\$ (7)	\$ (7)	\$ -	\$ (2)	\$ 1
23	Taxes as budgeted	2,044	2,044	-	2,044	-	-	-	-	-
24	Adjustment to state income tax	\$ 502	\$ 814	\$ (298)	\$ 517	\$ (7)	\$ (7)	\$ -	\$ (2)	\$ 1
25	Income subject to federal income tax	\$ 7,328	\$ 10,138	\$ (2,683)	\$ 7,455	\$ (61)	\$ (60)	\$ -	\$ (16)	\$ 10
26	Federal income tax @ 35%	\$ 2,565	\$ 3,548	\$ (938)	\$ 2,609	\$ (21)	\$ (21)	\$ -	\$ (6)	\$ 3
27	Taxes as budgeted	1,589	1,589	-	1,589	-	-	-	-	-
28	Adjustment to federal income tax	\$ 976	\$ 1,959	\$ (939)	\$ 1,020	\$ (21)	\$ (21)	\$ -	\$ (6)	\$ 3

(A) Computation of Interest charges

Total rate base	\$ 385,514	\$ 363,227	\$ 22,287	\$ 385,514	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt ratio	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%
Cost of debt	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%
Interest expense	\$ 11,327	\$ 10,672	\$ 655	\$ 11,327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(B) Adjustment of book depreciation to tax basis:

Tax depreciation	\$ 29,887	\$ 19,286	\$ 10,611	\$ 29,887	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Book depreciation	19,723	16,087	3,556	19,723	-	-	-	-	-	-
Depreciation adjustment	\$ 10,174	\$ 3,199	\$ 6,975	\$ 10,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PENNSYLVANIA POWER COMPANY
Supporting Schedule No. 1 to Normalization Adjustment No. 12
\$000

Adjustment of Tax Depreciation

To adjust tax depreciation to eliminate the cost of removal component.

<u>Line No.</u>	<u>Description</u>	Total Exhibit RAD-33 (1)
1	Tax depreciation expense per budget	\$ 32,747
2	Cost of removal salvage in tax depreciation	<u>2,851</u>
3	Net Tax depreciation (Line 1 - Line 2)	29,897
4	Smart Meter tax depreciation	<u>10,611</u>
5	Distribution tax depreciation (Line 3 - Line 4)	<u>\$ 19,286</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 13
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects (1) the adjustment of Federal deferrals to reflect year-end plant and (2) miscellaneous federal deferred taxes not associated with liberalized depreciation. All state deferred taxes associated with liberalized depreciation have been eliminated.

<u>Line No.</u>	<u>Description</u>	<u>Provision for Deferred Taxes - Net</u>	
		<u>Federal</u>	<u>State</u>
		(1)	(2)
1	Deferred taxes per budget, 12 months ending 12/31/2016	\$ 8,374	\$ 1,150
2	Deferred taxes - liberalized depreciation, (Exhibit RAD-41, page 17)	3,915	
3	Less Deferred taxes - Smart meters	<u>2,581</u>	<u>-</u>
4	Distribution deferred taxes	1,334	
5	Adjustment to deferred tax expense (Lines 2 - 1)	\$ (4,459)	\$ (1,150)
6	Deferred tax expense per budget for the 12 months ending 12/31/16, as adjusted	<u>\$ 3,915</u>	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 14
\$000

Adjustment of Investment Tax Credit

Not Applicable

PENNSYLVANIA POWER COMPANY
Rate Base At Original Cost
Normalized To Year-End Conditions at December 31, 2015
(\$000)

Line No.	Description	Adjustments and Normalizations		Total	Pa Jurisdictional Normalized Rate Base		
		(1)	(2)		(3)	(4)	(5)
	Electric Plant:						
1	Plant in service	\$ 620,034	\$ (6,754)	\$ 613,280	\$ 565,267	\$ 48,013	\$ 613,280
2	Plant held for future use	1,764	(1,764)	-	-	-	-
3	Construction work in progress - pollution control and safety	-	-	-	-	-	-
4	Total electric plant	\$ 621,798	\$ (8,518)	\$ 613,280	\$ 565,267	\$ 48,013	\$ 613,280
	Depreciation & Amortization Reserve:						
5	Plant in service	\$ 178,126	\$ (662)	\$ 177,463	\$ 168,160	\$ 9,303	\$ 177,463
6	Plant held for future use	-	-	-	-	-	-
7	Total depreciation & amortization reserve	\$ 178,126	\$ (662)	\$ 177,463	\$ 168,160	\$ 9,303	\$ 177,463
8	Net Electric Plant	\$ 443,672	\$ (7,856)	\$ 435,816	\$ 397,106	\$ 38,710	\$ 435,816
	Additions:						
9	Cash working capital	\$ -	\$ 28,906	\$ 28,906	\$ 28,906	\$ -	\$ 28,906
10	M&S inventories	-	3,245	3,245	3,245	-	3,245
11	Legacy meters	-	7,847	7,847	7,847	-	7,847
12	Deferred storm	-	1,430	1,430	1,430	-	1,430
13	Total additions	\$ -	\$ 41,428	\$ 41,428	\$ 41,428	\$ -	\$ 41,428
	Deductions:						
14	Customer deposits	\$ 5,239	\$ -	\$ 5,239	\$ 5,239	\$ -	\$ 5,239
15	Customer advances for construction	33	-	33	33	-	33
16	Accum. Deferred income taxes - Liberalized depreciation	144,004	(28,725)	115,279	104,143	11,136	115,279
17	Operating reserves (net of taxes)	1,250	-	1,250	1,250	-	1,250
18	Total deductions	\$ 150,526	\$ (28,725)	\$ 121,801	\$ 110,666	\$ 11,136	\$ 121,801
19	Total Rate Base	\$ 293,146	\$ 62,297	\$ 355,443	\$ 327,868	\$ 27,574	\$ 355,443
20	Pro forma return at present rates (PA Distribution)	\$ 23,109					
21		6.50%					
22	Pro forma return at proposed rates (PA Distribution)	\$ 30,910					
23		8.70%					

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 1
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to (1) eliminate the Asset Retirement Cost ("ARC"); (2) to include LED Street Lights. (3) eliminate Transmission easements and land (4) eliminate American Transmission Systems, Inc. ("ATSI") plant in accordance with the settlement agreement at Docket A-110450F0016. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

Line No.	<u>Description</u>	<u>Adjustments</u> (1)	<u>Plant in Service</u> (2)
1	Plant in Service at 12/31/2015 (Exhibit RAD-48, Attach. B, p. 2)		\$ 620,034
	Normalizing adjustment:		
2	Eliminate ARC (Exhibit RAD-48, Attach. B, p. 2)	(37)	
3	Increase LED Street Lighting (Exhibit RAD-48, Attach. B, p. 2)	4,578	
4	Eliminate Transmission easements and land (Exhibit RAD-48, Attach. B, p. 1)	(10,520)	
5	Eliminate ATSI Plant from 1999 Agreement (Exhibit RAD-48, Attach. B, p. 2)	<u>(775)</u>	
6	Normalization Adjustment		<u>(6,754)</u>
7	Plant in Service at 12/31/2015, as adjusted		<u>\$ 613,280</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 2
(\$000)

Adjustment of Plant Held for Future Use

To adjust Plant Held for Future Use. As an alternative to rate base treatment, the Company is requesting the allowance of deferred carrying charges on any current or future investments in Plant Held for Future Use with definitive plans of utilization within a ten-year period. This is consistent with long-standing Commission policy.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Plant Held for Future Use at 12/31/2015	\$ 1,764
	Normalizing adjustment:	
2	Eliminate Plant Held for Future Use	<u>(1,764)</u>
3	Plant Held for Future Use at 12/31/2015, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 3
 (\$000)

Adjustment of Depreciation Reserves - Plant In Service

To adjust the budgeted gross plant in service to (1) eliminate the Asset Retirement Cost ("ARC"); and (2) eliminate American Transmission Systems, Inc. ("ATSI") plant in accordance with the settlement agreement at Docket A-110450F0016. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

<u>Line No.</u>	<u>Description</u>	<u>Depreciation Reserves</u>	
		<u>Adjustments</u>	<u>Plant in Service</u>
		(1)	(2)
1	Plant in Service depreciation reserves at 12/31/2015 (Exhibit RAD-48, Attach. B, p. 3)		\$ 178,126
	Normalizing adjustments:		
2	Eliminate ARC (Exhibit RAD-48, Attach. B, p. 3)	(24)	
3	Eliminate ATSI reserve per 1999 Agreement (Exhibit RAD-48, Attach. B, p. 3)	<u>(639)</u>	
4	Normalization Adjustment (Lines 3 + 4)		<u>(662)</u>
5	Plant in Service depreciation reserves at 12/31/2015, as adjusted		\$ <u>177,463</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 4
 (\$000)

Adjustment of Cash Working Capital

To recognize cash working capital at year-end level. This adjustment is supported by Penn Power Witness Mr. J.L. Adams in Statement No. 5.

<u>Line No.</u>	<u>Description</u>	<u>Cash Working Capital</u>	
		<u>(1)</u>	<u>(2)</u>
1	Cash working capital per book at 12/31/2015	\$	-
	Normalizing adjustment:		
2	Cash working capital normalized to year-end	\$ 28,906	
3	Cash working capital per book	<u>-</u>	
4	Normalization Adjustment		<u>28,906</u>
5	Cash working capital at 12/31/2015, as adjusted	\$	<u>28,906</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 5
 (\$000)

Adjustment of Material and Supplies Inventories

To recognize the Company's distribution portion of FE Service material and services ("M&S") inventory levels at 12/31/2015.

<u>Line No.</u>	<u>Description</u>	<u>M&S Inventories</u>	
		<u>(1)</u>	<u>(2)</u>
1	M&S Inventory per book at 12/31/2015		\$ -
	Normalizing adjustment:		
2	Distribution component of projected FE Service M&S Inventory allocated to the company at 12/31/2015 (Exhibit RAD-13)	\$ 3,245	
3	M&S Inventory per book at 12/31/2015	<u>-</u>	
4	Normalization Adjustment		<u>3,245</u>
5	M&S inventory at 12/31/2015, as adjusted		<u>\$ 3,245</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 6
(\$000)

Adjustment for Legacy Meters

To include legacy meters in a regulatory asset as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341993.

<u>Line No.</u>	<u>Description</u>	<u>Legacy Meters</u>	
		<u>(1)</u>	<u>(2)</u>
1	Net legacy meters in regulatory asset at 12/31/2015		\$ -
2	Legacy meter normalized to year-end	<u>7,847</u>	
3	Normalization Adjustment		<u>7,847</u>
4	Net legacy meters in regulatory asset at 12/31/2015, as adjusted		<u>\$ 7,847</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 7
(\$000)

Adjustment for Deferred Storm Damage Expenses

<u>Line No.</u>	<u>Description</u>	<u>Storms</u>	
		<u>(1)</u>	<u>(2)</u>
1	Unamortized storm damage deferral expense per book at 12/31/2015	\$ -	\$ -
2	Storm Reserve Balance	<u>1,430</u>	
3	Normalization Adjustment		<u>1,430</u>
4	Storm damage deferral expense at 12/31/2015, as adjusted		<u>\$ 1,430</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 8
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

This adjustment adjusts the budgeted deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate remaining state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; and (2) Eliminate Other excludable items.

Line No.	<u>Description</u>	<u>Adjustments</u>	<u>Accum Reserve for Deferred Taxes - Liberalized Depreciation</u>
		(1)	(2)
1	Deferred taxes per book - liberalized depreciation at 12/31/2015		\$ 144,004
	Normalizing adjustments:		
2	Eliminate remaining state deferred taxes - liberalized depreciation including the federal benefit of those taxes	\$ (18,783)	
3	Eliminate Other Excludable Items (Leases)	(9,942)	
4	Normalization Adjustment		(28,725)
5	Deferred taxes - liberalized depreciation at 12/31/2015, as adjusted		\$ 115,279

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 9
(\$000)

Adjustment of Operating Reserves

Not Applicable

PENNSYLVANIA POWER COMPANY

Rate of Return at December 31, 2015

Line No.		Exhibit JD-24 Capital Amounts (1)	Capital Ratios (2)	Cost Rate (3)	Weighted Cost Rate (3) = (2) X (3)
1	Total long-term debt	151,981	49.9%	5.88%	2.94%
2	Total preferred stock	-	0.00%	0.00%	0.00%
3	Total common equity	<u>152,390</u>	<u>50.1%</u>	11.50%	<u>5.76%</u>
4	Total capitalization	<u>\$ 304,371</u>	<u>100.00%</u>		<u>8.70%</u>

PENNSYLVANIA POWER COMPANY
Statement of Operating Income, 12 Months ended December 31, 2015, Normalized and Adjusted
to Reflect Revenue Necessary to Achieve Allowable Return
 (\$000)

Line No.	Description	per book (1)	Normalizations & Adjustments (2)	Adj. No.	Budget as Adjusted (3)=(1)+(2)	Distribution (4)	Smart Meters (5)	Total Distribution (6)=(4)+(5)	PTC (7)	Normalized PaPUC Jurisdictional				Solar (11)
										Universal Service (8)	Energy Efficiency (9)	Default Service Support (10)	Riders	
Operating revenues														
1	Retail sales	\$ 249,943	\$ 1,146	1	\$ 251,089	\$ 79,960	\$ 12,483	\$ 92,443	\$ 139,477	\$ 4,861	\$ 6,027	\$ 7,344	\$ 936	
2	STAS revenue	892	(892)	2	-	-	-	-	-	-	-	-	-	
3	DSIC revenue	-	-	3	-	-	-	-	-	-	-	-	-	
4	Sales for resale	160	-	-	160	-	-	149	-	-	158.05	-	-	
5	Other operating revenue	4,507	(1,318)	4	3,189	3,159	-	31	-	-	-	-	-	
6	Total operating revenue	\$ 255,502	\$ (1,064)		\$ 254,438	\$ 83,119	\$ 12,483	\$ 95,602	\$ 139,509	\$ 4,861	\$ 6,185	\$ 7,344	\$ 936	
Operating expenses														
7	Price To Compare	\$ 131,944	-		\$ 131,944	\$ -	\$ -	\$ -	\$ 131,004	\$ -	\$ -	\$ -	\$ 940	
8	Distribution	17,479	592	5	18,071	14,726	-	14,726	1,298	-	-	2,046	-	
9	Customer accounts	6,639	311	6	6,950	5,222	-	5,222	-	-	-	1,728	-	
10	Customer service & info	9,568	24	7	9,592	3,743	-	3,743	-	5,779	-	70	-	
11	Admin & gen expense	13,034	(4,243)	8	8,791	267	3,739	4,006	-	-	4,786	-	-	
12	Depreciation - accrual	18,440	2,547	9	20,987	18,247	2,740	20,987	-	-	-	-	-	
13	Amortization and Accretion	401	(1,447)	10	(1,046)	(3,774)	982	(2,792)	(1,410)	(1,005)	1,112	3,105	(55)	
14	Taxes other than income	16,523	147	11	16,670	8,350	134	8,484	7,222	245	288	381	49	
15	Operating expense before tax	\$ 214,027	\$ (2,069)		\$ 211,959	\$ 46,781	\$ 7,595	\$ 54,376	\$ 138,115	\$ 5,019	\$ 6,185	\$ 7,330	\$ 933	
16	Operating income before income tax	41,475	1,005		42,479	36,338	4,888	41,226	1,394	(168)	-	14	3	
Income taxes														
17	Federal income tax - current	\$ 1,479	\$ 3,607	12	\$ 5,086	\$ 6,612	\$ (1,921)	\$ 4,691	\$ 439	\$ (50)	\$ -	\$ 4	\$ 1	
18	State income tax - current	1,562	2,062	12	3,644	4,128	(609)	3,519	139	(16)	-	1	0	
19	Deferred income tax - federal	(1,956)	12,064	13	10,108	6,210	3,898	10,108	-	-	-	-	-	
20	Deferred income tax - state	12,393	(12,393)	13	-	-	-	-	-	-	-	-	-	
21	Investment tax credit	(189)	-	14	(189)	(189)	-	(189)	-	-	-	-	-	
22	Total tax expense	\$ 13,309	\$ 5,340		\$ 18,649	\$ 16,761	\$ 1,367	\$ 18,129	\$ 578	\$ (66)	\$ -	\$ 6	\$ 1	
22	Total operating expenses	\$ 227,336	\$ 3,271		\$ 230,608	\$ 63,543	\$ 8,962	\$ 72,505	\$ 138,693	\$ 4,954	\$ 6,185	\$ 7,336	\$ 934	
23	Operating income	\$ 28,166	\$ (4,335)		\$ 23,830	\$ 19,576	\$ 3,521	\$ 23,097	\$ 816	\$ (92)	\$ -	\$ 8	\$ 2	

PENNSYLVANIA POWER COMPANY
Statement of operating income, 12 Months ended December 31, 2015, Normalized and Adjusted
to Reflect Revenue Necessary to Achieve Allowable Return
 (\$000)

Line No.	Description	Distribution (23) = (4) + (19)	Smart Meters (24) = (5) + (14)	Total Distribution (25) = (6) + (16)	Price to Compare (26) = (7) + (17)	Universal Service (27) = (8) + (18)	Riders			Solar (30) = (11) + (21)
							Energy Efficiency (28) = (9) + (19)	Default Service Support (29) = (10) + (20)		
Operating revenues										
1	Retail sales	\$ 96,191	\$ 10,444	\$ 106,635	\$ 139,477	\$ 4,861	\$ 6,027	\$ 7,344	\$ 936	
2	STAS revenue	-	-	-	-	-	-	-	-	
3	DSIC revenue	-	-	-	-	-	-	-	-	
4	Sales for resale	-	-	-	1	-	158	-	-	
5	Other operating revenue	3,159	-	3,159	31	-	-	-	-	
6	Total operating revenue	\$ 99,350	\$ 10,444	\$ 109,794	\$ 139,509	\$ 4,861	\$ 6,185	\$ 7,344	\$ 936	
Operating expenses										
7	PTC	\$ -	\$ -	\$ -	\$ 131,004	\$ -	\$ -	\$ -	\$ -	\$ 940
8	Distribution	14,726	-	14,726	1,298	-	-	2,046	-	-
9	Customer accounts	5,222	-	5,222	-	-	-	1,728	-	-
10	Customer service & info	3,743	-	3,743	-	5,779	-	70	-	-
11	Admin & gen expense	267	3,739	4,006	-	-	4,786	-	-	-
12	Depreciation - accrual	18,247	2,740	20,987	-	-	-	-	-	-
13	Amortization	(3,714)	982	(2,732)	(1,410)	(1,005)	1,112	3,105	(55)	
14	Taxes other than income	9,307	14	9,321	7,222	245	288	381	49	
15	Operating expense before tax	\$ 47,739	\$ 7,475	\$ 55,214	\$ 138,115	\$ 5,019	\$ 6,185	\$ 7,330	\$ 933	
16	Operating income before tax	\$ 51,611	\$ 2,969	\$ 54,580	\$ 1,394	\$ (158)	\$ -	\$ 14	\$ 3	
Income taxes										
17	Federal income tax - current	\$ 11,424	\$ (2,525)	\$ 8,898	\$ 439	\$ (50)	\$ -	\$ 4	\$ 1	
18	State income tax - current	5,654	(801)	4,853	139	(16)	-	1	0	
19	Deferred income tax - federal	6,210	3,898	10,108	-	-	-	-	-	
20	Deferred income tax - state	-	-	-	-	-	-	-	-	
21	Investment tax credit	(189)	-	(189)	-	-	-	-	-	
22	Total tax expense	\$ 23,099	\$ 571	\$ 23,670	\$ 578	\$ (66)	\$ -	\$ 6	\$ 1	
23	Total operating expenses	\$ 70,838	\$ 8,046	\$ 78,884	\$ 138,693	\$ 4,954	\$ 6,185	\$ 7,336	\$ 934	
24	Operating income	\$ 28,512	\$ 2,398	\$ 30,910	\$ 816	\$ (92)	\$ -	\$ 8	\$ 2	
25	Rate Base	\$ 327,868	\$ 27,574	\$ 355,443	\$ -	\$ -	\$ -	\$ -	\$ -	
26	Rate of Return overall	8.70%	8.70%	8.70%	NA	NA	NA	NA	NA	
27	Return on Equity	11.50%	11.50%	11.50%	NA	NA	NA	NA	NA	

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Distribution
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u> (1)	<u>Revenue Adjustment Required</u> (2)	<u>Allowable Revenue</u> (3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 79,960	\$ 16,231	\$ 96,191
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	3,159	-	3,159
6	Total operating revenue	\$ 83,119	\$ 16,231	\$ 99,350
	<u>Operating expenses</u>			
7	PTC	\$ -	\$ -	\$ -
8	Distribution	14,726	-	14,726
9	Customer accounts	5,222	-	5,222
10	Customer service & info	3,743	-	3,743
11	Admin & gen expense	267	-	267
12	Depreciation - accrual	18,247	-	18,247
13	Amortization	(3,774)	-	(3,774)
14	Taxes other than income	8,350	958	9,307
15	Operating expense before tax	\$ 46,781	\$ 958	\$ 47,739
16	Operating income before tax	\$ 36,338	\$ 15,273	\$ 51,611
	<u>Income taxes</u>			
17	Federal income tax - current	\$ 6,612	\$ 4,812	\$ 11,424
18	State income tax - current	4,128	1,526	5,654
19	Deferred income tax - federal	6,210	-	6,210
20	Deferred income tax - state	-	-	-
21	Investment tax credit	(189)	-	(189)
22	Total tax expense	\$ 16,761	\$ 6,337	\$ 23,099
23	Total operating expenses	\$ 63,543	\$ 7,295	\$ 70,838
24	Operating income	\$ 19,576	\$ 8,936	\$ 28,512
25	Rate Base	\$ 327,868		\$ 327,868
26	Rate of Return overall	5.97%		8.70%
27	Return on Equity	6.06%		11.50%

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Smart Meter
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u> (1)	<u>Revenue Adjustment Required</u> (2)	<u>Allowable Revenue</u> (3)
<u>Operating revenues</u>				
1	Retail sales	\$ 12,483	\$ (2,039)	\$ 10,444
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	-	-	-
6	Total operating revenue	\$ 12,483	\$ (2,039)	\$ 10,444
<u>Operating expenses</u>				
7	PTC	\$ -	\$ -	\$ -
8	Distribution	-	-	-
9	Customer accounts	-	-	-
10	Customer service & info	-	-	-
11	Admin & gen expense	3,739	-	3,739
12	Depreciation - accrual	2,740	-	2,740
13	Amortization	982	-	982
14	Taxes other than income	134	(120)	14
15	Operating expense before tax	\$ 7,595	\$ (120)	\$ 7,475
16	Operating income before tax	4,888	(1,919)	2,969
<u>Income taxes</u>				
17	Federal income tax - current	\$ (1,921)	\$ (605)	\$ (2,525)
18	State income tax - current	(609)	(192)	(801)
19	Deferred income tax - federal	3,898	-	3,898
20	Deferred income tax - state	-	-	-
21	Investment tax credit	-	-	-
22	Total tax expense	\$ 1,367	\$ (796)	\$ 571
23	Total operating expenses	\$ 8,962	\$ (917)	\$ 8,046
24	Operating income	\$ 3,521	\$ (1,123)	\$ 2,398
25	Rate Base	\$ 27,574		\$ 27,574
26	Rate of Return overall	12.77%		8.70%
27	Return on Equity	19.63%		11.50%

PENNSYLVANIA POWER COMPANY
Summary of Revenue Requirements
Total Distribution
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u> (1)	<u>Revenue Adjustment Required</u> (2)	<u>Allowable Revenue</u> (3)
<u>Operating revenues</u>				
1	Retail sales	\$ 92,443	\$ 14,192	\$ 106,635
2	STAS revenue	-	-	-
3	DSIC revenue	-	-	-
4	Sales for resale	-	-	-
5	Other operating revenue	3,159	-	3,159
6	Total operating revenue	95,602	14,192	109,794
<u>Operating expenses</u>				
7	PTC	\$ -	\$ -	\$ -
8	Distribution	14,726	-	14,726
9	Customer accounts	5,222	-	5,222
10	Customer service & info	3,743	-	3,743
11	Admin & gen expense	4,006	-	4,006
12	Depreciation - accrual	20,987	-	20,987
13	Amortization	(2,792)	-	(2,792)
14	Taxes other than income	8,484	837	9,321
15	Operating expense before tax	\$ 54,376	\$ 837	\$ 55,214
16	Operating income before tax	\$ 41,226	\$ 13,354	\$ 54,580
<u>Income taxes</u>				
17	Federal income tax - current	\$ 4,691	\$ 4,207	\$ 8,898
18	State income tax - current	3,519	1,334	4,853
19	Deferred income tax - federal	10,108	-	10,108
20	Deferred income tax - state	-	-	-
21	Investment tax credit	(189)	-	(189)
22	Total tax expense	\$ 18,129	\$ 5,541	\$ 23,670
23	Total operating expenses	\$ 72,505	\$ 6,378	\$ 78,884
24	Operating income	\$ 23,097	\$ 7,813	\$ 30,910
25	Rate Base	\$ 355,443		\$ 355,443
26	Rate of Return overall	6.50%		8.70%
27	Return on Equity	6.06%		11.50%

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 1
 \$000

Adjustment of Base Operating Revenues

To adjust base operating revenues (1) for changes in number of customers, (2) to roll in State Tax Adjustment Surcharge ("STAS") revenues into base rates, (3) to roll in Distribution System Improvement Charge ("DSIC") revenue into base rates, (4) for Energy Efficiency and Behind the Meter generation, (5) for other revenue, and (6) to eliminate unbilled revenues. Adjustments (1) through (5) are supported by Mr. K. M. Siedt. The adjustment for unbilled revenues is supported by Mr. R. A. D'Angelo.

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Base revenues per book for the 12 months ended 12/31/15		\$ 249,943
	Normalizing adjustments:		
2	Customers - increase to yr end level	\$ 304	
	Specific adjustments		
3	Roll-in of STAS	\$ 892	
4	Roll-in of DSIC	-	
5	Adjust for Energy Efficiency and Behind the Meter Generation	(4,179)	
6	Adjust for Other Revenues	(547)	
7	Annualize rate increase effective May 2015	7,792	
8	Eliminate unbilled revenues	<u>(3,115)</u>	
9	Total (Lines 3+4+5+6+ 7+8)	\$ 843	
10	Normalizing adjustment (Lines 2 + 8)		<u>1,146</u>
11	Base revenues per book for the 12 months ended 12/31/15, as adjusted		<u>\$ 251,089</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 2
\$000

Adjustment of State Tax Adjustment Surcharge Revenues

To remove state tax adjustment surcharge ("STAS") revenues. Normalized STAS revenues are being rolled into base rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	STAS revenue per book for the 12 months ended 12/31/15	\$ 892
2	Eliminate per book STAS	<u>(892)</u>
3	STAS revenue per book for the 12 months ended 12/31/15, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 3
\$000

Adjustment of Distribution Improvement System Charge Revenues

To remove distribution system improvement charge ("DSIC") revenues. Normalized DSIC revenues are being rolled into base rates in Normalization Adjustment No. 1.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	DSIC revenue per book for the 12 months ended 12/31/15	\$ -
2	Eliminate per book DSIC	<u>-</u>
3	DSIC revenue per book for the 12 months ended 12/31/15, as adjusted	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 4
 \$000

Adjustment of Other Operating Revenues

To adjust other operating revenue (1) to remove American Transmission System Incorporated (ATSI) ground lease revenues; and (2) to adjust late payment charges. The adjustment to late payment charge is supported by Mr. K. M. Siedt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other Operating revenue per book for the 12 months ended 12/31/15	\$	4,507
2	Eliminate ATSI ground lease	<u>(1,318)</u>	
3	Normalizing adjustment		(1,318)
4	Other Operating revenue per book for the 12 months ended 12/31/15, as adjusted	\$	<u>3,189</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 5
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense (1) to reflect year end wage and employee levels, (2) to adjust service company payroll expenses to reflect year end and wage and employee levels, and (3) to include the amortization of gains or losses on reacquired debt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Distribution expense per book for the 12 months ended 12/31/15		\$ 17,479
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rate (Supporting Schedule No. 1, Line 16, Col 2).	\$ 100	
3	Service Company Distribution payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage and salary rate (Supporting Schedule 1, Line 28, Col. 2)	32	
4	Amortization of (gain) or loss on reacquired debt	412	
5	Increase distribution expenses for contractor safety request	<u>48</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>592</u>
7	Distribution expense per book for the 12 months ended 12/31/15, as adjusted (Lines 1 + 6)		<u>\$ 18,071</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 5
 (\$000)

Adjustment to Payroll Expense to Reflect Year End Employee Levels and Wage Rates

To determine the additional payroll expense associated with (1) year end bargaining and non-bargaining wage rates and employee levels, and (2) Service Company year end wage rates and employee levels; and to allocate the additional payroll expense to individual components. Mr. T. J. Dolezal supports the labor allocation factors.

Line No.	Description	Amount	
		(1)	(2)
1	Total company payroll (Exhibit RAD 27)		\$ 19,163
	<u>Non-Bargaining</u>		
2	Straight time per book for January 1, 2015 through February 28, 2015	\$ 619	
3	Straight time 3% increase effective 3/1/2015 (Line 2 x 3%)	19	
4	Straight time per book for the 12 months ended 12/31/2015, as adjusted	\$ 3,961	
5	Straight time 3% increase effective 3/1/2015 (Line 4 x 3%)	119	
	<u>Bargaining</u>		
6	Straight time per book for January 1, 2015 through June 30, 2015	\$ 5,233	
7	Straight time 2.5% increase effective 3/1/2015 (Line 2 x 2.5%)	131	
8	Straight time per book for the 12 months ended 12/31/2015, as adjusted	\$ 10,166	
9	Straight time 2.5% increase effective 3/1/2015 (Line 8 x 2.5%)	254	
10	Total company payroll adjustments		<u>522</u>
11	Total Payroll adjustment (Line 1 + 10)		<u>19,685</u>
12	O&M allocation %	31.27%	
13	O&M payroll adjustment (Line 10 x 12)	\$ 163	
	<u>Allocation of payroll adjustment:</u>		
14	Price to Compare	0.00%	\$ -
15	Transmission	0.00%	-
16	Distribution	61.18%	100
17	Customer accounts	18.53%	30
18	Customer service	14.74%	24
19	Administrative and general	5.54%	9
20	Total	100%	<u>\$ 163</u>
	<u>Service Company</u>		
21	Straight time per book for January 1, 2015 through February 28, 2015	\$ 783	
22	Straight time 3% increase effective 3/1/2016 (Line 21 x 3%)	23	
23	Straight time per book for the 12 months ended 12/31/2015, as adjusted	\$ 4,647	
24	Straight time 3% increase effective 3/1/2015 (Line 23 x 3%)	139	
25	Total service company payroll adjustments (Lines 22 + 24)		<u>\$ 163</u>
	<u>Allocation of Service Company payroll adjustment (Exhibit RAD-25)</u>		
26	Price to Compare	0.00%	\$ -
27	Transmission	0.00%	-
28	Distribution	19.44%	32
29	Customer accounts	26.77%	44
30	Administrative and general	53.76%	88
31	Total	100%	<u>\$ 163</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 6
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense (1) to reflect year end wage rates and employee levels, (2) to reflect Service Company year end wage rates and employee levels, (3) to include increased O&M costs associated with serving new customers, and (4) to include interest on customer deposits.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Account expense per book for the 12 months ended 12/31/15		\$ 6,639
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalizing Adjustment No. 5, Supporting Schedule No. 1, Line 17, Column 2)	\$ 30	
3	Service Company customer account payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage and salary rates, (Normalizing Adjustment No. 5, Supporting Schedule 1, Line 29, Col. 2)	44	
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Supporting Schedule 1, Line 10)	6	
5	Interest on customer deposits, (Supporting Schedule 2, Line 3)	<u>231</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>311</u>
7	Customer Account expense per book for the 12 months ended 12/31/15, as adjusted		<u>\$ 6,950</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 6
 (\$000)

Adjustment of Other O&M Costs Associated with Serving New Customers

To determine the cost associated with serving the additional customers reflected in Normalization Adjustment No. 1. The ratio of non-payroll customer account expense to total revenue is applied to the additional revenue from increased customers to estimate this cost. The Commission previously recognized and approved this adjustment. The adjustment to base operating revenue for changes in number of customers is supported by Mr. K. M. Siedt.

Line No.	Description	Amount (1)
<u>Customer Account Expense Excluding Labor and Uncollectible</u>		
1	Customer Account expense per book for the 12 months ended 12/31/15	\$ 6,639
2	Less: Uncollectible expense	(3,074)
3	Less: Labor expense	<u>(1,661)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 1,904</u>
<u>Total Distribution Revenue</u>		
5	Distribution revenues per book	\$ 91,729
6	Late payment charges per book	<u>882</u>
7	Total	<u>\$ 92,611</u>
8	Ratio of customer account expense to total revenue (Line 4 / Line 7)	2.06%
9	Revenue from added customers (Normalization Adjustment No. 1, Line 2)	\$ 304
10	Additional expense from added customers (Lines 8 x 9)	<u>\$ 6</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No.2 to Normalizing Adjustment No. 6
 (\$000)

Adjustment to Allow for Interest Expense on Customer Deposits

To determine the interest paid on customer deposits. Since customer deposits are funds supplied to the Company by customers, they are included in rate base as a deduction. The Commission previously recognized this adjustment to include the corresponding interest paid to customers on these deposits as a expense.

<u>Line No.</u>	<u>Description</u>	<u>Residential</u> (1)	<u>Non Residential</u> (2)	<u>Total</u> (3)
1	Customer deposits included in rate base (Exhibit RAD-5, Page 1, Column 1, Line 14)	\$ 2,790	\$ 2,450	\$ 5,239
2	Interest rate on deposits	3%	6%	
3	Interest expense on customer deposits	<u>\$ 84</u>	<u>\$ 147</u>	<u>\$ 231</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 7
\$000

Adjustment of Customer Service and Information Expense

To adjust customer service and information expense to reflect year end wage and employee levels.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per book for the 12 months ended 12/31/15		\$ 9,568
2	Customer Service payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 18, Column 2)	\$ 24	
3	Total normalizing adjustment		<u>24</u>
4	Customer Service expense per book for the 12 months ended 12/31/15, as adjusted		<u>\$ 9,592</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 8
 \$000

Adjustment of Administrative and General Expense

To adjust administrative and general expenses (1) to reflect year end wage rates and employee levels, (2) to reflect Service Company year end wage rates and employee levels, (3) to reflect OPEB expense at service cost level, (4) to reflect pension expense at the ten year cash level, (5) to reflect employee benefits expense at year end wage rates and employee levels, and (6) to include amortization of rate case expenses.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Administrative & general expense per book for the 12 months ended 12/31/15		\$ 13,034
2	Administrative & general expenses related to EE&C	(4,786)	
3	Administrative & general expenses related to Smart Meters	<u>(3,739)</u>	
4	Adjustment to administrative & general expenses	(8,525)	
5	Administrative & general payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 19, Column 2)		9
6	Service Company Administrative & general payroll expense adjustment allocated to Penn Power to reflect year end employee levels and ongoing wage & salary rates, (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 30, Column 2)		88
7	Adjust OPEB expense to service cost level, (Supporting Schedule No. 1, Line 12, Col. 1)		1,008
8	Adjust pension expense to ten year cash level, (Supporting Schedule No. 2, Line 19, Col. 3)		(5,496)
9	Adjust employee benefit costs (Supporting Schedule No. 3, Line 8, Column 3)		68
10	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$ 162	
11	Recovery period - 2 years	<u>2</u>	
12	Annual amount (Line 10 / Line 11)	\$ 81	\$ 81
13	Total normalizing adjustment (Lines 5+6+7+8+9+12)		<u>\$ (4,243)</u>
14	Administrative and general expense per book for the 12 months ended 12/31/15, as adjusted		<u>\$ 8,791</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 1 to Normalizing Adjustment No. 8
 \$000

Adjustment for OPEB Expense

To adjust OPEB expense to the test year service cost. The service cost represents the actuarial present value of benefit liabilities accrued under the plan benefit formula for services rendered during the test year. Inclusion of the service cost in rates provides for recovery of the current cost of benefits earned by plan participants. Any excess or shortfall related to the expected return on plan assets are not included because their inclusion would artificially reduce or increase total costs and result in the recovery of more or less than the actual normal cost of service. The adjustment for OPEB expense to the current service cost amount was adopted by the Commission at Docket Numbers R-00061366 and R-00061367 and included at Docket Nos. R-2014-2428745; R-2014-2428743; R-2014-2428744 and R-2014-2428742.

<u>Line No.</u>	<u>Description</u>	<u>O&M</u> (1)	<u>Capital</u> (2)	<u>Total</u> (3)
1	O&M - Capital allocation ratios	31.27%	68.73%	100.00%
2	Company OPEB expense included in budget (Exhibit RAD 27)	\$ (900)	\$ (1,977)	\$ (2,877)
3	FirstEnergy Service Corp. OPEB expense	\$ (6,311)	\$ (13,871)	\$ (20,182)
4	Allocation ratio	<u>1.65%</u>	<u>1.65%</u>	<u>1.65%</u>
5	Allocated FirstEnergy Service Corp. OPEB expense included in budget (Lines 3 x 4)	\$ (104)	\$ (229)	\$ (333)
6	Total OPEB expense included in budget (Lines 2 + 5)	\$ (1,004)	\$ (2,206)	\$ (3,210)
7	Service cost for company OPEB expense	\$ 2	\$ 5	\$ 7
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 136	\$ 300	\$ 436
9	Allocation ratio	<u>1.65%</u>	<u>1.65%</u>	<u>1.65%</u>
10	Allocated FirstEnergy Service Corp. service cost (Lines 8 x 9)	\$ 2	\$ 5	\$ 7
11	Total OPEB service cost (Line 7 + 10)	\$ 4	\$ 10	\$ 14
12	Adjustment to set OPEB expense at ongoing service cost level (Lines 11 - 6)	\$ 1,008	\$ 2,216	\$ 3,224

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 2 to Normalizing Adjustment No. 8
 \$000

Adjustment for Pension Expense

To adjust pension expense to a ten year average level of actual cash contributions under the methodology that was adopted by the Commission at Docket Numbers R-00061366 and R-0061367, and included at Docket Nos. R-2014-2428745; R-2014-2428743; R-2014-2428744 and R-2014-2428742.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1) Total	(2) O&M %	(3) O&M
1	<u>Company Cash Contributions</u>			
2	2009 Cash Pension Contribution	21,359	33.35%	7,123
3	2011 Cash Pension Contribution	12,000	41.69%	5,003
4	2016 Cash Pension Contribution	14,856	38.05%	5,653
5	Total Company Cash Pension Contributions	\$ 48,215		\$ 17,779
	<u>FirstEnergy Service Company Cash Contributions</u>			
6	2016 Pension Contribution	24,760		
7	Company Allocation Factor	1.56%		
8	2016 Service Company Pension Contribution allocated to the Company	\$ 386	38.05%	147
9	Total Pension cash contributions (Lines 5 + 8)	\$ 48,601		\$ 17,926
10	Number of years	10		10
11	Pension expense cash contribution, averaged over 10 years	\$ 4,860		\$ 1,793
12	O&M Pension Expense			7,289
13	Adjustment to Pension Expense (Lines 11 - 12)			\$ (5,496)

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No. 3 to Normalizing Adjustment No. 8
 \$000

Adjustment to Employee Benefit Expense to Reflect Year End Employee Levels and Ongoing Wage Rates

To determine the normalized costs associated with providing additional employee benefits related to the increased O&M payroll expense reflected in Normalization Adjustment No. 5, Supporting Schedule No. 1.

Employee benefits applicable to operating expenses:

<u>Line No.</u>	<u>Description</u>	<u>Effective Rate (a)</u>	<u>Payroll Adjustment</u>	<u>Benefit Adjustment</u>
		(1)	(2)	(3) = (1) x (2)
1	Workers compensation	0.814%	\$ 163 (b)	\$ 1
2	Pension costs	25.160%	\$ 163 (b)	41
3	OPEB costs	0.110%	\$ 163 (b)	-
4	Life insurance	0.110%	\$ 163 (b)	-
5	Medical insurance	5.615%	\$ 163 (b)	9
6	Savings plan	2.693%	\$ 163 (b)	4
7	Other (Exhibit RAD-27)	8.135%	\$ 163 (b)	13
8	Total increase due to payroll adjustment			<u>\$ 68</u>

(a) Summary of effective employee benefit rates based on total payroll for the 12 months ended 12/31/15

	<u>Total Amount</u>	<u>Total Payroll</u>	<u>Effective Rate</u>
Workers compensation (Exhibit RAD 27)	\$ 156	\$ 19,163 (a)	0.814%
Pension costs - normalized basis	4,822	\$ 19,163 (a)	25.160%
OPEB costs - service cost	21	\$ 19,163 (a)	0.110%
Life insurance (Exhibit RAD 27)	21	\$ 19,163 (a)	0.110%
Medical insurance (Exhibit RAD 27)	1,076	\$ 19,163 (a)	5.615%
Savings plan (Exhibit RAD 27)	516	\$ 19,163 (a)	2.693%
Other (Exhibit RAD 27)	1,559	\$ 19,163 (a)	8.135%

(b) Adjustment No. 5, Supporting Schedule No. 1, Line 7.

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 9
 \$000

Adjustment of Depreciation Expense

To adjust depreciation expense (1) to reflect equal life group (ELG) rates on adjusted rate base, (2) to adjust cost of removal / salvage expense to a five year average per Commission practice, and (3) eliminate legacy meter cost of removal from the five year average. Mr. J. J. Spanos supports the ELG depreciation rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>			
		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
1	Depreciation expense per book for the 12 months ended 12/31/15				\$ 18,440
2	Cost of removal/salvage expense per book for the 12 months ended 12/31/15 (Exhibit RAD-30)		\$ 4,032		
3	Depreciation accrual per book (Lines 1 - 2)		\$ 14,408		
4	Depreciation expense accrual on adjusted rate base at average remaining life rate Exhibit RAD-53, page 2)		\$ 18,409		
5	Adjustment for average remaining life accrual for (Lines 4 - 3)			\$ 4,002	
6	Cost of removal/salvage expense per book for the 12 months ended 12/31/15 (Exhibit RAD-30)		\$ 4,032		
	Cost of removal and salvage 2011 - 2015 (Exhibit RAD-30)				
7	2013	\$ 1,332			
8	2014	2,217			
9	2013	5,046			
10	2014	2,666			
11	2015	4,032			
12	Total	\$ 15,293			
13	Five year average (Line 12 / 5)	\$ 3,059			
14	Less five year average for legacy meter cost of removal	(481)			
15	Total cost of removal	\$ 2,578			
16	Adjustment of cost of removal/salvage expense to a five year average (Lines 15 - 6)			(1,454)	
17	Total normalizing adjustment (Lines 5 + 16)				2,547
18	Depreciation expense per book for the 12 months ended 12/31/15, as adjusted				\$ 20,987

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 10
 \$000

Adjustment of Amortization Expense

To adjust amortization expense to (1) exclude smart meter amortization in the budget; and (2) include the amortization of additional legacy meters.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		<u>(1)</u>	<u>(2)</u>
1	Amortization expense per book for the 12 months ended 12/31/2015		\$ 401
2	Adjustment for amortization of legacy meters (Adj. 10 Sched 1, Line 2)	(465)	
3	Eliminate smart meter amortization per book	<u>(982)</u>	
4	Total normalizing adjustment		<u>(1,447)</u>
5	Amortization expense per book for the 12 months ended 12/31/15, as adjusted		<u>\$ (1,046)</u>

PENNSYLVANIA POWER COMPANY
Supporting Schedule No. 1 to Normalizing Adjustment No. 10
\$000

Adjustment for Amortization Expense of Legacy Meters

To determine additional legacy meters to fully recover all legacy meter costs over 39 months of the original amortization period.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
		(1)
1	Total Legacy Meters and Cost of Removal to be recovered (Exhibit RAD-64)	\$ 9,287
2	Less Legacy Meters and Cost of Removal in Base Rates	<u>10,797</u>
3	Unrecovered Legacy Meters	<u>(1,510)</u>
4	Annual amount of unrecovered legacy meter (Lines 3 /39 months x 12 months)	<u>\$ (465)</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 11
 \$000

Adjustment of Taxes Other Than Income

To adjust gross receipts tax expense to (1) reflect normalized sales revenues, to (2) adjust payroll tax expenses for normalized payroll and employee expenses.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1)	(2)	(3)
1	Taxes Other Than Income per book for the 12 months ended 12/31/15			\$ 16,523
	Gross Receipts Tax			
2	Normalized sales revenues (Exhibit RAD-6, page 1, Col. 3)	\$ 251,089		
3	Gross receipts tax @ 5.9%	14,814		
4	Gross receipts tax included in books (Exhibit RAD-32, page 1)	<u>14,630</u>		
5	Adjustment for gross receipts tax at normalized revenue level (Lines 3 - 4)		\$ 184	
6	Eliminate Capital Stock per books		<u>(50)</u>	
7	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>13</u>	
8	Total normalizing adjustment (Lines 5 + 6 +7)			<u>147</u>
9	Taxes other than income per book for the 12 months ended 12/31/15, as adjusted			<u>\$ 16,670</u>

PENNSYLVANIA POWER COMPANY
 Supporting Schedule No.1 to Normalizing Adjustment No. 11
 \$000

Adjustment to Taxes Other Than Income to reflect changes in payroll taxes.

To determine the additional payroll tax expense associated with the increased O&M payroll expense reflected in Normalization Adjustment No. 5, Supporting Schedule No. 1.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> <u>(1)</u>
1	Total payroll per budget for the 12 months ending 12/31/2016 (Normalization Adjustment No. 5, Schedule 1, Line 1, Col 3)	\$ 19,163
2	Total payroll tax included in budget, (Exhibit RAD-32)	<u>1,472</u>
3	Effective payroll tax rate (Line 2 / Line 1)	<u>7.68%</u>
4	Total payroll as adjusted (Normalization Adjustment No. 5 Schedule 1, Line 5)	<u>\$ 19,685</u>
5	Payroll tax on normalized payroll (Lines 3 x 4)	\$ 1,512
6	Total Company payroll tax adjustment (Lines 5 - 2)	\$ 40
7	O&M Allocation percentage	31.27%
8	Adjustment for payroll tax (Lines 6 x 7)	<u>\$ 13</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 12
\$000

Adjustment of Federal & State Income Taxes

To adjust federal and state income taxes to reflect the revenue and expense levels shown on Exhibit RAD-2, Page 1, Col. 3 - Budget as Adjusted.

Line No.	Description	Total Company Calculated Taxes (1)	Distribution Calculated Taxes (2)	Smart Meter Rider Calculated Taxes (3)	Total Distribution (4) = (2) + (3)	PTC Calculated Taxes (5)	Universal Service Calculated Taxes (7)	Energy Efficiency Calculated Taxes (8)	DSS Calculated Taxes (9)	Solar Calculated Taxes (10)
1	Total operating revenue	\$ 254,438	\$ 83,119	\$ 12,483	\$ 95,602	\$ 139,509	\$ 4,861	\$ 6,185	\$ 7,344	\$ 936
2	Less: Total O & M Expense	175,348	23,956	3,739	27,695	132,302	5,779	4,786	3,843	940
3	Depreciation - accrual	18,409	15,669	2,740	18,409	-	-	-	-	-
4	Average net salvage	2,578	(3,774)	982	(2,792)	(1,410)	(1,005)	1,112	3,105	(65)
5	Amortization	(1,046)	8,350	134	7,222	7,222	245	288	381	49
6	Taxes other than income taxes	16,670	46,781	-	63,451	138,115	5,019	6,185	7,330	933
7	Total deductions	\$ 211,959	\$ 46,781	\$ -	\$ 46,781	\$ 138,115	\$ 5,019	\$ 6,185	\$ 7,330	\$ 933
8	Net operating income before income taxes	\$ 42,479	\$ 36,338	\$ 4,888	\$ 41,226	\$ 1,394	\$ (158)	\$ (0)	\$ 14	\$ 3
9	Less: Interest Charges (A)	10,444	9,633	810	10,444	-	-	-	-	-
10	Net income before income taxes	\$ 32,036	\$ 26,704	\$ 4,078	\$ 30,782	\$ 1,394	\$ (158)	\$ (0)	\$ 14	\$ 3
Adjustments to taxable income:										
11	Book Average net salvage	\$ 2,578	\$ 2,578	\$ -	\$ 2,578	\$ -	\$ -	\$ -	\$ -	\$ -
12	Adj. of book depreciation to tax basis (B)	(8,146)	2,030	(10,175)	(8,146)	-	-	-	-	-
13	Adj. to amortization to Legacy Meter	1,694	1,694	-	1,694	-	-	-	-	-
14	Tax cost of removal/salvage	(4,491)	(4,491)	-	(4,491)	-	-	-	-	-
15	Adjust cash pension	(5,496)	(5,496)	-	(5,496)	-	-	-	-	-
16	Net adjustment	(13,861)	(3,685)	(10,175)	(13,861)	-	-	-	-	-
17	Income subject to income tax	18,175	23,019	(6,098)	16,922	1,394	(158)	-	14	3
Adjustments to state taxable income:										
18	Plus: Federal Bonus Depreciation	\$ 21,600	\$ 21,600	\$ -	\$ 21,600	\$ -	\$ -	\$ -	\$ -	\$ -
19	Less: Additional State Depreciation	(3,301)	(3,301)	-	(3,301)	-	-	-	-	-
20	Net adjustment to state taxable income	\$ 18,300	\$ 18,300	\$ -	\$ 18,300	\$ -	\$ -	\$ -	\$ -	\$ -
21	Income subject to state income tax (Lines 17 + 20)	\$ 36,475	\$ 41,319	\$ (6,098)	\$ 35,221	\$ 1,394	\$ (158)	\$ -	\$ 14	\$ 3
22	State income tax @ 9.99%	3,644	4,128	(609)	3,519	139	(16)	-	1	0
23	Taxes as budgeted	1,582	1,582	-	1,582	-	-	-	-	-
24	Adjustment to state income tax	2,062	2,546	(609)	1,937	139	(16)	-	1	0
25	Income subject to federal income tax	14,531	18,891	(5,488)	13,403	1,255	(142)	-	13	3
26	Federal income tax @ 35%	5,086	6,612	(1,921)	4,691	439	(60)	-	4	1
27	Taxes as budgeted	1,479	1,479	-	1,479	-	-	-	-	-
28	Adjustment to federal income tax	3,607	5,133	(1,921)	3,212	439	(60)	-	4	1

(A) Computation of Interest charges

Total rate base	\$ 355,443	\$ 327,968	\$ 27,574	\$ 355,443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt ratio	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%	49.93%
Cost of debt	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%	5.88%
Interest expense	\$ 10,444	\$ 9,633	\$ 810	\$ 10,444	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(B) Adjustment of book depreciation to tax basis:

Tax depreciation	\$ 26,555	\$ 13,640	\$ 12,916	\$ 26,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Book depreciation	18,409	15,669	2,740	18,409	-	-	-	-	-	-
Depreciation adjustment	\$ 8,146	\$ (2,030)	\$ 10,175	\$ 8,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PENNSYLVANIA POWER COMPANY
Supporting Schedule No. 1 to Normalization Adjustment No. 12
\$000

Adjustment of Tax Depreciation

To adjust tax depreciation to eliminate the cost of removal component.

<u>Line No.</u>	<u>Description</u>	Total <u>Exhibit RAD-33</u> (1)
1	Tax depreciation expense per book	\$ 31,046
2	Cost of removal salvage in tax depreciation	<u>4,491</u>
3	Net Tax depreciation (Line 1 - Line 2)	26,555
4	Smart Meter tax depreciation	<u>12,916</u>
5	Distribution tax depreciation (Line 3 - Line 4)	<u>\$ 13,640</u>

PENNSYLVANIA POWER COMPANY
 Normalization Adjustment No. 13
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects (1) the adjustment of Federal deferrals to reflect year-end plant and (2) miscellaneous federal deferred taxes not associated with liberalized depreciation. All state deferred taxes associated with liberalized depreciation have been eliminated.

<u>Line No.</u>	<u>Description</u>	<u>Provision for Deferred Taxes - Net</u>	
		<u>Federal</u>	<u>State</u>
		<u>(1)</u>	<u>(2)</u>
1	Deferred taxes per book, 12 months ended 12/31/2015	\$ (1,956)	\$ 12,393
2	Deferred taxes - liberalized depreciation, (Exhibit RAD-41, page 17)	10,108	
3	Less Deferred taxes - Smart meters	<u>3,898</u>	<u>-</u>
4	Distribution deferred taxes	6,210	
5	Adjustment to deferred tax expense (Lines 2 - 1)	\$ 12,064	\$ (12,393)
6	Deferred tax expense per book for the 12 months ended 12/31/15, as adjusted	<u>\$ 10,108</u>	<u>\$ -</u>

PENNSYLVANIA POWER COMPANY
Normalization Adjustment No. 14
\$000

Adjustment of Investment Tax Credit

Not Applicable

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT I-B-3:

“Provide an overall system map, including and labeling all generating plants, transmission substations—indicate voltage, transmission system lines—indicate voltage, and all interconnection points with other electric utilities, power pools, and other like systems.”

RESPONSE:

See Penn Power Exhibit RAD-7 HIGHLY CONFIDENTIAL Attachment A.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-A-1:

“Provide a schedule showing the test year rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Claims made on this schedule should be cross-referenced to appropriate supporting schedules.”

RESPONSE:

See Penn Power Exhibit RAD-1 for the Fully Projected Future Test Year.

See Penn Power Exhibit RAD-3 for the Future Test Year.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-A-2:

“If the schedule provided in response to item 1, is based upon a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.”

RESPONSE:

See Penn Power Exhibit RAD-5 for the Historical Test Year.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-A-3:

“When a utility files a tariff stating a new rate based in whole or in part on the cost of construction, as defined in 66 Pa.C.S. § 1308(f) (relating to voluntary changes in rates), of an electric generating unit, the utility shall identify:

- (a) The total cost of the generating unit
- (b) The following costs:
 - (1) The cost and quantity of each category of major equipment, such as switchgear, pumps or diesel generators and the like.
 - (2) The cost and quantity of each category of bulk materials, such as concrete, cable and structural steel and the like. .
 - (3) Manual labor. .
 - (4) Direct and indirect costs of architect/engineering services. .
 - (5) Direct and indirect costs of subcontracts or other contracts involving major components or systems such as turbines, generators, nuclear steam supply systems, major structures and the like.
 - (6) Distributed costs.
- (c) A cost increase of \$5 million or more, including AFUDC, over the original utility estimates provided under 66 Pa.C.S. § 515(a) (relating to construction cost of electric generating units) and its causes.
- (d) Compliance with subsections (a) and (b) will be identical in format and substance as that provided under 52 Pa. Code § 57.103 (relating to estimate of construction costs) for original cost estimates submitted under 66 Pa.C.S. § 515(a).”

RESPONSE:

Not applicable.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-B-1:

“If a claim is made for plant held for future use, supply the following:

- a. A description of the plant or land site and its cost and any accumulated depreciation.
- b. The expected date of use for each item claimed.
- c. An explanation as to why it is necessary to acquire each item in advance of its date of use.
- d. The data when each item was acquired.
- e. The date when each item was placed in plant held for future use.”

RESPONSE:

There is no rate base claim being made in this proceeding for plant held for future use.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-B-2:

“If a claim is made for construction work in progress, provide a supporting schedule which sets forth separately, revenue-producing and nonrevenue producing amounts, and include, for each category a summary of all work orders, amounts expended at the end of the test year and anticipated in service dates. Indicate if the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project.”

RESPONSE:

Penn Power is not making any rate base claim for construction work in progress.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-B-3:

“If a claim is made for materials and supplies or fuel inventory provide a supporting schedule for each claim showing the latest actual 13 monthly balances and showing in the case of fuel inventory claims, the type of fuel, and location, as in station, and the quantity and price claimed.”

RESPONSE:

PENNSYLVANIA POWER COMPANY

13 Month Book Balance of Materials and Supplies

Line No.	Month	Amount
		<i>in thousands</i>
1	January 31, 2015	\$ 3,714,032
2	February 28, 2015	\$ 3,229,351
3	March 31, 2015	\$ 3,672,453
4	April 30, 2015	\$ 3,574,102
5	May 31, 2015	\$ 3,739,147
6	June 30, 2015	\$ 3,711,240
7	July 31, 2015	\$ 3,575,683
8	August 31, 2015	\$ 3,671,240
9	September 30, 2015	\$ 3,426,075
10	October 31, 2015	\$ 3,370,865
11	November 30, 2015	\$ 3,332,510
12	December 31, 2015	\$ 3,245,030
13	January 31, 2016	\$ 3,537,957
14	13 Period Average	\$ 3,523,053

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-B-4:

“If a claim is made for cash working capital provide a supporting schedule setting forth the method and all detailed data utilized to determine the cash working capital requirement. If not provided in the support data provide a lead-lag study of working capital, completed no more than 6 months prior to the rate increase filing.”

RESPONSE:

See the direct testimony of Jeffrey L. Adams, Penn Power Statement No. 5.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-B-6:

“Explain in detail by statement or exhibit the appropriateness of additional claims or the use of a method not previously mentioned, in the claimed rate base.”

RESPONSE:

The supporting schedules included in Penn Power Exhibit RAD-1 explain the appropriateness of various items claimed in the rate base. Items not explained in supporting schedules to Penn Power Exhibit RAD-1, or not mentioned in other responses to filing requirements are explained below:

1. Customer Deposits

Customer deposits are deducted from the rate base as they represent a source of non-investor supplied capital. Appropriate interest on such deposits has been included as a normalizing adjustment to the income statement.

2. Customer Advances for Construction

In accordance with the practice followed in prior rate filings and accepted by Commission Orders, the Company reduces rate base by the amount of customer advances for construction at the end of the test year.

3. Operating Reserves

The Company has adopted a partial self-insurance concept for general and automotive liability insurance, property insurance and a long-term disability plan. The Company has also established an operating reserve for the purpose of providing a pension fund in addition to the normal funded plan. These operating reserves, net of applicable deferred taxes, reduce the Company's total rate base claim.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-C-1:

“Prepare a Statement of Income including:

- (a) The book, or budgeted, statement for the test year.
- (b) Adjustments to annualize and normalize under present rates, including an elimination of the effects on income of the energy cost rate and state tax adjustment surcharge.
- (c) The income statement under present rates after adjustment.
- (d) The adjustment for the revenue requested.
- (e) The income statement under requested rates after adjustment.
- (f) Each adjustment, including those relating to adjustment clauses, shall contain an explanation in sufficient clarifying detail to allow a reasonably informed person to understand the method and rationale of the adjustment.”

RESPONSE:

Fully Projected Future Test Year

(a – f): See Penn Power Exhibit RAD-2. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Penn Power Witness Kevin M. Siedt, Penn Power Statement No. 3 and Penn Power Exhibit KMS-1 Attachment A which accompanies his Direct Testimony.

Future Test Year

(a – f): See Penn Power Exhibit RAD-4. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Penn Power Witness Kevin M. Siedt, Penn Power Statement No. 3 and Penn Power Exhibit KMS-1, Attachment B which accompanies his Direct Testimony.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-C-2:

“If the schedule provided in Filing Requirement II-C-1 is based upon budgeted data for a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.”

RESPONSE:

See Penn Power Exhibit RAD-6. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Penn Power Witness Kevin M. Siedt, Penn Power Statement No. 3 and Penn Power Exhibit KMS-1, Attachment C which accompanies his Direct Testimony.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-1

“Provide a schedule showing all revenues and expenses for the test year and for the 12-month period immediately prior to the test year, together with an explanation for major variances between test year revenues and expenses and those for the previous 12-month period.

Revenues and expenses shall be summarized by the major account categories listed below. If budgeted data for a future test year is not readily available by these categories, an analysis of the data for the 12-month period immediately prior to the future test year or for the most recent available calendar year may serve as the basis for ratably allocating the budgeted data into the account categories as follows:

OPERATING REVENUES

	Electric Revenues:
	Residential Sales
	Commercial Sales
400	Industrial Sales
	Public Street & Highway
	Lighting Sales
	Sales for Resale
	Total Other Electric Revenues
	Other Electric Revenues:
	Late Payment Charges
	Miscellaneous Service Revenues
	Rent from Electric Property
	Other Electric Revenues
	Total Other Electric Revenues
	Total Operating Revenues

OPERATING EXPENSES

	Operation and Maintenance Expenses
	Power Production Expenses:
	Fuel
401-2	Net Interchange
	Deferred Energy Costs
	Other
	Transmission Expenses
	Distribution Expenses
	Customer Service & Informational Expense
	Sales Expenses
	Administrative and General Expenses
	Total Operation & Maintenance Expenses

403	Depreciation Expenses
	Amortization of Net Salvage
	Nuclear Decommissioning Expense
407	Amortization of Property Losses
	Taxes Other Than Income Taxes
408	Total Operating Expenses Prior To Federal & State Income Taxes

OPERATING EXPENSES

Operating Income Prior To Federal and State Income Taxes

FEDERAL AND STATE INCOME TAXES

409	Federal Income Taxes
	State Income Taxes
409	Deferred Federal Income Taxes
	Deferred State Income Taxes
	Investment Tax Credit Adjustments
411	Deferrals
	Amortization—Credit
	Other Income Tax Credits & Charges
	Total Federal and State Income Taxes
	Operating Income After Federal and State Income Taxes

OTHER INCOME AND DEDUCTIONS**OTHER INCOME**

415-18	Non-utility Operating Income
419	Interest and Dividend Income
419	Allowance for Other Funds Used During Construction
421	Gain on Disposition of Property
421	Other Miscellaneous Non-operating Income
	Total Other Income

OTHER INCOME DEDUCTIONS

421	Loss on Disposition of Property
425	Miscellaneous Amortization
	Miscellaneous
426	Total Other Income Deductions

TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS

408	Taxes Other Than Income Taxes
409	Federal Income Tax
	State Income Tax
409	Total Taxes Applicable to Other Income and Deductions
	Income Before Interest Charges

INTEREST CHARGES

427	Interest on Long-Term Debt
428	Amortization of Debt Discount and Expense
429	Amortization of Premium on Debt
431	Other Interest Expense
432	Allowance for Borrowed Funds Used During Construction—Credit
	Net Interest Charges
	Income Before Extraordinary Items
	Extraordinary Items After Taxes
	Net Income “

RESPONSE:

See Penn Power Exhibit RAD-18 Attachment A, which provides the requested comparative operating statements. Set forth below are explanations of the causes of major variances.

OPERATING REVENUES

Residential Sales (Variance (\$3,395))

Variance is primarily due to decreases in Price to Compare revenues \$5.9 million and Distribution revenues \$1.0 million, partially offset by an increase in Distribution System Improvement Charges \$3.2 million.

OPERATING EXPENSES

Operation and Maintenance expense Account 401-2 (Variance (\$2,600))

This variance is primarily due to decreases of \$5.8 million in purchased power expenses offset partly by increases of \$1.7 million in distribution expenses and \$0.9 million in customer service expenses.

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**Pennsylvania Power Company
 Comparative Income Statements**

FERC Account	Twelve Months Ending		Increase/ (Decrease)	
	Dec 31, 2017	Dec 31, 2016		
<i>(In thousands)</i>				
Operating Revenues				
Electric Service Revenues				
440	Residential sales	\$ 183,245	\$ 186,639	\$ (3,395)
442	Commercial sales	79,849	80,720	(871)
442	Industrial sales	10,720	10,779	(59)
444	Public street and highway lighting	1,472	1,509	(37)
445	Other sales to public authorities	-	-	-
447	Sale for resale	76	144	(68)
	Total electric service revenues	<u>\$ 275,362</u>	<u>\$ 279,791</u>	<u>\$ (4,429)</u>
Other Electric Revenue				
450	Forfeited discounts	\$ 1,291	\$ 1,291	\$ -
451	Miscellaneous service revenues	194	194	-
454	Rent from electric property	1,636	1,942	(306)
456	Other electric revenues	1,498	1,498	-
	Total other electric revenues	<u>\$ 4,620</u>	<u>\$ 4,926</u>	<u>\$ (306)</u>
	Total operating revenues	<u>\$ 279,981</u>	<u>\$ 284,717</u>	<u>\$ (4,735)</u>
Operating Expenses				
401-2	Operation and maintenance expense			
	Power production expenses	\$ 151,782	\$ 157,613	\$ (5,831)
	Transmission expenses	4,327	4,412	(86)
	Regional market expenses	-	-	-
	Distribution expenses	16,234	14,510	1,725
	Customer accounts expense	6,923	6,410	513
	Customer service & information expense	12,288	11,350	938
	Sales expenses	25	24	0
	Administrative & general expenses	13,937	13,796	141
	Subtotal	<u>\$ 205,517</u>	<u>\$ 208,117</u>	<u>\$ (2,600)</u>
403	Depreciation expense	\$ 16,413	\$ 16,222	\$ 191
404-5	Amortization and depletion of utility plant	1,939	1,311	628
406	Amortization and utility plant acq. adjustment	-	-	-
407	Amortization of property losses	-	-	-
407.3	Regulatory debits	2,549	2,985	(436)
407.4	Regulatory credits	(2,320)	(900)	(1,420)
408.1	Taxes other than income taxes	17,082	17,292	(210)
411.1	Accretion expense	-	-	-
411.8	Gains from disposition allowance	-	-	-
	Total operating expenses before federal and state income taxes	<u>\$ 241,180</u>	<u>\$ 245,028</u>	<u>\$ (3,848)</u>
	Net operating income before income taxes	<u>\$ 38,801</u>	<u>\$ 39,688</u>	<u>\$ (887)</u>
Income taxes				
409.1	Income taxes-federal	\$ 3,274	\$ 1,589	\$ 1,685
409.1	Income taxes-state	1,981	2,044	(64)
410.1	Provision for deferred income taxes-federal	6,469	8,374	(1,905)
410.1	Provision for deferred income taxes-state	1,144	1,150	(6)
411.1	Income taxes deferred in prior years-cr.	-	-	-
411.4	Investment tax credit adjustments-net	-	-	-
	Total income taxes	<u>\$ 12,868</u>	<u>\$ 13,158</u>	<u>\$ (290)</u>
	Net operating income	<u>\$ 25,933</u>	<u>\$ 26,530</u>	<u>\$ (598)</u>

Pennsylvania Power Company
Comparative Income Statements

FERC Account	Twelve Months Ending		Increase/ (Decrease)	
	Dec 31, 2017	Dec 31, 2016		
<i>(In thousands)</i>				
Other income				
415-16	Revenues from merchandising, jobbing and contract work	\$ 3,140	\$ 764	\$ 2,376
417	Revenues from non-utility operations	-	-	-
417.1	Expenses from non-utility operations	-	-	-
418	Nonoperating rental income	(2)	(2)	-
418.1	Equity in earnings of subsidiary companies	-	-	-
419	Interest and dividend income	763	763	-
419.1	Allowance for funds used during construction	-	-	-
421	Miscellaneous non-operating income	394	1,443	(1,049)
421.1	Gain on disposition of property	-	-	-
	Total other income	<u>\$ 4,296</u>	<u>\$ 2,968</u>	<u>\$ 1,327</u>
	Gross income	<u>\$ 30,228</u>	<u>\$ 29,499</u>	<u>\$ 729</u>
Other Income Deductions				
421.2	Loss on disposition of property	\$ -	\$ -	\$ -
425	Miscellaneous amortization	-	-	-
426	Other income deductions	(59)	(55)	(4)
	Total other income deductions	<u>\$ (59)</u>	<u>\$ (55)</u>	<u>\$ (4)</u>
Taxes Applicable to Other Income and Deductions				
408.2	Taxes other than income taxes	\$ -	\$ -	\$ -
409.2	Income taxes - federal	-	-	-
409.2	Income taxes - state	-	-	-
410.2	Provision for deferred income taxes	-	-	-
411.2	Provision for deferred income taxes-cr.	-	-	-
	Total taxes on other income and deductions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Interest Charges				
427	Interest on long term debt	\$ 8,246	\$ 7,853	\$ 393
428	Amortization of debt discount and expense	147	138	9
428.1	Amortization of loss on reacquired debt	386	432	(46)
429	Amortization of premium on debt credit	-	-	-
429.1	Amortization of gain on reacquired debt	(20)	(20)	-
430	Interest on debt to associated companies	1,411	784	627
431	Other interest expense	1,344	1,216	128
432	Allowance for borrowed funds used during construction - credit	(79)	(72)	(6)
	Total interest charges	<u>\$ 11,436</u>	<u>\$ 10,331</u>	<u>\$ 1,105</u>
	Income before extraordinary items	<u>\$ 18,851</u>	<u>\$ 19,223</u>	<u>\$ (372)</u>
Extraordinary Items & Related Taxes				
434	Extraordinary income	\$ -	\$ -	\$ -
435	Extraordinary deductions	-	-	-
409.3	Income taxes - Federal & other	-	-	-
	Extraordinary items after taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Net income	<u>\$ 18,851</u>	<u>\$ 19,223</u>	<u>\$ (372)</u>

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-2:

“Provide a summary of test year adjustments which sets forth the effect of the adjustment upon the following: operating revenues, operating expenses, taxes other than income taxes, operating income before income taxes, State income tax, Federal income tax and income available for return. In addition, test year adjustments shall be presented on the basis of the major account categories set out at II-D-1.”

RESPONSE:

See Penn Power Exhibit RAD-19 Attachment A.

Penn Power Company

Line No.	Adj. No.	Support Schedule No.	Description	Operating Revenues (1)	Operating Expenses (2)	Taxes Other Than Income Taxes (3)	Operating Income Before Income Taxes (4)	State Income Tax (5)	Federal Income Tax (6)	Income Available for Return (7)=(4)-(5)-(6)
1			As budgeted (Exhibit RAD-2, Page 1, col. 1)	\$ 279,981	\$ 224,099	\$ 17,082	\$ 38,800	\$ 3,125	\$ 9,743	\$ 25,932
Normalizations and Adjustments										
Operating Revenues										
2	1		Base Operating Revenues	(315)			(315)	(31)	(99)	(184)
3	2		State Tax Surcharge Revenues	-			-	-	-	-
4	3		Distribution System Improvement Charge Revenue	(4,643)			(4,643)	(464)	(1,463)	(2,716)
Other Operating Revenues										
5	4		Eliminate ATSI ground lease	(1,318)			(1,318)	(132)	(415)	(771)
6	4		Increase in Late Payment Charges	74			74	7	23	43
Operating Expenses										
Distribution										
7	5	1	Distribution payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		157		(157)	(16)	(49)	(92)
8	5	1	Service company distribution payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		19		(19)	(2)	(6)	(11)
9	5		Amortization of gain or loss on reacquired debt		366		(366)	(37)	(115)	(214)
10	5		Increase expense for contractor safety requests		48		(48)	(5)	(15)	(28)
Customer Accounts										
11	6		Customer account payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		48		(48)	(5)	(15)	(28)
12	6		Service company customer account payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		35		(35)	(3)	(11)	(20)
13	6	1	Increased O&M costs associated with increased number of customers in normalized revenue levels		2		(2)	(0)	(1)	(1)
14	6	2	Interest on customer deposits		231		(231)	(23)	(73)	(135)
Customer Service										
15	7		Customer service payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		38		(38)	(4)	(12)	(22)
Administrative & General Expenses										
16	8		A&G payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		14		(14)	(1)	(4)	(8)
17	8		Service company A&G payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		85		(85)	(8)	(27)	(50)
18	8	1	Adjust OPEB expense to service cost level		892		(892)	(89)	(281)	(522)
19	8	2	Adjust Pension Expense to ten year cash level		1,783		(1,783)	(178)	(562)	(1,043)
20	8	3	Adjust employee benefit costs		122		(122)	(12)	(38)	(71)
21	8		Rate Case expenses normalized over 2 years		81		(81)	(8)	(26)	(47)
Depreciation Expense										
22	9		Adjustment for equal life group accrual for plant		6,762		(6,762)	(676)	(2,130)	(3,956)
23	9		Adjustment of cost of removal/salvage expenses to a five year average		(728)		728	73	229	426
Amortization										
24	10		Remove smart meter amortization from budget		(465)		465	46	146	272
25	10		Remove legacy meter cost of removal amortization from budget		(118)		118	12	37	69
Taxes Other than Income										
26	11		Adjustment for gross receipts tax at normalized revenue level			(287)	287	29	90	168
27	11	1	Adjustment for payroll taxes on normalized payroll			7	(7)	(1)	(2)	(4)
28			Total adjustments before tax (Exhibit RAD-2, Page 1, col. 2, line 16)	\$ (6,202)	\$ 9,372	\$ (280)	\$ (15,294)	\$ (1,528)	\$ (4,818)	\$ (8,948)
Federal & State Income Taxes										
29	12		Current federal & state income taxes				-	1,594	3,829	(5,423)
30	13		Deferred federal & state income taxes				-	(1,144)	(118)	1,262
31			Total adjustments (Exhibit RAD-2, Page 1, col. 2, line 24)	\$ (6,202)	\$ 9,372	\$ (280)	\$ (15,294)	\$ (1,078)	\$ (1,107)	\$ (13,109)
32			Budget as adjusted (Exhibit RAD-2, Page 1, col. 3)	\$ 273,779	\$ 233,471	\$ 16,802	\$ 23,506	\$ 2,047	\$ 8,636	\$ 12,823
33			PA Jurisdictional (Exhibit RAD-2, Page 1, col. 6)	\$ 94,190	\$ 62,893	\$ 6,222	\$ 25,075	\$ 2,203	\$ 9,129	\$ 13,743

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-3:

“List and explain all nonrecurring or extraordinary expenses incurred in the test year and all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years, for example, non-yearly maintenance programs, and the like.”

RESPONSE:

The test year ending 12/31/17 does not include any non-recurring or extraordinary expenses.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-4:

“As a separate item, list extraordinary property losses related to property previously included in cost of service when the gain or loss on this property has occurred or is likely to occur in the future test year. The proposed ratemaking treatment of extraordinary gains and losses must also be disclosed. Sufficient supporting data must be provided.”

RESPONSE:

There are no extraordinary property losses.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-5:

“Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written off in each of the last 3 calendar years.”

RESPONSE:

The future estimate of uncollectible accounts is based on a historically determined average of net write-offs to sales for each utility company. For the Uncollectible Customer Reserve, the Company determines a 3-year rolling average of net write-offs to sales (36 months of net write-offs/36 months of sales). This percentage is then multiplied by the latest 6 months of sales to arrive at a reserve.

The 2013 Uncollectible Customer Reserve includes a reserve for the Purchase of Receivables program (“POR”). This was determined using a percentage of Non-POR Uncollectible Customer Reserve to Non-POR Customer Receivable Arrears (Uncollectible Customer Receivable Reserve/Non-Current Customer Receivable Arrears). This percentage was then multiplied by the POR Non-Current Customer Receivable Arrears to arrive at a reserve. Beginning in 2014, the POR Uncollectible Customer Reserve calculation methodology was changed to align with the 3-year rolling average as discussed above.

The Company may record additional uncollectible customer reserve amounts as deemed necessary to fairly value Accounts Receivable.

The accruals, net write-offs and balance in FERC Account No. 144.1 Accumulated Reserve for Uncollectible Accounts for the last three calendar years are as follows:

Line		
No.	Description	Amount
1	Balance, January 1, 2013	\$ (731,393)
2	Accruals	\$ (1,692,917)
3	Write-offs (Net)	<u>\$ 1,230,688</u>
4	Balance, December 31, 2013	\$ (1,193,622)
5	Accruals	\$ (1,756,500)
6	Write-offs (Net)	<u>\$ 1,858,124</u>
7	Balance, December 31, 2014	\$ (1,091,998)
8	Accruals	\$ (3,074,380)
9	Write-offs (Net)	<u>\$ 2,835,087</u>
10	Balance, December 31, 2015	<u>\$ (1,331,291)</u>

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-6:

“Supply detailed calculations to support the total claim for rate case expense, including supporting data for outside service rendered. Provide the items comprising the estimated rate case expense claim for the current rate case.”

RESPONSE:

The claim in the current rate case proceeding for rate case expenses, shown on Penn Power Exhibit RAD-2 page 17, is based on the following total estimated expenses proposed to be normalized for ratemaking purposes over two years:

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (\$000)
1	Legal Fees	\$ 85
2	Expert Witnesses	13
3	Other	<u>63</u>
4	Total Current Filing	<u>\$ 162</u>

Other Includes but is not limited to:

Copying

Postage/Courier Services

Public Input Hearing Costs (facilities/travel/hotels/meals)

Customer Notifications including Newspaper notices and Bill Inserts

Transcripts

Travel/hotels/meals for evidentiary hearings in Harrisburg, PA

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-7:

“Submit schedules for the test year and for the 12-month period immediately prior to the test year showing by major components, if included in claimed test year expenses, the expenses incurred in each of the following expense categories:

- (a) Miscellaneous general expenses, including account 930.
- (b) Outside service expenses.
- (c) Regulatory commission expenses.
- (d) Advertising expenses, including advertising engaged in by trade associations whenever the utility has claimed a contribution to the trade association as a ratemaking claim - provide explanation of types and purposes of such advertising.
- (e) Research and development expenses – provide a listing of major projects.
- (f) Charitable and civic contributions, by recipient and amount.
- (g) Explain major variances between the test year expenses and those expenses for the prior 12-month period.”

RESPONSE:

- (a – d): See Page 2 of 3.
- (e – f): See Page 3 of 3.

Line No.	Description	12 Months Ending 12/31		
		2017	2016	2015
<i>(in thousands)</i>				
<u>Acct 913 - Advertising & 930 - Miscellaneous General Expense</u>				
Institutional or Goodwill Advertising Expenses (913 & 930.1)				
1	Goodwill Advertising	\$ 0	\$ 0	\$ 1
2	Promotion / customer retention	7	7	8
3	Print Advertising	5	4	10
4	Agency Services	50	47	6
5	Total Institutional or Goodwill Advertising	<u>\$ 62</u>	<u>\$ 58</u>	<u>\$ 25</u>
Misc. General Expenses (930.2)				
6	Bank Fees	\$ 24	\$ 24	\$ 53
7	Misc Regulatory Expenses	84	81	67
8	Corporate Dues - Trade	26	26	26
9	Financing Admin Fees	28	30	17
10	Corporate Dues - Civic	37	37	5
11	Association Fees and Dues	2	2	4
12	FENOC - Benefits	5	5	12
13	FENOC - Tax	2	2	4
15	Total Miscellaneous General Expenses			(0)
		<u>\$ 207</u>	<u>\$ 208</u>	<u>\$ 188</u>
16	Accounts 913 & 930	<u>\$ 269</u>	<u>\$ 266</u>	<u>\$ 213</u>

Account 923 - Outside Services Employed

1	Outside Contractors	\$ 4,889	\$ 5,711	\$ 4,555
2	FE Service Co. Assessments	5,385	4,864	4,721
3	FENOC	40	39	77
4	Total Account 923	<u>\$ 10,314</u>	<u>\$ 10,613</u>	<u>\$ 9,353</u>

Account 928 - Regulatory Commission Expenses

1	Regulatory Commission Expense	\$ 742	\$ 822	\$ 724
2	Total Acct 928	<u>\$ 742</u>	<u>\$ 822</u>	<u>\$ 724</u>

Line No.	Description	12 Months Ending 12/31		
		2017	2016	2015
		<i>(in thousands)</i>		
1	<u>Research and Development Expenditures</u>	\$ 34	\$ 33	\$ 64 (A)

(A) For the year ended December 31, 2015, R&D expenses represents actual amounts included in the income statement. Future amounts are projected expenditures which will settle to either capital or expense depending on the nature of the project.

Account 426.1 - Donations

1	Property Donations	\$ 36	\$ 36	\$ 36
2	Civic Donations	7	7	8
3	Total charitable and civic contributions	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ 44</u>

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-8:

“Provide an analysis by function of charges by affiliates, for the test year and the 12-month period immediately prior to the test year, for services rendered included in the operating expenses of the filing company. Explain the nature of the service and the basis on which charges or allocations are made, including a copy of an applicable contract. Also, explain major variances between the charges for the test year and the corresponding charges for the prior 12-month period.”

RESPONSE:

See Penn Power Exhibit RAD-25 Attachment A for a summary of charges budgeted to be billed to Pennsylvania Power Company by FirstEnergy Service Company (FE Service) for the twelve months ending December 31, 2017 and December 31, 2016.

Also included is a copy of the Service Agreement between the operating subsidiary Pennsylvania Power Company and FE Service outlining the services to be provided by FE Service and the basis on which charges are to be billed. See Penn Power Exhibit RAD-25 Attachment B.

Pennsylvania Power Company
Charges by Affiliates
 (000's)

Line No.	Description	Twelve Months Ending December 31, 2017		Twelve Months Ending December 31, 2016		Twelve Months Ending December 31, 2015				
		Labor *	Other than Labor **	Total	Labor *	Other than Labor **	Total	Labor *	Other than Labor **	Total
1	Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Transmission	36	81	117	137	24	161	55	13	68
3	Distribution	602	677	1,279	1,083	876	1,959	1,079	748	1,827
4	Customer Accounting and Information	1,082	1,427	2,509	1,150	1,105	2,255	1,458	1,086	2,544
5	Administrative and General	2,631	3,336	5,967	2,188	3,284	5,472	3,022	2,450	5,472
6	Total	\$4,351	\$5,521	\$9,872	\$4,558	\$5,289	\$9,847	\$5,614	\$4,297	\$9,911

* Labor is direct payroll only; excludes payroll overhead

** OTL includes payroll overhead

Service Company Agreement-Utility [Execution Copy]

SERVICE AGREEMENT

This Service Agreement ("Agreement") is entered into as of the 25th day of February, 2011, by and between each of the associate companies listed on the signature page hereto (each a "Client Company"), and FirstEnergy Service Company, an Ohio corporation ("Service Company").

WHEREAS, Service Company is a direct wholly-owned subsidiary of FirstEnergy Corp., a holding company under the Public Utility Holding Company Act of 2005, as amended (the "Act");

WHEREAS, Service Company has been formed for the purpose of providing administrative, management and other services to FirstEnergy Corp. and its associate companies, including Client Company (together, the "Client Companies"); and

WHEREAS, Client Company believes that it is in its interest to enter into an arrangement whereby Client Company may agree to purchase such administrative, management and other services from Service Company as Client Company may choose at cost as determined in accordance with this Agreement and the Act;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. DESCRIPTION OF SERVICES.

Service Company agrees to provide certain administrative, management or other services (the "Services") to Client Company similar to those supplied to other Client Companies of Service Company. Such services are and will be provided to Client Company only at the request of Client Company. Exhibit A hereto lists and describes all of the Services that are available from Service Company.

2. PERSONNEL.

In order to provide the Services, Service Company will employ executive officers, accountants, financial advisers, technical advisers, attorneys and other persons with the necessary qualifications. If necessary, Service Company may also arrange for the services of nonaffiliated experts, consultants and attorneys in connection with the performance of any of the Services provided under this Agreement.

3. COMPENSATION AND ALLOCATION.

As and to the extent required by law, Service Company provides and will provide such services at fully allocated cost, determined in accordance with the Act. Exhibit A hereof contains rules for determining and allocating such costs.

4. TERMINATION AND MODIFICATION.

Either party to this Agreement may terminate this Agreement by providing 60 days written notice of such termination to the other party. This Agreement is subject to termination or modification at any time to the extent its performance may conflict with the provisions of the Act or with any rule, regulation or order of the Federal Regulatory Energy Commission (the "Commission") adopted before or after the making of this Agreement. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

5. SERVICE REQUESTS.

Client Company and Service Company will prepare a Service Request on or before September 30th of each year listing Services to be provided to Client Company by Service Company and any special arrangements related to the provision of such Services for the coming year, based on Services provided during the preceding year. Client Company and Service Company may supplement the Service Request during the year to reflect any additional or special Services that Client Company wishes to obtain from Service Company, and the arrangements relating thereto.

6. BILLING AND PAYMENT.

Unless otherwise set forth in a Service Request, payment for Services provided by Service Company shall be by making remittance of the amount billed or by making appropriate accounting entries on the books of Client Company and Service Company. Billing will be made on a monthly basis, with the bill to be rendered as soon as practicable after the close of the month, and remittance or accounting entries completed within 30 days of billing. Any amount remaining unpaid after 30 days following receipt of the bill shall bear interest thereon from the due date of the bill until payment at a rate equal to the prime rate on the due date.

7. NOTICE.

Where written notice is required by this Agreement, all notices, consents, certificates, or other communications hereunder shall be in writing and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To Client Company: c/o President
76 South Main St.
Akron, Ohio 44308

To Service Company: c/o Vice President and Controller
76 South Main Street
Akron, Ohio 44308

8. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to its conflict of laws provisions.

9. MODIFICATION.

No amendment, change or modification to this Agreement shall be valid, unless made in writing and signed by both parties hereto.

10. ENTIRE AGREEMENT.

This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and canceled in their entirety and are of no further force and effect, except to the extent transactions thereunder have taken place prior to such effective date in which case such agreements will govern the terms of such transactions.

11. WAIVER.

No waiver by either party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

12. ASSIGNMENT.

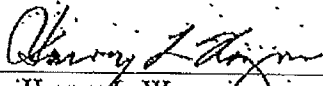
This Agreement shall inure to the benefit and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or either party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

13: SEVRABILITY.

If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

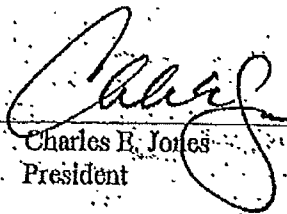
IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed effective as of the 25th day of February, 2011. This Agreement supercedes any previous agreement between the Service Company and the Client Companies.

FirstEnergy Service Company

By: 
Harvey L. Wagner
Vice President & Controller

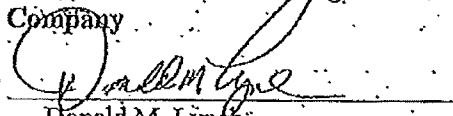
Client Companies:

Ohio Edison Company
The Cleveland Electric Illuminating
Company
The Toledo Edison Company
Pennsylvania Power Company
American Transmission Systems,
Incorporated
Pennsylvania Electric Company
Waverly Electric Power & Light
Company
Metropolitan Edison Company
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company
PATH - Allegheny Land Acquisition
Company
PATH Allegheny Maryland
Transmission Company, LLC
PATH Allegheny Transmission
Company, LLC
PATH Allegheny Virginia
Transmission Corporation
AYE Series, Potomac-Appalachian Transmission
Highline, LLC
Trans-Allegheny Interstate Line
Company

By: 
Charles R. Jones
President

Jersey Central Power & Light
Company

By:



Donald M. Lynch
President

EXHIBIT A
DESCRIPTION OF SERVICES AND ALLOCATION METHODOLOGY

1. Description Of Services

Overview

This Exhibit provides a description of all services provided by Service Company departments and the cost allocation methodologies to be used in connection therewith. All products and services are subject to Service Level Standards as negotiated between the Service Company department and Client Company. Each Client Company is classified as either a "Utility Subsidiary" or a "Non-Utility Subsidiary".

2. Cost Allocation Methodology

Overview

The costs of services provided by Service Company will be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The primary basis for charges to affiliates is the direct charge method. The methodologies listed below pertain to all other costs which are not directly assigned but which make up the fully allocated cost of providing the product or service. The costs of product and services provided by the ServeCo that cannot be charged directly to the Subsidiary receiving the product or service will be allocated among the associate companies by utilizing one of the methods described below that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the service. The allocation methods used by Service Company are as follows:

a. "Multiple Factor -- All" - For the Indirect Costs for products or services benefiting the entire FirstEnergy system, FirstEnergy and all Subsidiaries will bear a fair and equitable portion of such costs. FirstEnergy will bear 5% of these Indirect Costs. The remaining Indirect Costs will be allocated among the Utility Subsidiaries and the Non-Utility Subsidiaries benefiting from the services provided based on FirstEnergy's equity investment in the respective groups. A subsequent allocation step will then occur. Among the Utility Subsidiaries, allocations will be based upon the "Multiple Factor - Utility" method. Among the Non-Utility Subsidiaries, allocations will be based upon the "Multiple Factor - Non-Utility" method.

b. "Multiple Factor -- Utility" - For the Indirect Costs for a product or service solely benefiting one or more of the Utility Subsidiaries, each such Utility Subsidiary so benefiting will be charged a portion of the Indirect Costs based on the sum of the weighted averages of the following factors:

1. Gross transmission and/or distribution plant.
2. Operating and maintenance expense excluding purchase power and fuel costs.

3. Transmission and/or distribution revenues, excluding transactions with affiliates

These three (3) factors have been determined to be the most appropriate for the Utility Subsidiaries in the FirstEnergy system. Each factor will be weighted equally so that no one facet of the electric utility operations inordinately influences the distribution of Indirect Costs.

c. "Multiple Factor - Non-Utility" - For the Indirect Costs for products or services solely benefiting the Non-Utility Subsidiaries, each Non-Utility Subsidiary so benefiting receiving the product or service will be charged a proportion of the Indirect Costs based upon the total assets of each Non-Utility Subsidiary, including the generating assets under operating leases from the Utility Subsidiaries.

d. "Multiple Factor - Utility and Non-Utility" - For the Indirect Costs for a product or service benefiting one or more of the Utility and Non-Utility Subsidiaries, each such Subsidiary so benefiting is first assigned a distribution ratio that is in proportion to the Indirect Costs based on FirstEnergy's equity investment in such Subsidiaries. Following this distribution, a subsequent allocation step will then occur. Among the Utility Subsidiaries, allocations will be based upon the "Multiple Factor-Utility." Among the Non-Utility Subsidiaries, allocations will be based upon "Multiple Factor - Non-Utility"

e. "Direct Charge Ratio" - The ratio of direct charges for a particular product or service to an individual Subsidiary as a percentage of the total direct charges for a particular product or service to all Subsidiaries benefiting from such services. Indirect Costs are then allocated to each Subsidiary based on the calculated ratios.

f. "Number of Customers Ratio" - For costs of products and services driven by the number of Utility customers, the allocation method that will be used will be the number of Utility customers for the respective Utility Subsidiary receiving the product or service divided by the total number of utility customers.

g. "Number of Shopping Customers Ratio" - A "shopping customer" is defined as a Utility customer who has selected a competitive electric generation supplier. For costs of products and services driven by the number of shopping customers, the allocation method that will be used will be the number of shopping customers for the respective Utility Subsidiary receiving the product or service divided by the total number of shopping customers.

h. "Number of Participating Employees - General" - For costs of products and services driven by all participating employees within the FirstEnergy system, the allocation method that will be used will be the number of participating employees for the respective Subsidiary receiving the product or service divided by the total number of participating employees.

i. "Number of Participating Employees - Utility and Non-Utility" - For costs of products and services driven by participating employees who work for the Utility and Non-Utility Subsidiaries, the Subsidiaries receiving the product or service are first assigned a distribution ratio that is in proportion to the Indirect Costs based on FirstEnergy's equity investment in the respective groups. Costs are further allocated by using the number of participating employees for the respective Subsidiary divided by the total number of participating FirstEnergy employees.

j. "Gigabytes Used Ratio" - Number of gigabytes utilized by a Subsidiary receiving the product or service divided by the total number of gigabytes used by the FirstEnergy system companies applicable to that respective product or service.

k. "Number of Computer Workstations Ratio" - Number of computer workstations utilized by a Subsidiary receiving the product or service divided by the total number of computer workstations in use by the FirstEnergy system companies applicable to that respective product or service.

l. "Number of Billing Inserts Ratio" - Number of billing inserts performed for a Subsidiary receiving the product or service divided by the total number of billing inserts performed for the FirstEnergy system companies applicable to that respective product or service.

m. "Number of Invoices Ratio" - Number of invoices processed for a Subsidiary receiving the product or service divided by the total number of invoices processed for the FirstEnergy system companies applicable to that respective product or service.

n. "Number of Payments Ratio" - Number of monthly payments processed for a Subsidiary divided by the total monthly number of payments processed for the FirstEnergy system companies applicable to that respective product or service. This will not be utilized until some historical information is available out of our new automated system.

o. "Daily Print Volume" - Average daily print volume performed for a Subsidiary receiving the service divided by the total average daily print volume performed for the entire FirstEnergy system.

p. "Number of Intel Servers" - Number of Intel servers utilized by a Subsidiary receiving the product or service divided by the total number of Intel servers utilized by the FirstEnergy system.

q. "Application Development Ratio" - Number of application development hours budgeted for a Subsidiary receiving the service divided by the total number of budgeted application development hours for the year.

r. "Server Support Composite" - The average ratio of unix gigabytes, SAP gigabytes and Intel number of servers for a Subsidiary receiving the service.

3. Descriptions of Products and Services

CALL CENTER

Product or Service	Product / Service Description	Indirect Allocation Methods
Field All Inbound Regulated Calls	Field calls related to billing, credit, new service, service order completion, outages, and other miscellaneous activities.	Multiple Factor – Utility and Non-Utility
Field All Inbound Unregulated Calls	Field calls related to billing, credit, new service, service order completion, outages, and other miscellaneous activities.	Multiple Factor – Utility and Non-Utility

CUSTOMER SERVICE

Product or Service	Product / Service Description	Indirect Allocation Methods
Supplier Services	Provide customer services support to electric generation suppliers, administer and maintain Electronic Data Interface (EDI) functions and invoice suppliers.	Number of Shopping Customers Ratio
Regulatory Interface and Process Improvement: Supplier	Liaison to ensure Customer Choice requirements and develop and execute plans to improve supplier services processes.	Number of Shopping Customers Ratio
Market Support Generation (MSG) Administration	Administer and support MSG supplier functions.	Number of Shopping Customers Ratio
Regulatory Interface and Process Improvement: Regulatory	Respond to regulatory complaints from customers and develop and execute plans to improve regulatory compliance processes.	Number of Customers Ratio
Compliance	Work with regions to communicate and ensure regulatory requirements.	Multiple Factor – Utility
Power Billing	Provide billing functions for large commercial/industrial contract customers.	Number of Customers Ratio
Revenue Reporting	Perform and manage revenue reporting functions.	Number of Customers Ratio
Billing Exception Processing	Process billing exceptions.	Number of Customers Ratio
Remittance Processing	Process customer payments and deposit funds.	Number of Payments Ratio
Human Services	Coordinate and administer the various social services programs.	Number of Customers Ratio

Arrears Management/ Outsourcing Services Incorporated (OSI) Administration	Coordinate and perform arrears, credit and bankruptcy functions. Manage outside collections agencies' performance and OSI credit activities.	Number of Customers Ratio
Revenue Protection Administration	Perform revenue reporting and compliance functions.	Number of Customers Ratio
Metrics and Budget/ Customer Satisfaction Measurement	Manage Customer Services and Call Center Departments' budgets and measure performance and customer satisfaction results.	Number of Customers Ratio
Policy/Procedures Development and Documentation	Develop, document and communicate Customer Services policies and procedures.	Number of Customers Ratio
Bill Administration/ Forms Administration	Design standardized customer bills, envelopes, and forms.	Number of Customers Ratio
Meter Reading Support	Coordinate Meter Reading schedules and routing activities.	Number of Customers Ratio
Customer Information System (CIS) Control	Operate and maintain CIS.	Number of Customers Ratio

ECONOMIC DEVELOPMENT

Product or Service	Product / Service Description	Indirect Allocation Methods
Economic Development Services	Foster economic development to encourage capital investment in FirstEnergy's service areas.	Multiple Factor -- Utility

TRANSMISSION & DISTRIBUTION TECHNICAL SERVICES

Product or Service	Product / Service Description	Indirect Allocation Methods
Forestry	Provide forestry services.	Multiple Factor -- Utility
Distribution Reliability and Asset Records	Services include Joint User contracts, public works coordination, reliability reporting to regions and Public Utility Commissions, mutual assistance coordination, PowerOn support, cable locate ticket screening and tariff support.	Multiple Factor -- Utility

Design Standards	Services include line material and construction standards, distribution line and underground maintenance practices and support, new business process support, and service practices.	Multiple Factor – Utility
Substation Services Support	Services include Substation maintenance plan coordination, practices and support, mobile substation administration and planning, and environmental compliance support.	Multiple Factor – Utility
Equipment Repair/Testing Services	Services include the maintenance, installation, maintenance, testing and repair of utility equipment.	Multiple Factor – Utility
Fleet Services	Develop fleet strategy, and perform fleet maintenance practices and support.	Multiple Factor – Utility
Financial Services	Identify revenue enhancements and cost reductions.	Multiple Factor – Utility
Substation Design and Transmission-Line Maintenance Support	Perform substation and transmission line design and project management and transmission line and substation design and material standards, right-of-way and survey services, transmission line maintenance plan coordination, practices and support, RAA activity coordination.	Multiple Factor – Utility
Planning and Protection	Perform planning and protection support for subtransmission system and overall radial system capacity planning overview, and interconnection coordination for distributed technology applications on distribution system.	Multiple Factor – Utility
Capital Budget and Equipment Support	Capital budget development and support, and major equipment specifications and procurement/repair activities for major equipment.	Multiple Factor – Utility

WORKFORCE DEVELOPMENT

Product or Service	Product / Service Description	Indirect Allocation Methods
Transmission and Distribution Skills Training	Develop and facilitate technical and safety training for workers associated with distribution activities, including line, substation, meter, fleet, warehouse, field engineering, and dispatch. Provide support through equipment evaluation, training analyses, job assessments, and project coordination.	Number of Participating Employees – General
Customer Service Skills Training	Develop and facilitate skills training for customer service groups.	Multiple Factor – Utility
External Learning Opportunities Through the Power Systems Institute	Develop educational partnerships with colleges to offer two-year degrees in electric utility technology.	Multiple Factor – Utility

ADMINISTRATIVE SERVICES

Product or Service	Product / Service Description	Indirect Allocation Methods
Provide Administrative Support Services	Provides services in production printing, document imaging, graphic services, food services, corporate mailroom and corporate courier.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*
Provide Records Management Services	Provides services in records storage, records retrieval, records retention, records planning and engineering records.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*
Provide Business Services	Provides services in convenience copiers, fax machines, pagers, printers, and business information center.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*

* For services rendered only to the utilities.

EXECUTIVE

Product or Service	Product / Service Description	Indirect Allocation Methods
Executive Management	Consultation and services in management and administration of all aspects of the business.	Multiple Factor - All

COMMUNICATIONS

Product or Service	Product / Service Description	Indirect Allocation Methods
Public Relations	Provides services in media relations, financial communications, annual reports, executive presentation, public relations counsel, corporate writing, internet support and special projects.	Multiple Factor - All
Employee Communications	Provides services with update, retirees, satellite broadcast, human resource-related communications and special projects.	Number of Participating Employees - Utility and Non-Utility
Production	Provides services related to display, photography, Corporate ID, video and employee merchandise.	Multiple Factor - All
Sponsorship	Provides services related to sports marketing, university support and special projects.	Multiple Factor - All
Non-Utility Advertising	Provides services related to broadcast/print, collateral, direct mail, internet/intranet, display/merchandise, yellow/white pages, production/agency support and special projects.	Multiple Factor - Non-Utility
Utility Advertising	Provides services related to TV, radio, print, outdoors, Internet/Intranet, special projects, production, agency support and creative media placement.	Multiple Factor - Utility
Utility Bill Inserts	Provides services developing regulated bill service to Ohio, Pennsylvania and New Jersey.	Multiple Factor - Utility
Utility : Yellow / White Pages	Provides services with regulated yellow/white pages.	Multiple Factor - Utility
Utility: Research	Provides research services.	Multiple Factor - Utility
Ohio Consumer Education	Provides services related to Ohio Consumer Education statewide and locally.	Multiple Factor - Utility
Ohio Deregulation Education	Provides service related to Deregulation Education.	Multiple Factor - Utility

CORPORATE AFFAIRS AND COMMUNITY INVOLVEMENT

Product or Service	Product / Service Description	Indirect Allocation Methods
Corporate Affairs Activities	Provide administrative support through oversight of the business practices and planning and implementation of staff, senior management and related meetings. Serves as community liaison.	Multiple Factor -- Utility
Direct Community Involvement Initiatives	Provides direction in employee volunteerism, supports viable community partnerships and educational initiatives.	Multiple Factor -- Utility
Energy Efficiency Programs	Directing and coordinating Ohio Weatherization and Energy Efficiency Programs for Low Income Customers.	Multiple Factor -- Utility
Community Initiatives Consulting Services	Consults to regional operations and other business units and client managers for the various community programs.	Multiple Factor -- Utility
Contributions Management	Directs, coordinates, monitors, and manages contributions.	Multiple Factor -- Utility

CORPORATE

Product or Service	Product / Service Description	Indirect Allocation Methods
Investor Services	Stock administration, perform recordkeeping, transfer agent, registrar, paying agent, reinvestment plan administration and other services for shareholders.	None (All Direct Charge to Holding Co.)
Board of Directors Support	Support and administration of Board of Directors meetings and director compensation.	None (All Direct Charge to Holding Co.)
Annual Meeting Coordination	Coordinate the Annual Meeting of Shareholders, including the preparation and mailing of proxy materials and annual reports and the tabulation of proxies.	None (All Direct Charge to Holding Co.)
Indenture Compliance	Administer the company's indentures	Multiple Factor -- Utility

HUMAN RESOURCES

Product or Service	Product / Service Description	Indirect Allocation Methods
Manage Employee Executive Compensation and Benefits	Provide management and supervision for employee and executive compensation and benefits.	Number of Participating Employees – General
Manage Workers Compensation and Disability Management	Provide management and supervision for workers compensation and disability programs.	Number of Participating Employees – General
Provide and Coordinate Human Resources Training	Design, prepare and conduct training.	Number of Participating Employees – General
Provide Employment Services	Provide staffing, relocation and employment expertise.	Number of Participating Employees – General
Provide HRIS Services	Provide and maintain Human Resources information.	Number of Participating Employees – General
Provide Diversity Management Services	Manage Affirmative Action programs, provide BBO/AA consulting services, and respond to charges.	Number of Participating Employees – General
Manage/ Administer Medical Services and Wellness Programs	Establish compliance, develop, implement, and administer medical and wellness programs.	Number of Participating Employees – General

INDUSTRIAL RELATIONS

Product or Service	Product / Service Description	Indirect Allocation Methods
Provide Labor Contract Negotiations	Provide contract negotiation services for all labor agreements.	Number of Participating Employees – General
Provide Labor Consulting Services	Provide labor consulting services.	Number of Participating Employees – General
Manage/Administer Safety Programs	Develop, implement and administer occupational safety programs.	Number of Participating Employees – General

REAL ESTATE

Product or Service	Product / Service Description	Indirect Allocation Methods
Facilities Management	Management and maintenance of office facilities.	Multiple Factor – All or Multiple Factor Utility*
Facilities Planning and Project Management	Manage office design services, furniture, project management and other capital improvements.	Multiple Factor – All or Multiple Factor Utility*
Management of Real Estate Assets	Support internal and external inquiries regarding the acquisition, divestiture and management of real estate assets	Multiple Factor – All or Multiple Factor Utility*
Manage/Administer Security Programs	Administer physical security, special investigations, security audits, security consultation and contract guard services.	Multiple Factor – All or Multiple Factor Utility*

* For services rendered only to the utilities.

FIRSTENERGY TECHNOLOGIES

Product or Service	Product / Service Description	Indirect Allocation Methods
Strategic Technologies	Develop, support and implement BPRI programs, industry initiatives, research and development programs, collaboratives and activities with universities, labs and the Department of Energy.	Multiple Factor – Utility
New Technology Assessment	Perform assessment activities for strategic technology pilots, technology assessments, marketing tests, customer pilots and due diligence reviews.	Multiple Factor – Utility and Non-Utility
Technical Application and Product Innovation	Develop, analyze and support strategic alliances, joint ventures, strategic startups, direct investments and Portfolio initiatives.	Multiple Factor – Utility and Non-Utility
New Technology and Product Market Deployment	Develop, support and implement the following initiatives: tailored solutions with existing products, commercial packages, operational efficiencies and business area solutions.	Multiple Factor – Utility and Non-Utility
Demand Response Initiatives	Provide support for corporate demand response initiatives.	Multiple Factor – Utility and Non-Utility
Renewable Energy Program and Strategy	Provide support for various corporate and regulatory initiatives to develop and implement renewable energy programs and products.	Multiple Factor – Utility

Regulated Programs and Services	Develop, support and implement programs and strategies to meet corporate initiatives and regulatory mandates and commitments related to Comprehensive Resource Assessment(CRA), customer end-use, technology, distributed generation and load management.	Multiple Factor – Utility
Project Implementation Management Services	Develop and implement end-use and distributed generation technology-based products and services.	Multiple Factor – Utility and Non-Utility

TECHNOLOGY & SUPPORT SERVICES

Product or Service	Product / Service Description	Indirect Allocation Methods
Provide Network Services	Provide Internal Network Services,	Multiple Factor – Utility and Non-Utility
Maintain wireless cell sites and fiber optics network	Maintain internal wireless cell sites and fiber optic network; provide engineering, procurement, and installation services.	Multiple Factor – Utility and Non-Utility

INFORMATION TECHNOLOGY

Product or Service	Product / Service Description	Indirect Allocation Methods
Application Development	Create new or enhance existing applications; including analysis design coding, testing, system integration, and implementation, as well as any required technical writing or project manual development.	Directly Billed
Development Supervision and Tool Support	Supervision of application development employees and the support of development software tools.	Application Development Ratio
Server Support (Unix, SAP)	Create and support the network and server infrastructure to accommodate unix and SAP client server applications.	Gigabytes Used Ratio
Client Server Storage Support	Support of storage requirements for all server applications.	Server Support Composite Ratio
Server Support (Intel)	Create and support the network and server infrastructure to accommodate windows and NT client server applications.	Number of Intel Servers Ratio
Mainframe Processing and Storage Support	Execute mainframe applications, including an appropriate portion of support, started tasks, mainframe backups and microfiche services.	Gigabytes Used Ratio

Desktop Support	Help desk email and end-user tools, remote access, repair services, and general workstation support.	Number of Computer Workstations Ratio
Network Services	Includes voice, data, EMS and radio access.	Direct Charge Ratio
Inserting Services	Provide document bursting, inserting and mailing.	Number of Billing Inserts Ratio
Printing Services	Provide mainframe and client server printing services at the data center.	Daily Print Volume Ratio
Technical Consulting	Provide consulting support to departments and end-users to enable them to leverage their IT capabilities. Provide advice and consultation regarding desktop setups and configurations.	Directly Billed
Training	Provide IT training.	Multiple Factor – Utility and Non-Utility
Business Application Support	Support business application related software licenses and / or hardware maintenance provided by an outside vendor.	Directly Billed
Data Security	Disaster recovery and data security services.	Multiple Factor – Utility and Non-Utility
Project Management Office	Oversee technology projects through benefit.	Multiple Factor – Utility and Non-Utility
Provide Telecommunication Services	Provide telecommunication services and equipment.	Direct Charge Ratio
Portal Support	Support the infrastructure to accommodate internet and intranet application access.	Multiple Factor – Utility and Non-Utility

PERFORMANCE PLANNING

Product or Service	Product / Service Description	Indirect Allocation Methods
Performance Planning Services	Develop, support and execute performance planning services.	Multiple Factor – All

SUPPLY CHAIN

Product or Service	Product / Service Description	Indirect Allocation Methods
Strategic Planning, Demand management and Procurement Projects	Provide assistance in materials and services planning (demand management) and performs special procurement projects.	Multiple Factor -- Utility and Non-Utility
Goods and services procurement	Procure material, equipment and contractor services; Establish, manage and administer programs, which allow internal customers to obtain goods without having to process the need through Procurement. Develop specifications, construction standards, schedules, and bills of materials.	Multiple Factor -- Utility and Non-Utility
Materials Management Support	Maintain the computerized purchasing and materials management systems, and material related modules; maintain and/or modify select management reports. Analyze Supply Chain processes and measure performance. Monitor and forecast demand to ensure a continuous supply of materials.	Multiple Factor -- Utility and Non-Utility
Investment Recovery Projects	Develop and implement plans for disposition of surplus assets.	Multiple Factor -- Utility and Non-Utility
Process, Refurbish and Sell Materials	Perform recovery processing, investment recovery processing, refurbishing and selling materials.	Multiple Factor -- Utility and Non-Utility
Provide Warehousing Services - Non-nuclear	Receive and place material into stock, insure quality requirements are met at receipt, maintain inventory counts, and update information systems. Fill customer requests for material from stock.	Multiple Factor -- Utility and Non-Utility
Provide Warehousing Services - Nuclear	Receive and place material into stock, insure quality requirements are met at receipt, maintain inventory counts, and update information systems. Fill customer requests for material from stock.	None (All direct charged)
Warehousing Space Charge	Provide warehousing space to internal customers.	Multiple Factor -- Utility and Non-Utility

CONTROLLERS

Product or Service	Product / Service Description	Indirect Allocation Methods
Accounting Research	Provide accounting research and consulting to ensure compliance with existing and proposed financial reporting, and regulatory accounting requirements.	Multiple Factor - All
Accounts Payable	Nonpayroll corporate disbursement services including account distribution to the general ledger. Resolve problems associated with invoice processing and maintain the accounts payable system.	Multiple Factor - All
Billing Services	Prepare non-retail electric billings.	Multiple Factor Utility
Infrastructure and Corporate Reporting, Accounting and Budgeting	Prepare Corporate Sustaining reports, subsidiary accounting and corporate budgeting, which includes reporting and support of the ledger, property records and SAP system.	Multiple Factor - All
Due Diligence	Assist value centers to determine whether proposed business acquisitions/combinations and similar transactions are desirable from a financial perspective; extensive review/analysis following preliminary review and firm intent to proceed with transaction through commitment and closing phases.	None (All direct charged)
Value Center Accounting and Budgeting	Maintain the property accounting system and provide value center accounting such as management reporting.	Multiple Factor -- Utility and Non-Utility
Property Record Maintenance	Maintain corporate continuing property records.	Multiple Factor -- Utility and Non-Utility or Multiple Factor Utility*
Tax Consulting and Research	Conduct tax research and tax consulting to assure compliance with statutes, while evaluating alternative tax strategies within the constraints of regulations that provide additional shareholder value to the company. In addition, provide tax-consulting advice to the value centers on tax compliance and reporting issues, which includes business "start-up" support to organizations requiring assistance.	Multiple Factor -- All

* For services rendered only to the utilities.

Tax Compliance	Prepare and process all schedules and information associated with corporate and subsidiary tax returns, audits, and tax litigation, assuring compliance with tax regulations and statutes.	Multiple Factor – All or Multiple Factor Utility*
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* For services rendered only to the utilities.

CREDIT MANAGEMENT

Product or Service	Product / Service Description	Indirect Allocation Methods
Credit Analysis and Supporting Functions	Provide detailed written credit analysis issuing recommendations on counterparty creditworthiness and assigning credit limits.	Multiple Factor – Utility and Non-Utility
Credit Policies and Procedures	Develop and support credit policies and procedures for managing credit risk. Implement and support standardized credit approval processes.	Multiple Factor – Utility and Non-Utility
Credit Management Information System	Develop and support credit management reports and calculate credit exposure on a corporate wide basis.	Multiple Factor – All

ENTERPRISE RISK MANAGEMENT

Product or Service	Product / Service Description	Indirect Allocation Methods
General Risk Management	Develop and maintain an enterprise risk management system.	Multiple Factor – All

INSURANCE SERVICES

Product or Service	Product / Service Description	Indirect Allocation Methods
Insurance Policies	Manage and support insurance policies for all the business units.	Multiple Factor – Utility and Non-Utility
Loss Control Services	Manage and support property inspections to prevent losses.	Multiple Factor – Utility and Non-Utility
Surety Bonds	Manage and support Surety Bonds.	Multiple Factor – Utility and Non-Utility
Risk Transfer and Risk Mitigation Services	Manage and support risk transfer and risk mitigation services.	Multiple Factor – Utility and Non-Utility
Ancillary Coverages	Manage and support ancillary coverages.	None (All direct charged)

INTERNAL AUDIT

Product or Service	Product / Service Description	Indirect Allocation Methods
Audit Services	Perform the following internal audit services based on risk levels and / or requests: financial, performance analysis, safeguarding of assets, computer-related and fraud investigations.	Multiple Factor -- All or Multiple Factor -- Utility*

INVESTMENT MANAGEMENT

Product or Service	Product / Service Description	Indirect Allocation Methods
Qualified and Non-qualified Pension and Savings Plan	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Number of Participating Employees -- Utility and Non-Utility
FirstEnergy Foundation	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor - All
Voluntary Employee Benefit Association (VBBA) Trust	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Number of Participating Employees -- Utility and Non-Utility
Nuclear Decommissioning	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	None (All direct charged)
Non-Utility Generator Trust	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor -- Non-Utility
Spent Nuclear Fuel	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	None (All direct charged)
Low-Income Housing Tax Credit Partnership	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor - All

INVESTOR RELATIONS

Product or Service	Product / Service Description	Indirect Allocation Methods
Investor Information	Compile and communicate information to investors.	Multiple Factor -- Utility* or Direct Charge to Holding Co.
Investor Education	Target and educate potential investors to promote FirstEnergy's valuation characteristics and business strategy.	None (All Direct Charge to Holding Co.)

* For services rendered only to the utilities.

Regulations Compliance	Ensure compliance with SEC Fair Disclosure regulations.	Multiple Factor - All
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FirstEnergy Management Education	Provide education to management of business concerns and valuation issues of analyst/investors	Multiple Factor – All
FirstEnergy Employee Education	Actively promote understanding of financial and investor relations' issues.	Multiple Factor – All

RATES AND REGULATORY AFFAIRS

Product or Service	Product / Service Description	Indirect Allocation Methods
Regulatory Activities and Consulting	Manage regulatory activities and interfaces, including tariff development and interpretation. Monitor and participate in regulatory affairs at the local, state and federal levels.	Multiple Factor – Utility
Customer Pricing and Contracting	Develop pricing programs for regulated electric service for retail and wholesale customers; including "unbundled" costs and prices for generation, transmission and distribution service and support justification to regulators. Provide support in developing pricing for special-purpose customer programs and non-regulated energy services (e.g. prepayment, economic development, interruptible load, conjunctive-billing electric service programs).	Multiple Factor – Utility
Billing Support	Provide assistance calculating customer (external and internal) invoices and operate and maintain systems to render, collect and account for these invoices.	Multiple Factor – Utility
Sales and Load Forecasting	Develop short-term and long-term sales forecast, peak load projections and customer counts	Multiple Factor – Utility and Non-Utility

TREASURY

Product or Service	Product / Service Description	Indirect Allocation Methods
Capital Structure Management and Administration	Perform all activities related to acquiring capital and establish and administer funding, legal documentation, and record-keeping activities associated with finance programs	Multiple Factor – All
Corporate Funds Management	Plan, manage, and operate the corporate "cash-flow-cycle."	Multiple Factor – All
Corporate Forecasting	Provide regulatory support, strategy support, financial modeling and forecasting, financial and economic analysis and development of annual corporate KPI target.	Multiple Factor – All

Capital Project Evaluation and Support	Provide analytical support in the areas of financing, profitability, capital structure and cash flow.	Multiple Factor – Utility and Non-Utility
Investor Relations Activities	Provide institutional and retail security holder, buy and sell-side analysts, rating agencies, and other key members of the financial community with qualitative and quantitative information.	Multiple Factor – All

BUSINESS DEVELOPMENT

Product or Service	Product / Service Description	Indirect Allocation Methods
Mergers and Acquisitions Support	Support, evaluate and assist in the management of merger, asset acquisition and asset disposition activities.	None (All direct charged)
Internal Consulting	Perform strategic analysis/business fit, and economic analysis. Provide integration and transitional management services as needed.	None (All direct charged)

GOVERNMENTAL AFFAIRS

Product or Service	Product / Service Description	Indirect Allocation Methods
Federal Governmental Affairs Support	Activities associated with developing and maintaining relationships with federal government institutions; includes lobbying, and other support activities.	None (All direct charged)
State Governmental Affairs Support	Activities associated with developing and maintaining relationships with state government institutions; includes lobbying, and other support activities.	None (All direct charged)

LEGAL

Product or Service	Product / Service Description	Indirect Allocation Methods
Provide Governmental Affairs Support	Activities associated with developing and maintaining relationships with government institutions; includes lobbying, litigation, and other support activities.	None (All direct charged)
Nuclear Legal Consultation and Case Management	Provide legal advice for federal and state nuclear matters.	None (All direct charged)
Human Resources Legal Consultation & Case Management	Provide legal advice for human resource matters (including workers compensation, union negotiations, arbitrations, class action lawsuits, etc.).	Multiple Factor – Utility and Non-Utility

Product or Service	Product / Service Description	Indirect Allocation Methods
Employee Benefits Legal Consultation & Case Management	Provide legal advice for employee benefits matters (including health and welfare benefits, tax-qualified and non-tax qualified benefit plans and programs, pension administration, etc.).	Number of Participating Employees – Utility and Non-Utility
Tax Legal Consultation & Case Management	Provide legal advice for tax matters including federal, state & local tax matters (land tax, sales & use tax, IRS, etc.).	Multiple Factor – All
Bankruptcy Legal Consultation & Case Management	Provide legal advice for bankruptcy matters.	Multiple Factor – Utility and Non-Utility
International Legal Consultation & Case Management	Provide legal advice for international matters – contract negotiations, sale/lease agreements.	None (All direct charged)
Non-Utility Legal Consultation & Case Management	Provide legal advice on federal and state matters to Non-Utility Subsidiaries.	Multiple Factor – Non-Utilities
Regulatory Legal Consultation & Case Management	Provide legal advice for federal and state regulatory matters.	Multiple Factor – Utility
Environmental Legal Consultation & Case Management	Provide legal advice for environmental matters (other than PCB – related matters) – federal (EPA) and state (EPA), regulatory/legislative compliance issues.	None (All direct charged)
PCB Environmental Legal Consultation & Case Management	Provide legal advice for PCB-related matters – federal (EPA) and state (EPA), regulatory/legislative compliance issues.	Multiple Factor – Utility
Real Estate Legal Consultation & Case Management	Provide legal advice for real estate matters.	Multiple Factor – Utility and Non-Utility
Corporate Legal Consultation & Case Management	Provide legal advice for general corporate and transactional matters (including SEC filings, Board of Directors matters, PUHCA, Financings, Securities Matters, Intellectual Property, Technology, General Counsel matters, etc.).	Multiple Factor – All
Claims Legal Consultation & Case Management	Provide legal advice for Claims matters.	Multiple Factor – All

CLAIMS:

Product or Service	Product / Service Description	Indirect Allocation Methods
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Process Receivable Claims	Provide management, supervision, and performance of tasks associated with the resolution and chargeback of receivable claims.	Multiple Factor - All
Provide Corporate Support	Claims support in evaluating claims; and procuring appropriate external/internal legal resources.	Multiple Factor - All

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-9:

“Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for, the cost thereof, the accounting treatment and whether included in claimed test year expenses.”

RESPONSE:

Penn Power Company
 Social and Service Organization Memberships Paid
 (000's)

Line No.	Organization	12 Months Ending December 31,		
		2017 (1)	2016 (2)	2015 (3)
<u>Business Associations</u>				
<u>Account 930</u>				
1	Edison Electric Institute	\$ 26	\$ 26	\$ 26
2	Chamber of Commerce, Economic Development, & Local Community Organizations	37	37	5
3	Other Business / Trade Organizations	2	2	4
4		<u>\$ 65</u>	<u>\$ 65</u>	<u>\$ 36</u>
<u>Account 426</u>				
5	Edison Electric Institute	<u>\$ 6</u>	<u>\$ 6</u>	<u>\$ 4</u>
	Total (line 4 + line 5)	<u>\$ 71</u>	<u>\$ 71</u>	<u>\$ 40</u>

Account 426 is not included in claimed test year expenses.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-10:

“Provide the following payroll and employee benefit data – regular and overtime – separately for the test year and for the 12-month period immediately prior to the test year:

- (a) The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with union personnel.
- (b) The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with nonunion personnel.
- (c) The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with managerial employees.
- (d) A summary of the wage rate, salary and employee benefit changes granted or to be granted during the year.
- (e) The claimed test year payroll expense and employee benefit expense.
- (f) The percentage of payroll expense and employee benefit expense applicable to operation and maintenance expenses and the basis thereof.”

RESPONSE:

(a – b): See Penn Power Exhibit RAD-27 Attachment A to this response.

(c) Managerial employees shown below are also included in response a and b under “Full-Time Non Bargaining” employees.

		Payroll and Employee Benefits - Management Employees (\$000)		
Line No.	Description	12 Months Ending 12/31/2017 Full-Time NonBargaining	12 Months Ending 12/31/2016 Full-Time NonBargaining	12 Months Ending 12/31/2015 Full-Time NonBargaining
Number of Management Employees				
1	Average	4	4	4
2	Year-End	4	4	5
3	Straight Time Payroll	\$ 487	\$ 473	\$ 447
4	Overtime Payroll	-	-	2
5	Incentive Compensation	54	53	49
6	Total Payroll	<u>\$ 541</u>	<u>\$ 526</u>	<u>\$ 498</u>
7	Total Employee Benefits	<u>\$ 106</u>	<u>\$ 103</u>	<u>\$ 99</u>

- (d) The following wage increase assumptions were incorporated in the Jan. 2017 – Dec. 2017 test period: Non-Bargaining 3.00% effective 3/1/17. Non-Union Physical 3.00% effective 3/1/17. Bargaining UWUA 140 2.50% effective 7/1/17.

The following assumptions were incorporated in the 2017 test period: Pension Discount Rate 4.5%, Pension Return on Assets 7.5%, OPEB discount rate 4.25%, OPEB Return on Assets 7.75%, effective January 1, 2017.

The following wage increase assumptions were incorporated in the Jan. 2016 – Dec. 2016 period: Non-Bargaining 3.00% effective 3/1/16. Non-Union Physical 3.00% effective 3/1/16. Bargaining UWUA 140 2.50% effective 7/1/16.

The following assumptions were incorporated in the 2016 test period: Pension Discount Rate 4.5%, Pension Return on Assets 7.5%, OPEB discount rate 4.25%, OPEB Return on Assets 7.75%, effective January 1, 2016.

- (e) The claimed test year payroll expense is detailed on Penn Power Exhibit RAD-2 page 12. Total claimed employee benefit expense consists of the O&M portion of the test year expense listed on Penn Power Exhibit RAD-2 Attachment A, lines 7 through 21, and the normalizing adjustment detailed on Penn Power Exhibit RAD-2, page 20.

- (f) The percentage of forecast payroll expense directly charged to O&M expense for the Jan. 2017 – Dec. 2017 test period is 45.69%. The percentage of employee benefits directly charged to O&M expense for the Jan. 2017 – Dec. 2017 test period is 45.69%. The benefit percentage does not include pension or OPEB costs which are not charged to O&M expense as part of the benefit labor adder applied to payroll.

The percentage of forecast payroll expense directly charged to O&M expense for the Jan. 2016 – Dec. 2016 test period is 38.05%. The percentage of employee benefits directly charged to O&M expense for the Jan. 2016 – Dec. 2016 test period is 38.05%. The benefit percentage does not include pension or OPEB costs which are not charged to O&M expense as part of the benefit labor adder applied to payroll.

Pennsylvania Power Company (Penn Power)
 Payroll and Employee Benefits
 (\$000)

Line No.	Description	12 Months Ending 12/31/2017			12 Months Ending 12/31/2016			12 Months Ending 12/31/2015		
		Full-Time Bargaining	Full-Time NonBargaining	Total	Full-Time Bargaining	Full-Time NonBargaining	Total	Full-Time Bargaining	Full-Time NonBargaining	Total
Number of Employees										
1	Average	141	54	195	141	54	195	139	51	190
2	Year-End	141	54	195	141	54	195	137	53	190
3	Straight Time Payroll	\$ 10,903	\$ 4,373	\$ 15,276	\$ 10,705	\$ 4,270	\$ 14,975	\$ 10,165	\$ 3,940	\$ 14,105
4	Overtime Payroll	1,463	366	1,829	1,428	355	1,783	3,331	298	3,629
5	Incentive Compensation	610	436	1,046	610	437	1,047	907	522	1,429
6	Total Payroll	\$ 12,976	\$ 5,175	\$ 18,151	\$ 12,743	\$ 5,062	\$ 17,805	\$ 14,403	\$ 4,760	\$ 19,163
Total Company Employee Benefits:										
7	Workers Compensation	\$ 95	\$ 37	\$ 131	\$ 98	\$ 33	\$ 131	\$ 114	\$ 42	\$ 156
8	Pension Costs	(587)	(225)	(812)	(358)	(120)	(478)	8,434	3,095	11,529
9	OPEB	(1,127)	(431)	(1,558)	(1,166)	(391)	(1,557)	(2,105)	(772)	(2,877)
10	Life Insurance	21	8	29	21	7	28	15	6	21
11	Medical/Dental Insurance	1,296	497	1,793	1,284	431	1,715	787	289	1,076
12	Executive Benefits	0	1,080	1,080	0	1,147	1,147	0	1,486	1,486
13	Restricted Stock	0	0	0	0	0	0	0	0	0
14	Savings Plan	398	152	550	405	136	541	377	138	516
15	Long / Short Term Disability	41	16	57	42	14	57	28	10	38
16	Education Assistance	13	5	17	13	4	17	7	2	9
17	Employee Awards	0	0	0	0	0	0	0	0	0
18	Employee Assistance Program	3	1	4	3	1	4	2	1	3
19	Wellness Program	61	23	85	59	20	79	14	5	19
20	Relocation	67	26	93	0	93	93	0	17	17
21	Other	4	2	6	4	1	6	(10)	(4)	(13)
22	Total Employee Benefits	\$ 285	\$ 1,190	\$ 1,475	\$ 407	\$ 1,377	\$ 1,783	\$ 7,666	\$ 4,316	\$ 11,982

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-11:

“Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.”

RESPONSE

Line No	Name of Lessor	Basic Detail of Lease	12 Months Ending December 31, 2017 <i>(in thousands)</i>
1	GE Capital Commercial Inc. (successor-in-interest to BLC Corporation)	<p><u>Motor Vehicles & Trailers</u> - Base Term 36-120 months with a Fixed Rate & maximum expected residual of 25% with unguaranteed residual of 13%. At end of base term, option for renewal exists for up to 24 months at 474 BPS plus Federal 2 year Swap Rate. At end of renewal term, option to continue to rent for monthly fee equivalent to 1/12 of 1% of acquisition cost until unit is sold or returned to Lessor.</p> <p><u>Other Equipment</u> - Base Term 36-120 months with a Fixed Rate & maximum expected residual of 20% with unguaranteed residual of 13%. At end of base term, option for renewal exists for up to 24 months at 474 BPS plus Federal 2 year Swap Rate. At end of renewal term, option to continue to rent for monthly fee equivalent to 1/12 of 1% of acquisition cost until unit is sold or returned to Lessor.</p>	\$622
2	Citizens Asset Finance, Inc. (f/k/a RBS Asset Finance, Inc.)	<p><u>Motor Vehicles & Trailers</u> - Base Term 60 months for Light & Medium Duty Vehicles, 96 months for Heavy Duty High Use Trouble Trucks and 120 months for all other Heavy Duty Vehicles & Trailers with a \$1 buy out at end of term for all.</p> <p><u>Other Equipment</u> - Base Term 96 months for Miscellaneous Equipment like ATVs, Sweeper/Scrubbers, etc. and 120 months for Construction Equipment & Forklifts with a \$1 buy out at end of term for all. Rates for both Motor Vehicles/Trailers & Other Equipment Leases are Fixed based on 200 BPS plus Bloomberg Avg Life Swap Rate (2.5 yrs for 60 month term, 4 yrs for 96 month term & 5.5 yrs for 120 month term)</p>	\$659
3	Bank of America NA DBA Banc of America Leasing & Capital LLC	<p><u>Motor Vehicles & Trailers</u> - Base Term 60 months for Light & Medium Duty Vehicles, 96 months for Heavy Duty Vehicles, Aerial Trouble Trucks and Crane Trucks, 120 months for All other Aerial Trucks, Digger Derricks & Trailers. All terms have a 20% residual balance.</p> <p><u>Other Equipment</u> - Base Term 120 months for Construction & Miscellaneous Equipment with no residual balance at the end of term instead FMV due. For all others at the end of the term, the options are to return the equipment, purchase at residual/FMV or enter into a renewal term for a minimum of 6 months but no longer than 24 months. At the end of the renewal term, we have the option to purchase at FMV or continue to rent monthly for a \$25 administrative fee until the unit(s) are sold.</p> <p>Lease Rate is margin 170 BPS for 60 & 96 term & 173 for 120 term plus Bloomberg Index Forward Swap Rate. Will use the 1st of each month to determine Swap Rate or next Business Day if 1st falls on bank holiday or weekend.</p>	\$35

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-12:

“Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures, explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate cases, and list all internal and independent audit reports for the most recent 2 year period.”

RESPONSE:

There have been no major changes in accounting procedures adopted since the previous rate case.

A list of all internal audit reports performed by the Internal Auditing Department from January 2014 through December 2015 appears on pages 1 thru 3.

A list of all independent audits performed from January 2014 through December 2015 appears on page 3.

Internal Audits Performed During – January through December 31, 2014

Compliance:

1. Audit of FirstEnergy Utilities Waste Management Practices as of November 7, 2013
2. Audit of FirstEnergy's Compliance to the Clean Air Act – Sulfur Hexafluoride Mandatory Emissions Tracking and Reporting as of January 21, 2014
3. Audit of FirstEnergy's Compliance with the 2014 CIP Information Protection Program and CIP-003-3 Requirement 4 as of July 15, 2014
4. Compliance Review of FirstEnergy Corporate Security Policy Guide - Possession/Use Of Weapons By Corporate Security Personnel as of November 20, 2014

Operational:

1. Audit of the Smart Meter Deployment Process - Phase I as of July 18, 2014
2. Audit of the Smart Meter Deployment Process – Phase II as of December 5, 2014

Consulting

1. Audit of 2013 Occupational Safety & Health Administration (OSHA) Recordable Incident Rate as of January 10, 2014
2. FiT Assignment - Governance and Compliance Team
3. Vendor Payroll Tax Reconciliation Audit Review
4. Storm Back-Office Invoice Review Process Development
5. Smart Meter Implementation and Procurement (SMIP) Program Time Charging Guiding Principles

6. Cyber Security Risk Assessment – MTF
7. 2014 Purchase Order Audit Clause Revision Reviews

IT Related:

1. Audit of Qlikview as of March 14, 2014
2. Facilitation of the Control Design for the Office Productivity Transformation Project
3. Pre-Implementation Audit of the Financial Transformation Project Budget, Forecast, and Planning System as of May 23, 2014
4. Pre-Implementation Audit of the Financial Transformation Project New General Ledger Technology as of May 23, 2014
5. Pre-Implementation Audit of the Financial Transformation Project Business Objects Planning and Consolidation System as of May 23, 2014
6. Control Design Workshop for IT Operations
7. Audit of Customer Nightly Batch Automation Project as of May 21, 2014
8. Pre-Implementation Audit of PowerPlant 10.4 Upgrade Project as of October 31, 2014
9. Facilitation of the Control Setup and Test Plan Execution for the Office Productivity Transformation Project

Financial:

1. Revenue's Payment Recovery Audit for Accounts Payable – 2012
2. Sarbanes-Oxley Annual Progress Report as of December 31, 2013
3. Audit of Pennsylvania Storm Deferral Accounting as of January 14, 2014
4. Sarbanes-Oxley 404 Assessment of Internal Controls Over Financial Reporting as of December 31, 2013
5. Audit of Accounts Payable for Year-Ended December 31, 2013
6. First Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of March 31, 2014
7. Audit of the FirstEnergy Interconnection Meters and Billing Accuracy as of January 30, 2014
8. Second Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of June 30, 2014
9. Third Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of September 30, 2014
10. Audit of Capital and Operation and Maintenance Expenses – Transmission & Information Technology (IT) Expenditures as of December 15, 2014

Internal Audits Performed During – January through December 31, 2015

Compliance:

1. Audit of 2014 Occupational Safety & Health Administration (OSHA) Recordable Incident Rate as of January 8, 2015
2. Audit of FirstEnergy's Environmental Governance - Environmental Management System (EMS) as of May 12, 2015
3. NERC CIP Version 5 Implementation Project – IT Operations Team as of December 15, 2015

Operational:

1. Audit of Regulated Generation and Dispatch Processes as of February 27, 2015
2. Audit of SMIP - Interim Meter Reading Data Validation Process as of July 15, 2015
3. PA Rate Order Implementation as of September 15, 2015

Consulting

1. Audit of FirstEnergy's Compliance with the 2015 CIP Information Protection Program and CIP-003-3 Requirement 4 as of July 31, 2015
2. FEU Final Bill, Write Off, and Outside Collection Agency Process Review as of August 24, 2015
3. Related Party/Person Risk Assessment – MTF
4. Forefront Identity Manager - MTF

IT Related:

1. Audit of Managed Cloud Environment – IT Controls as of February 13, 2015.
2. Audit of the Information Technology Budget Process as of December 2, 2015
3. Cyber Security Overview - MTF

Financial:

1. Sarbanes-Oxley 404 Assessment of Internal Controls Over Financial Reporting as of December 31, 2014
2. Audit of Accounts Payable for Year-Ended December 31, 2014
3. 2014 SOX Annual Progress Report
4. Audit of UIPlanner Reports
5. Second Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of June 30, 2015
6. Third Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting
7. Revenue's Payment Recovery Audit for Accounts Payable – 2014
8. Balance Sheet Reconciliation Review
9. Audit of Capital and Operation and Maintenance Expenses - FEU as of December 8, 2015

Independent Audits Performed for the years ended December 31, 2014 and 2015

PricewaterhouseCoopers LLP – Independent Registered Public Accounting Firm.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-13:

“Regardless of whether a claim for negative or positive net salvage is made, attach an exhibit showing gross salvage, cost of removal, third party reimbursements, if any, and net salvage for the test year and 4 previous years.”

RESPONSE:

The Company has not included third party reimbursements or any related costs of removal in the development of its claim allowance. The reasons for not including these amounts are as follows:

1. Depreciation rates are established with the expectation of normal remaining lives and charged capital principal costs to cost of service while an asset is in rate base.
2. When other than a normal circumstances causes equipment to retire, it is often due to third party involvement. When these occur, the Company acts to protect both investors' and customers' interests by seeking reimbursement from the third parties involved.
3. Third party reimbursements are typically for the following unpredictable and non-periodic events:
 - a. relocation/replacement of equipment for the convenience of the requesting party;
 - b. damage caused by equipment;
 - c. occasional sales of equipment for reasons other than normal of useful life.
4. The Company's handling of third party reimbursements is designed to minimize the need for any additional financing as follows:
 - a. a portion equal to the undepreciated amount of the item involved is credited to the reserve, bringing net plant to zero. There are no further depreciation or carrying charges (with book rate base and remaining life depreciation) relative to this item.
 - b. A portion equal to labor and other costs of expense is credited to these expenses – thus producing a net incurred expense of zero.

- c. Any remaining portion of such reimbursement is credited to related new constructions, thus reducing the cost of replacement plant.

The result of the Company procedure described above is to leave investors and ratepayers in equitable positions. The third party paid for the balance of the old asset (investors' funds outstanding), paid for the extra cost of work involved (no cost to investor or to ratepayer), and paid for some the cost of the replacement equipment (reducing plant rate base, consequently lowering related depreciation and carrying charges to customers). The partial payment of third parties of replacement items also avoids additional financing, with attendant benefits of avoiding increases in capital costs (to customers) and of avoiding possible common equity dilution (to present stockholders).

See Penn Power Exhibit RAD-30 Attachment A.

Pennsylvania Power Company (Penn Power)
Third Party Reimbursement, Cost of Removal and Salvage
For test year 1/1/2017 thru 12/31/2017 and 6 previous years

	Third Party Reimbursements (1)	Cost of Removal (2)	Salvage (3)	Net Salvage (4)=(2)+(3)
1/1/2011 thru 12/31/2011	(332,046)	1,361,504	(29,807)	1,331,697
1/1/2012 thru 12/31/2012	(718,103)	2,216,682	-	2,216,682
1/1/2013 thru 12/31/2013	(206,148)	5,076,001	(29,948)	5,046,053
1/1/2014 thru 12/31/2014	(62,598)	2,668,057	(1,750)	2,666,307
1/1/2015 thru 12/31/2015	(36,994)	4,032,219	-	4,032,219
1/1/2016 thru 12/31/2016	(391,177)	3,241,763	-	3,241,763
1/1/2017 thru 12/31/2017	(391,177)	3,305,560	-	3,305,560

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-14:

“State the amount of debt interest utilized for test year income tax calculations, including the amount so utilized which has been allocated from the debt interest of an affiliate, and provide details of debt interest and allocation computations.”

RESPONSE:

Debt interest utilized in the normalized test year under present rates is \$12,150,000 as calculated in Penn Power Exhibit RAD-2, Adjustment No. 12 page 26, line 9.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-15:

“Provide a schedule for the test year of Federal and Pennsylvania taxes other than income taxes, per books, pro forma at present rates, and pro forma at proposed rates, including the following tax categories:

- (a) Social Security.
- (b) Unemployment.
- (c) Capital stock.
- (d) Public utility
- (e) P.U.C. assessment.
- (f) Other property taxes.
- (g) Any other appropriate tax categories.”

RESPONSE:

See Pennsylvania Power Company Exhibit RAD-32 Attachment A for a schedule of taxes other than income taxes showing per budget and pro forma at present rates for the future test years.

Pennsylvania Power Company
 Summary of Taxes other than Income Taxes
Twelve Months Ending December 31, 2017
 (\$000)

Line No.	Description	Per Budget	Pro Forma Under Present Rates	
		Total Electric Operating (1)	Normalizing Adjustments (2)	As Adjusted (3) = (1) - (2)
	<u>Federal</u>			
1	Federal and State Payroll taxes	\$ 495	\$ (7)	\$ 502
2	Federal Excise tax	-	-	-
	<u>State</u>			
3	Capital Stock	-	-	-
4	Gross Receipts	16,236	287	15,949
5	Public Utility Realty	271	-	271
6	Highway Use	1	-	1
7	Use tax	0	-	0
8	Other	0	-	0
	<u>Local</u>			
9	Real Estate & Other	79	-	79
10	TOTAL	<u>\$ 17,082</u>	<u>\$ 280</u>	<u>\$ 16,802</u>

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-16:

“Submit a schedule showing the adjustments from taxable net income per books to taxable net income pro forma under existing rates and pro forma under proposed rates, together with an explanation of all normalizing adjustments. Submit detailed calculations supporting taxable income before State and Federal income taxes where the income tax is subject to allocation due to operations in another state or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.”

RESPONSE:

See Penn Power Exhibit RAD-33 Attachment A.

Line No.	Description	In Thousands		
		Fully Future Test Year Ending 12/31/17	Pro-Forma Test Year Under Existing Rates	Pro-Forma Test Year Under Proposed Rates
		Per Budget (1)	(2)	(3)
1	Balance after preferred stock dividends	\$ 18,851		
	Net utility operating income:			
2	Exhibit RAD-2, page 1, line 24, column 6		\$ 13,742	
3	Exhibit RAD-2, page 3, line 24, column 25			\$ 35,965
	Add:			
4	Income Taxes-Federal	3,274	2,778	14,744
5	Income Taxes-State	1,981	2,203	5,998
6	Provision for Deferred Income Taxes	7,614	6,351	6,351
7	Provision for Deferred Income Taxes-Credit			
8	Investment Tax Credit	-	-	-
9	Book Income Subject to Tax	\$ 31,719	\$ 25,074	\$ 63,058
	Adjustments:			
10	Book Depreciation	\$ 15,440	\$ 24,387	\$ 24,387
11	Tax Depreciation	(30,648)	(30,645)	(30,645)
12	Interest expense per Ratemaking	-	(12,150)	(12,150)
13	Business Meals	17	-	-
14	Life Insurance	(230)	-	-
15	Energy Efficiency Deferral	(685)	-	-
16	ESOP Dividend	(189)	-	-
17	FE Service Perm M Allocation	(42)	-	-
18	FE Service Temporal schedule M allocation	(1,942)	-	-
19	Lobbying	6	-	-
20	Capitalized Interest-Avoided Costs in Excess of AFC	-	-	-
21	FAS 123R - Restricted Stock Units	-	-	-
22	FAS 143	-	-	-
23	Price to Compare Rider	(933)	-	-
24	Default Serv. Support - Unbilled Rev.	(551)	-	-
25	Storm Damage & Other Deferrals	2,408	-	-
26	Deferred Interco Gain	4,528	-	-
27	OPEBs	(1,053)	-	-
28	Tax Capitalized Interest	341	-	-
29	Capitalized Vertical Tree Trimming	(3,500)	-	-
30	Reacquired Debt - Book Amortization of Loss	514	-	-
31	Casualty Loss	-	-	-
32	Section 263	-	-	-
33	Solar Voltaic req charge rider	(675)	-	-
34	T&D Repairs	(4,000)	-	-
35	AFUDC Equity	-	-	-
36	Capitalized Interest-Book AFC	(79)	-	-
37	PA PTC Deferral	-	-	-
38	Pension Accrual	(173)	1,783	1,783
39	Research & Development - 174	-	-	-
40	Asset Retirement Obligation	-	-	-
41	Capital Lease Vehicle - Book Expense	146	-	-
42	Universal Service Program (incl interest)	665	-	-
43	Other Reg Assets / Liabilities	-	1,694	1,694
44	CIAC - Post 86	-	-	-
45	State Taxable Income before Tax Preferences	\$ 11,086	\$ 10,143	\$ 48,127
46	State Tax Preference Items	8,742	11,913	11,913
47	State Taxable Income	\$ 19,828	\$ 22,056	\$ 60,040
	State Income Tax:			
48	Current Year	1,981	2,203	5,998
49	Total State Tax	\$ 1,981	\$ 2,203	\$ 5,998
50	Less: State Tax Preference Items	8,742	11,913	11,913
51	Federal Taxable Income (Line 45-L47-L48)	\$ 9,105	\$ 7,940	\$ 42,129

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-17:

“Submit a schedule showing for the last 5 years the income tax refunds, plus interest - net of taxes, received from the Federal government due to prior years’ claims.”

RESPONSE:

See Penn Power Exhibit RAD-34 Attachment A.

Pennsylvania Power Company
Income Tax Refunds Prior Year Claims

		0.414935			
		Tax On	Interest Rec	Tax Refunds	Net Interest
		Interest			
Received 2011					
Audit Settlement					
	2001 \$	1,448,933.10	(3,491,952.00)	(10,905,659.00)	\$ (2,043,018.90)
	2002	106,295.97	(256,175.00)	(923,559.00)	(149,879.03)
	2003	37,667.38	(90,779.00)	(360,981.00)	(53,111.62)
	2004	181,142.36	(436,556.00)	(772,062.00)	(255,413.64)
Claim for Refund					
	1998 R&D claim	42,872.61	(103,323.68)	(182,660.05)	(60,451.07)
	1999 R&D claim	36,310.89	(92,329.85)	(184,540.60)	(54,018.96)
	2000 R&D claim	44,539.28	(107,340.38)	(201,378.35)	(62,801.10)
	2001 R&D claim	76,990.75	(185,548.93)	(578,330.85)	(108,558.18)
	2002 R&D claim	115,575.18	(278,538.03)	(955,683.60)	(162,962.85)
	2003 R&D claim	97,817.11	(235,740.80)	(895,907.30)	(137,923.69)
Received 2012					
None					
Received 2013					
None					
Received 2014					
Audit Settlement	2010	874.68	(2,108.00)	(129,938.00)	(1,233.32)
Received 2015					
None					
Total		<u>\$ 2,191,019.32</u>	<u>\$ (5,280,391.67)</u>	<u>\$ (16,090,699.75)</u>	<u>\$ (3,089,372.35)</u>

() represents refunds

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-18:

“Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.”

RESPONSE:

See Penn Power Exhibit RAD-35 Attachment A.

Pennsylvania Power Company
Accumulated Deferred Taxes
 (\$000)

Line No.	Balance at 12/31/17		Balance at 12/31/16		Balance at 12/31/15	
	(1)	(2)	(3)	(4)	(5)	(6)
<u>Account 190-Accumulated Deferred Income Taxes</u>						
1	Accelerated Depreciation	\$ 1	\$ 1	\$ 1	\$ 1	
2	Accrued Taxes: FICA on Vacation Accrual	70	70	70	70	
3	Accrued Taxes: Tax Audit Reserves	25	25	25	25	
4	Accumulated Provision For Injuries and Damage-Gen Liability	585	585	585	585	
5	AFUDC Debt	0	0	0	0	
6	AFUDC Equity Flow Thru	681	681	681	681	
7	Alternative Minimum Tax Carryforward	7	7	7	7	
8	Asset Removal Costs	7	7	7	7	
9	Bad Debt Expense	552	552	552	552	
10	Charitable Contribution Carryforward	87	87	87	87	
11	CIAC	7,839	7,839	7,839	7,839	
12	Current Liability: Line Protection Deferred Revenue	5	5	5	5	
13	Deferred Compensation Expense	2,020	2,020	2,020	2,020	
14	DSSR Deferral and Interest	1,134	1,134	1,134	1,134	
15	EDCP Other Comprehensive Income Offset	295	295	295	295	
16	Energy Efficiency Conservation Phase 2	397	681	758	758	
17	FAS 112 - Medical Benefit Accrual	153	153	153	153	
18	FAS 123R - Performance Shares	2	2	2	2	
19	FAS 123R - Restricted Stock	12	12	12	12	
20	FAS 123R - Restricted Stock Units	26	26	26	26	
21	FAS 158 Pension Other Comprehensive Income Offset	38	38	38	38	
22	Federal NOL	25	25	-	-	
23	General Business Credit Carryforward	71	71	71	71	
24	General Overheads	1	1	1	1	
25	Incentive Compensation	483	483	483	483	
26	Interest Accrued-Customer Deposits	1	1	1	1	
27	Inventory: Reserve for Obsolescence	23	23	23	23	
28	Investment Tax Credit FAS 109 - FE	25	25	25	25	
29	PA Consumer Education	5	5	5	5	
30	Pension EDCP-SERP Payments	(4,611)	(4,539)	1,883	1,883	
31	Pension	28,073	28,073	28,073	28,073	
32	Post Retirement Benefits SFAS 106 Accrual	14,676	14,676	14,676	14,676	
33	Price to Compare	3,882	3,882	3,882	3,882	
34	Smart Meter Deferral	851	851	851	851	
35	Solar Votaic Req - Unbilled Deferral	28	28	28	28	
36	State Income Tax Deductible	103	103	103	103	
37	Tax Interest Capitalized	2,550	2,550	2,550	2,550	
38	Universal Service Cost Rider	899	623	265	265	
39	Vacation Pay Accrual	870	870	870	870	
		\$ 61,891	\$ 61,971	\$ 68,088	\$ 68,088	

Pennsylvania Power Company
Accumulated Deferred Taxes
 (\$000)

Line No.	Balance at 12/31/17		Balance at 12/31/16		Balance at 12/31/15	
	(1)	(2)	(3)	(4)	(5)	(6)
	<u>Account 281-283 Accum. Deferred Income Taxes</u>					
40	\$ (8,151)		\$ (8,151)		\$ (8,151)	
41	(113,213)		(108,142)		(101,617)	
42	(48)		(48)		(48)	
43	(66)		(66)		(66)	
44	(926)		(926)		(926)	
45	(2,116)		(2,116)		(2,116)	
46	(6)		(6)		(6)	
47	(14,424)		(12,972)		(11,519)	
48	(3,134)		(3,134)		(3,134)	
49	(637)		(637)		(637)	
50	(17)		(17)		(17)	
51	(1,374)		(1,374)		(1,374)	
52	(5)		(5)		(5)	
53	(509)		(280)		(232)	
54	(9)		(9)		(9)	
55	(7,775)		(9,068)		(10,361)	
56	(1,052)		(1,638)		(2,223)	
57	(32)		(32)		(32)	
58	(233)		(233)		(233)	
59	(4)		(4)		(4)	
60	0		0		0	
61	1		1		1	
62	(16)		(16)		(16)	
63	(1)		(1)		(1)	
64	(1,244)		(437)		(546)	
65	(813)		(813)		(813)	
66	(17,545)		(17,545)		(17,545)	
67	241		241		241	
68	(1,371)		(1,371)		(1,371)	
69	(7,100)		(6,663)		(6,290)	
70	(1,546)		(1,546)		(1,546)	
71	(1,440)		(1,440)		(1,440)	
72	6,875		6,875		2,761	
73	(739)		(352)		(136)	
74	127		66		5	
75	10		10		10	
76	(443)		(163)		(12)	
77	1,406		406		(593)	
78	(992)		(1,101)		(1,201)	
79	(19,109)		(17,449)		(15,790)	
80	(832)		(1,045)		(1,273)	
		<u>\$(198,262)</u>		<u>\$ (191,201)</u>		<u>\$ (188,266)</u>
		<u>\$ (136,371)</u>		<u>\$ (129,230)</u>		<u>\$ (120,177)</u>

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-19:

“Explain how the Federal corporate graduated tax rates have been reflected for rate case purposes. If the Pennsylvania jurisdictional utility is part of a multi-corporate system, explain how the tax savings are allocated to each member of the system.”

RESPONSE:

Penn Power is not entitled to a Federal graduated tax rate. Penn Power files as a member of a consolidated group and its taxable income exceeds where graduated rates apply. Therefore, the Company uses a flat 35% Federal income tax rate in this filing.

FirstEnergy Corp. (“FirstEnergy”) allocates its current federal consolidated income tax liability, pursuant to an agreement approved by the Securities and Exchange Commission, in accordance with the Energy Policy Act of 2005.

Members of the FirstEnergy consolidated group follow the allocation rules under the IRS Regulations under Code Section 1552. The consolidated group is treated as one taxpayer for federal income tax. Each member is required to compute its separate company taxable income. The members with positive taxable income (Paying Members) pay the consolidate tax liability based on an allocation of its separate company income. The aggregate of all amounts paid by Members of the consolidated group, as a result of the excess of each Members’ Separate Return Tax liability, (as determined under Section 1.1552-1(a)(2)(ii) of the IRS Regulations) over the amount allocated to such Member as its share of the Consolidated Tax Liability under Code Section 1552 (i.e., the Tax Benefit Amount) is paid by FirstEnergy to the other Members (the “Loss Members”) which had tax deductions, losses and credits to which such payments by the Paying Members are attributable. The apportionment of such payments among Loss Members is allocated among the group Members pursuant to IRS Regulations Section 1.1502-21(b).

However, the Tax Benefit Amount allocated to FirstEnergy and paid to FirstEnergy as a result of its being a Loss Member is limited to its Tax Benefit Amount determined by multiplying it total loss benefit amount by a fraction, the numerator of which is FirstEnergy’s interest deduction attributable to Acquisition Indebtedness, and the denominator of which is the sum of all of FirstEnergy’s deductions. The portion of FirstEnergy’s Tax Benefit Amount which cannot be allocated and paid to FirstEnergy due to the operation of this limitation is reallocated to Paying Members of the Consolidated Group other than FirstEnergy in

accordance with the method described in Sections 1.1502-33(d)(3) and 1.1552-1(a)(2) of the IRS Regulations.

The general effect of the method is to first allocate the consolidated tax liability among the Members of the Consolidated Group on the basis of the percentage of the total consolidated tax which the tax of such Member, if computed on a separate return basis would bear to the total amount of the taxes for all Members of the group so computed. Then the method allocates an additional amount (the "Tax Benefit Amount") to each Member up to, but not greater than, the excess, if any, of its Separate Return Tax liability, over the amount allocated to such Member in the previous sentence. The total of the Tax Benefit Amounts allocated to Members results in payments to the Members who had items of deduction, loss or credits to which such Tax Benefit Amount is attributable.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-20:

“Explain the treatment given to costs of removal in the income tax calculation and the basis for such treatment.”

RESPONSE:

On property acquired between 1971 and 1980, the Company utilizes the Asset Depreciation Range Tax Depreciation Method.

Under those regulations, when an asset is retired, the cost of dismantling, demolishing, or removing is deductible as a current year's expense.

On property acquired in 1981 and subsequent thereto, the company (in accordance with Accelerated Cost Recovery System and Modified Accelerated Cost Recovery System regulations) elected to use Cost of Removal in the calculation of gain or loss on retirements of 1981 and subsequent property.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-21:

“Show income tax loss/gain carryovers from previous years. Show loss/gain carryovers by years of origin and amounts remaining by years at the beginning of the test year.”

RESPONSE:

See Penn Power Exhibit RAD-38 Attachment A for the Net Operating Loss Carryforward schedule.

Pennsylvania Power Company
Net Operating Loss Carryforwards - Federal & State
Cumulative Balance at 12-31-15

	2011	2012	2013	2014	2015	Total
Federal NOL						
Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PA NOL						
2012 Utilization	\$ 3,378,018	\$ -	\$ -	\$ -	\$ -	\$ 3,378,018
2013 Utilization	(3,085,152)	-	-	-	-	(3,085,152)
Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (292,866)
Federal Charitable Contributions						
Balance	\$ 51,624	\$ 58,986	\$ 54,839	\$ 43,598	\$ -	\$ 209,047
	\$ 51,624	\$ 58,986	\$ 54,839	\$ 43,598	\$ -	\$ 209,047

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-22:

“State whether the company eliminates tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative:

- (a) Set forth amount of construction claimed in this tax savings reduction, and explain the basis for this amount
- (b) Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.
- (c) State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived.
- (d) Provide details of calculation to determine tax savings reduction, and state whether State taxes are increased to reflect the construction interest elimination.”

RESPONSE:

One of the revisions made to the Internal Revenue Code (“IRC”) by the Tax Reform Act of 1996 was the elimination of the current deduction for construction period interest. The IRC now requires construction period interest to be capitalized for tax purposes using an avoided cost methodology. This methodology results in a similar required capitalized interest amount for tax purposes than the debt component of Allowance for Funds Used During Construction. Therefore, there are no current tax savings to eliminate.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-23:

“Under section 1552 of the Internal Revenue Code (26 U.S.C.A. § 1552) and 26 CFR 1.1552-1 (1983), if applicable, a parent company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member’s tax liability to the Federal government (if this interrogatory is not applicable, so state):

- (a) State what option has been chosen by the group.
- (b) Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.
- (c) Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.
- (d) Provide the most recent annual income tax return for the group.
- (e) Provide details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.
- (f) Provide details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.”

RESPONSE:

- (a) The option used is Reg. §1.1552-1(a)(2) – the tax liability of the group is allocated based on the percentage of total tax computed on a separate basis for each member over the total amount of tax for all members of the group so computed.

- (b) See HIGHLY CONFIDENTIAL Penn Power Exhibit RAD-40 Attachment A – page 1 of 33 for the amount of the tax liability that has been allocated to each of the participating members in the Consolidated Federal income tax return for the most recent three years.

- (c) See HIGHLY CONFIDENTIAL Penn Power Exhibit RAD-40 Attachment A – pages 2-28 for the payments and refunds made for the most recent filed returns for years 2012, 2013 and 2014 as computed on the basis of separate returns of members.

- (d) See HIGHLY CONFIDENTIAL Penn Power Exhibit RAD-40 Attachment A - pages 29-33 --A copy of the U.S. Corporation Income Tax Return (Form 1120) as filed by FirstEnergy Corp. and its subsidiaries for the year 2014.

- (e) See HIGHLY CONFIDENTIAL Penn Power Exhibit RAD-40 Attachment A - pages 1-28.

- (f) See HIGHLY CONFIDENTIAL Penn Power Exhibit RAD-40 Attachment A - pages 1-28.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-24:

“Provide detailed computations by vintage year showing State and Federal deferred income taxes resulting from the use of accelerated tax depreciation associated with post-1969 public utility property, ADR rates, and accelerated tax depreciation associated with post-1980 public utility property under the Accelerated Cost Recovery System (ACRS).

- (a) Reconcile and explain any differences in the base used to calculate State and Federal deferred income taxes.
- (b) State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year.
- (c) Reconcile differences between the deferred tax balance, as shown as a reduction to rate base, and the deferred tax balance as shown on the balance sheet.”

RESPONSE:

- (a) See Penn Power Exhibit RAD-41 Attachment A. The attachment was prepared as submitted in the past. Vintage schedules only show Federal deferred income taxes and Gain Loss is post vintage 1986. No basis difference, however, there is a timing difference due to Pennsylvania disallowance in year one of the 50% Federal Bonus Depreciation.
- (b) See Penn Power Exhibit RAD-41 Attachment A. Tax depreciation for the fully projected future test year is based on all electric plant in service claimed as of 12/31/17 and the annual tax depreciation is based on the same plant.
- (c) See Penn Power Exhibit RAD-41 Attachment B.

PENN POWER
 Summary of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2015 - December, 2015

Provision:	Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
		State	Federal	Total	Normalizing Adjustments	Total
	1970	\$ -	\$ (327)	\$ (327)	\$ -	\$ (327)
	1971	-	(785)	(785)	-	(785)
	1972	-	(1,415)	(1,415)	-	(1,415)
	1973	-	(101)	(101)	-	(101)
	1974	-	6,131	6,131	-	6,131
	1975	-	33	33	-	33
	1976	-	7,619	7,619	-	7,619
	1977	-	(416)	(416)	-	(416)
	1978	-	72	72	-	72
	1979	-	(2,201)	(2,201)	-	(2,201)
	1980	-	12,659	12,659	-	12,659
	1981	-	136	136	-	136
	1982	-	5,654	5,654	-	5,654
	1983	-	-	-	-	-
	1984	-	2,323	2,323	-	2,323
	1985	-	2,431	2,431	-	2,431
	1986	-	-	-	-	-
	1987	-	33,975	33,975	-	33,975
	1987 A	-	2,935	2,935	-	2,935
	1988	-	55,613	55,613	-	55,613
	1988 A	-	-	-	-	-
	1989	-	152	152	-	152
	1989 A	-	-	-	-	-
	1990	-	898	898	-	898
	1990 A	-	-	-	-	-
	1991	-	702	702	-	702
	1992	-	89,809	89,809	-	89,809
	1993	-	7,361	7,361	-	7,361
	1993 A	-	644	644	-	644
	1994	-	1,333	1,333	-	1,333
	1995	-	16,476	16,476	-	16,476
	1996	-	79,252	79,252	-	79,252
	1997	-	62,327	62,327	-	62,327
	1998	-	33,904	33,904	-	33,904
	1999	-	33,742	33,742	-	33,742
	2000	-	65,711	65,711	-	65,711
	2001	-	64,129	64,129	-	64,129
	2001 30%	-	2,632	2,632	-	2,632
	2002	-	33,656	33,656	-	33,656
	2002 30%	-	14,334	14,334	-	14,334
	2003	-	11,852	11,852	-	11,852
	2003 30%	-	10,180	10,180	-	10,180
	2003 50%	-	9,326	9,326	-	9,326
	2004	-	31,362	31,362	-	31,362
	2004 30%	-	1,117	1,117	-	1,117
	2004 50%	-	11,535	11,535	-	11,535
	2005	-	169,179	169,179	-	169,179
	2006	-	262,056	262,056	-	262,056
	2007	-	161,194	161,194	-	161,194
	2008	-	88,829	88,829	-	88,829
	2008 50%	-	156,054	156,054	-	156,054
	2009	-	918	918	-	918
	2009 50%	-	462,390	462,390	-	462,390
	2010	-	16,304	16,304	-	16,304
	2010 100%	-	-	-	-	-
	2010 50%	-	27,041	27,041	-	27,041
	2011	-	16,353	16,353	-	16,353
	2011 100%	-	26,812	26,812	-	26,812
	2011 50%	-	346	346	-	346
	2012	-	(14,691)	(14,691)	-	(14,691)
	2012 50%	-	249,094	249,094	-	249,094
	2013	-	15,123	15,123	-	15,123
	2013 50%	-	224,452	224,452	-	224,452
	2014	-	52,996	52,996	-	52,996
	2014 50%	-	120,722	120,722	-	120,722
	2014 EXP	-	(142)	(142)	-	(142)
	2015	-	793,478	793,478	-	793,478
	2015 50%	-	9,684,608	9,684,608	-	9,684,608
	2015 EXP	-	749,750	749,750	-	749,750
Total Provision		\$ -	\$ 13,969,638	\$ 13,969,638	\$ -	\$ 13,969,638

PENN POWER
 Summary of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2015 - December, 2015

Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
	State	Federal	Total	Normalizing Adjustments	Total
Reversal					
1970	\$ -	\$ (13,523)	\$ (13,523)	\$ -	\$ (13,523)
1971	-	(27,632)	(27,632)	-	(27,632)
1972	-	(9,691)	(9,691)	-	(9,691)
1973	-	(38,363)	(38,363)	-	(38,363)
1974	-	(33,869)	(33,869)	-	(33,869)
1975	-	(30,355)	(30,355)	-	(30,355)
1976	-	(1,331)	(1,331)	-	(1,331)
1977	-	(27,467)	(27,467)	-	(27,467)
1978	-	(38,962)	(38,962)	-	(38,962)
1979	-	(34,982)	(34,982)	-	(34,982)
1980	-	(49,098)	(49,098)	-	(49,098)
1981	-	(31,695)	(31,695)	-	(31,695)
1982	-	(38,192)	(38,192)	-	(38,192)
1983	-	(39,750)	(39,750)	-	(39,750)
1984	-	(48,069)	(48,069)	-	(48,069)
1985	-	(53,117)	(53,117)	-	(53,117)
1986	-	(68,140)	(68,140)	-	(68,140)
1987	-	(47,391)	(47,391)	-	(47,391)
1987 A	-	(4,541)	(4,541)	-	(4,541)
1988	-	(58,320)	(58,320)	-	(58,320)
1988 A	-	(1,948)	(1,948)	-	(1,948)
1989	-	(99,300)	(99,300)	-	(99,300)
1989 A	-	(624)	(624)	-	(624)
1990	-	(129,053)	(129,053)	-	(129,053)
1990 A	-	(351)	(351)	-	(351)
1991	-	(156,857)	(156,857)	-	(156,857)
1992	-	(102,805)	(102,805)	-	(102,805)
1993	-	(211,878)	(211,878)	-	(211,878)
1993 A	-	79	79	-	79
1994	-	(106,384)	(106,384)	-	(106,384)
1995	-	(65,111)	(65,111)	-	(65,111)
1996	-	(81,631)	(81,631)	-	(81,631)
1997	-	(50,311)	(50,311)	-	(50,311)
1998	-	2,710	2,710	-	2,710
1999	-	(60,220)	(60,220)	-	(60,220)
2000	-	(42,835)	(42,835)	-	(42,835)
2001	-	(36,167)	(36,167)	-	(36,167)
2001 30%	-	28	28	-	28
2002	-	(20,319)	(20,319)	-	(20,319)
2002 30%	-	(327)	(327)	-	(327)
2003	-	(90,423)	(90,423)	-	(90,423)
2003 30%	-	1,592	1,592	-	1,592
2003 50%	-	(25,819)	(25,819)	-	(25,819)
2004	-	(57,942)	(57,942)	-	(57,942)
2004 30%	-	(28,180)	(28,180)	-	(28,180)
2004 50%	-	(11,023)	(11,023)	-	(11,023)
2005	-	(86,684)	(86,684)	-	(86,684)
2006	-	(24,497)	(24,497)	-	(24,497)
2007	-	(92,117)	(92,117)	-	(92,117)
2008	-	(101,920)	(101,920)	-	(101,920)
2008 50%	-	(106,537)	(106,537)	-	(106,537)
2009	-	(105,859)	(105,859)	-	(105,859)
2009 50%	-	521,651	521,651	-	521,651
2010	-	89,571	89,571	-	89,571
2010 100%	-	(43,512)	(43,512)	-	(43,512)
2010 50%	-	(6,161)	(6,161)	-	(6,161)
2011	-	(269,646)	(269,646)	-	(269,646)
2011 100%	-	(211,473)	(211,473)	-	(211,473)
2011 50%	-	(26,939)	(26,939)	-	(26,939)
2012	-	(103,620)	(103,620)	-	(103,620)
2012 50%	-	(260,717)	(260,717)	-	(260,717)
2013	-	(26,087)	(26,087)	-	(26,087)
2013 50%	-	(151,572)	(151,572)	-	(151,572)
2014	-	(422,152)	(422,152)	-	(422,152)
2014 50%	-	(348,301)	(348,301)	-	(348,301)
2014 EXP	-	(5,613)	(5,613)	-	(5,613)
2015	-	(14,273)	(14,273)	-	(14,273)
2015 50%	-	15,986	15,986	-	15,986
2015 EXP	-	(11,878)	(11,878)	-	(11,878)
Total Reversal	\$ -	\$ (3,861,932)	\$ (3,861,932)	\$ -	\$ (3,861,932)
Net Provision	\$ -	\$ 10,107,706	\$ 10,107,706	\$ -	\$ 10,107,706

PENN POWER
 Computation of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2015 - December, 2015

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		State	Deferral of Taxes		Total
		State	Federal		Federal	Federal	
Provision							
1970	\$ (933)	0%	35%	\$ -	\$ (327)	\$ (327)	
1971	(2,243)	0%	35%	-	(785)	(785)	
1972	(4,041)	0%	35%	-	(1,415)	(1,415)	
1973	(289)	0%	35%	-	(101)	(101)	
1974	17,518	0%	35%	-	6,131	6,131	
1975	95	0%	35%	-	33	33	
1976	21,768	0%	35%	-	7,619	7,619	
1977	(1,188)	0%	35%	-	(416)	(416)	
1978	204	0%	35%	-	72	72	
1979	(6,287)	0%	35%	-	(2,201)	(2,201)	
1980	36,168	0%	35%	-	12,659	12,659	
1981	390	0%	35%	-	136	136	
1982	16,155	0%	35%	-	5,654	5,654	
1983	-	0%	35%	-	-	-	
1984	6,637	0%	35%	-	2,323	2,323	
1985	6,947	0%	35%	-	2,431	2,431	
1986	-	0%	35%	-	-	-	
1987	97,073	0%	35%	-	33,975	33,975	
1987 A	8,387	0%	35%	-	2,935	2,935	
1988	158,894	0%	35%	-	55,613	55,613	
1988 A	-	0%	35%	-	-	-	
1989	433	0%	35%	-	152	152	
1989 A	-	0%	35%	-	-	-	
1990	2,566	0%	35%	-	898	898	
1990 A	-	0%	35%	-	-	-	
1991	2,007	0%	35%	-	702	702	
1992	256,596	0%	35%	-	89,809	89,809	
1993	21,031	0%	35%	-	7,361	7,361	
1993 A	1,840	0%	35%	-	644	644	
1994	3,808	0%	35%	-	1,333	1,333	
1995	43,800	0%	35%	-	15,330	15,330	
1996	219,639	0%	35%	-	76,874	76,874	
1997	164,262	0%	35%	-	57,492	57,492	
1998	74,327	0%	35%	-	26,014	26,014	
1999	58,265	0%	35%	-	20,393	20,393	
2000	155,834	0%	35%	-	54,542	54,542	
2001	149,070	0%	35%	-	52,175	52,175	
2001 30%	4,955	0%	35%	-	1,734	1,734	
2002	88,819	0%	35%	-	31,087	31,087	
2002 30%	35,445	0%	35%	-	12,406	12,406	
2003	32,960	0%	35%	-	11,536	11,536	
2003 30%	18,384	0%	35%	-	6,434	6,434	
2003 50%	21,433	0%	35%	-	7,502	7,502	
2004	89,434	0%	35%	-	31,302	31,302	
2004 30%	2,967	0%	35%	-	1,039	1,039	
2004 50%	(24,767)	0%	35%	-	(8,669)	(8,669)	
2005	409,431	0%	35%	-	143,301	143,301	
2006	579,827	0%	35%	-	202,940	202,940	
2007	333,167	0%	35%	-	116,608	116,608	
2008	211,211	0%	35%	-	73,924	73,924	
2008 50%	363,825	0%	35%	-	127,339	127,339	
2009	2,384	0%	35%	-	834	834	
2009 50%	308,265	0%	35%	-	107,893	107,893	
2010	46,030	0%	35%	-	16,111	16,111	
2010 100%	-	0%	35%	-	-	-	
2010 50%	17,689	0%	35%	-	6,191	6,191	
2011	52,484	0%	35%	-	18,370	18,370	
2011 100%	76,606	0%	35%	-	26,812	26,812	
2011 50%	543	0%	35%	-	190	190	
2012	(29,774)	0%	35%	-	(10,421)	(10,421)	
2012 50%	632,918	0%	35%	-	221,521	221,521	
2013	29,728	0%	35%	-	10,405	10,405	
2013 50%	645,393	0%	35%	-	225,887	225,887	
2014	151,290	0%	35%	-	52,952	52,952	
2014 50%	323,706	0%	35%	-	113,297	113,297	
2014 EXP	(405)	0%	35%	-	(142)	(142)	
2015	2,267,264	0%	35%	-	793,542	793,542	
2015 50%	27,644,209	0%	35%	-	9,675,473	9,675,473	
2015 EXP	2,142,144	0%	35%	-	749,750	749,750	
	\$ 37,986,296.95			\$ -	\$ 13,295,204	\$ 13,295,204	
Provision Gains/Losses Page (6)				\$ -	\$ 674,434	\$ 674,434	
Provision				\$ -	\$ 13,969,638	\$ 13,969,638	

PENN POWER
 Computation of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2015 - December, 2015

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Reversal						
1970 \$	(38,638)	0%	35%	\$ -	\$ (13,523)	\$ (13,523)
1971	(78,948)	0%	35%	-	(27,632)	(27,632)
1972	(27,689)	0%	35%	-	(9,691)	(9,691)
1973	(109,608)	0%	35%	-	(38,363)	(38,363)
1974	(96,769)	0%	35%	-	(33,869)	(33,869)
1975	(86,727)	0%	35%	-	(30,355)	(30,355)
1976	(3,803)	0%	35%	-	(1,331)	(1,331)
1977	(78,476)	0%	35%	-	(27,467)	(27,467)
1978	(111,321)	0%	35%	-	(38,962)	(38,962)
1979	(99,947)	0%	35%	-	(34,982)	(34,982)
1980	(140,279)	0%	35%	-	(49,098)	(49,098)
1981	(90,557)	0%	35%	-	(31,695)	(31,695)
1982	(109,120)	0%	35%	-	(38,192)	(38,192)
1983	(113,570)	0%	35%	-	(39,750)	(39,750)
1984	(137,341)	0%	35%	-	(48,069)	(48,069)
1985	(151,762)	0%	35%	-	(53,117)	(53,117)
1986	(194,685)	0%	35%	-	(68,140)	(68,140)
1987	(135,402)	0%	35%	-	(47,391)	(47,391)
1987 A	(12,975)	0%	35%	-	(4,541)	(4,541)
1988	(166,628)	0%	35%	-	(58,320)	(58,320)
1988 A	(5,566)	0%	35%	-	(1,948)	(1,948)
1989	(283,715)	0%	35%	-	(99,300)	(99,300)
1989 A	(1,784)	0%	35%	-	(624)	(624)
1990	(368,723)	0%	35%	-	(129,053)	(129,053)
1990 A	(1,002)	0%	35%	-	(351)	(351)
1991	(448,163)	0%	35%	-	(156,857)	(156,857)
1992	(293,729)	0%	35%	-	(102,805)	(102,805)
1993	(605,364)	0%	35%	-	(211,878)	(211,878)
1993 A	225	0%	35%	-	79	79
1994	(303,955)	0%	35%	-	(106,384)	(106,384)
1995	(186,032)	0%	35%	-	(65,111)	(65,111)
1996	(233,230)	0%	35%	-	(81,631)	(81,631)
1997	(143,746)	0%	35%	-	(50,311)	(50,311)
1998	7,743	0%	35%	-	2,710	2,710
1999	(172,058)	0%	35%	-	(60,220)	(60,220)
2000	(122,385)	0%	35%	-	(42,835)	(42,835)
2001	(103,334)	0%	35%	-	(36,167)	(36,167)
2001 30%	80	0%	35%	-	28	28
2002	(58,054)	0%	35%	-	(20,319)	(20,319)
2002 30%	(934)	0%	35%	-	(327)	(327)
2003	(258,352)	0%	35%	-	(90,423)	(90,423)
2003 30%	4,549	0%	35%	-	1,592	1,592
2003 50%	(73,768)	0%	35%	-	(25,819)	(25,819)
2004	(165,548)	0%	35%	-	(57,942)	(57,942)
2004 30%	(80,513)	0%	35%	-	(28,180)	(28,180)
2004 50%	(31,495)	0%	35%	-	(11,023)	(11,023)
2005	(247,668)	0%	35%	-	(86,684)	(86,684)
2006	(69,991)	0%	35%	-	(24,497)	(24,497)
2007	(263,190)	0%	35%	-	(92,117)	(92,117)
2008	(291,199)	0%	35%	-	(101,920)	(101,920)
2008 50%	(304,391)	0%	35%	-	(106,537)	(106,537)
2009	(302,455)	0%	35%	-	(105,859)	(105,859)
2009 50%	1,490,432	0%	35%	-	521,651	521,651
2010	255,918	0%	35%	-	89,571	89,571
2010 100%	(124,320)	0%	35%	-	(43,512)	(43,512)
2010 50%	(17,603)	0%	35%	-	(6,161)	(6,161)
2011	(770,417)	0%	35%	-	(269,646)	(269,646)
2011 100%	(604,208)	0%	35%	-	(211,473)	(211,473)
2011 50%	(76,968)	0%	35%	-	(26,939)	(26,939)
2012	(296,057)	0%	35%	-	(103,620)	(103,620)
2012 50%	(744,906)	0%	35%	-	(260,717)	(260,717)
2013	(74,534)	0%	35%	-	(26,087)	(26,087)
2013 50%	(433,064)	0%	35%	-	(151,572)	(151,572)
2014	(1,206,150)	0%	35%	-	(422,152)	(422,152)
2014 50%	(995,145)	0%	35%	-	(348,301)	(348,301)
2014 EXP	(16,037)	0%	35%	-	(5,613)	(5,613)
2015	(40,778)	0%	35%	-	(14,273)	(14,273)
2015 50%	45,675	0%	35%	-	15,986	15,986
2015 EXP	(33,937)	0%	35%	-	(11,878)	(11,878)
Reversal	\$ (11,034,092)			\$ -	\$ (3,861,932)	\$ (3,861,932)
Total Net Provision				\$ -	\$ 10,107,706	\$ 10,107,706

PENN POWER
 Computation of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2015 - December, 2015
 Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/Effective Rates		Deferral of Taxes		Total
	Basis of Property	Accumulated Tax Depreciation		State	Federal	State	Federal	
	1	2	3	4	5	6 = 3 x 4	7 = 3 x 5	8 = 6+7
Provision - 1/15-12/15								
1987	\$ 338,682	\$ 338,682	\$ -	0%	35%	\$ -	\$ -	\$ -
1987 A	32,564	32,564	-	0%	35%	-	-	-
1988	419,407	419,407	-	0%	35%	-	-	-
1988 A	10,676	10,676	-	0%	35%	-	-	-
1989	452,182	452,182	-	0%	35%	-	-	-
1989 A	3,357	3,357	-	0%	35%	-	-	-
1990	687,528	687,528	-	0%	35%	-	-	-
1990 A	1,974	1,974	-	0%	35%	-	-	-
1991	721,263	721,263	-	0%	35%	-	-	-
1992	838,589	838,589	-	0%	35%	-	-	-
1993	1,027,950	1,027,950	-	0%	35%	-	-	-
1994	882,098	882,098	-	0%	35%	-	-	-
1995	293,723	290,448	3,275	0%	35%	-	1,146	1,146
1996	154,925	148,130	6,795	0%	35%	-	2,378	2,378
1997	158,961	145,146	13,814	0%	35%	-	4,835	4,835
1998	172,230	149,688	22,542	0%	35%	-	7,889.84	7,889.84
1999	213,729	175,587	38,142	0%	35%	-	13,350	13,350
2000	154,432	122,520	31,912	0%	35%	-	11,169.31	11,169.31
2001	127,721	93,565	34,156	0%	35%	-	11,955	11,955
2001 30%	9,584	7,019	2,566	0%	35%	-	897.98	897.98
2002	23,503	16,163	7,340	0%	35%	-	2,569	2,569
2002 30%	17,653	12,145	5,509	0%	35%	-	1,928	1,928
2003	2,533	1,629	904	0%	35%	-	316	316
2003 30%	30,336	19,635	10,701	0%	35%	-	3,745	3,745
2003 50%	14,613	9,399	5,214	0%	35%	-	1,825	1,825
2004	483	311	172	0%	35%	-	60	60
2004 30%	3,751	3,526	225	0%	35%	-	79	79
2004 50%	145,535	87,811	57,723	0%	35%	-	20,203	20,203
2005	166,036	92,100	73,936	0%	35%	-	25,878	25,878
2006	346,725	177,821	168,903	0%	35%	-	59,116	59,116
2007	280,643	153,254	127,389	0%	35%	-	44,586	44,586
2008	81,073	38,487	42,585	0%	35%	-	14,905	14,905
2008 50%	676,400	594,356	82,044	0%	35%	-	28,715	28,715
2009	34,722	34,483	239	0%	35%	-	84	84
2009 50%	1,616,210	603,360	1,012,850	0%	35%	-	354,497	354,497
2010	16,714	16,163	551	0%	35%	-	193	193
2010 100%	-	-	-	0%	35%	-	-	-
2010 50%	87,842	28,270	59,572	0%	35%	-	20,850	20,850
2011	(7,857)	(2,096)	(5,761)	0%	35%	-	(2,016)	(2,016)
2011 100%	-	-	-	0%	35%	-	-	-
2011 50%	607	162	445	0%	35%	-	156	156
2012	(15,669)	(3,468)	(12,201)	0%	35%	-	(4,270)	(4,270)
2012 50%	140,519	61,739	78,780	0%	35%	-	27,573	27,573
2013	15,886	2,405	13,481	0%	35%	-	4,718	4,718
2013 50%	41,122	45,222	(4,100)	0%	35%	-	(1,435)	(1,435)
2014	177	51	126	0%	35%	-	44	44
2014 50%	30,639	9,427	21,212	0%	35%	-	7,424	7,424
2015	(184)	-	(184)	0%	35%	-	(64)	(64)
2015 50%	26,098	-	26,098	0%	35%	-	9,134	9,134
Provision - (gains/losses)						\$ 674,434	\$	674,434

PENN POWER
 Summary of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2016 - December, 2016

Provision:	Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
		State	Federal	Total	Normalizing Adjustments	Total
	1970	\$ -	\$ (32)	\$ (32)	\$ -	\$ (32)
	1971	-	(95)	(95)	-	(95)
	1972	-	(149)	(149)	-	(149)
	1973	-	(10)	(10)	-	(10)
	1974	-	(14)	(14)	-	(14)
	1975	-	1,691	1,691	-	1,691
	1976	-	7,687	7,687	-	7,687
	1977	-	(4)	(4)	-	(4)
	1978	-	(1,832)	(1,832)	-	(1,832)
	1979	-	(6,953)	(6,953)	-	(6,953)
	1980	-	0	0	-	0
	1981	-	-	-	-	-
	1982	-	7,724	7,724	-	7,724
	1983	-	9,906	9,906	-	9,906
	1984	-	12,845.65	12,845.65	-	12,845.65
	1985	-	13,631	13,631	-	13,631
	1986	-	13,270	13,270	-	13,270
	1987	-	13,674.68	13,674.68	-	13,674.68
	1987 A	-	-	-	-	-
	1988	-	19,815	19,815	-	19,815
	1988 A	-	-	-	-	-
	1989	-	18,392.04	18,392.04	-	18,392.04
	1989 A	-	-	-	-	-
	1990	-	20,030.05	20,030.05	-	20,030.05
	1990 A	-	-	-	-	-
	1991	-	21,921.38	21,921.38	-	21,921.38
	1992	-	23,666	23,666	-	23,666
	1993	-	40,514	40,514	-	40,514
	1993 A	-	99	99	-	99
	1994	-	13,475	13,475	-	13,475
	1995	-	31,106	31,106	-	31,106
	1996	-	101,785	101,785	-	101,785
	1997	-	74,367	74,367	-	74,367
	1998	-	25,171	25,171	-	25,171
	1999	-	8,954	8,954	-	8,954
	2000	-	82,671	82,671	-	82,671
	2001	-	89,633	89,633	-	89,633
	2001 30%	-	4,365	4,365	-	4,365
	2002	-	52,366	52,366	-	52,366
	2002 30%	-	41,411	41,411	-	41,411
	2003	-	17,974	17,974	-	17,974
	2003 30%	-	28,676	28,676	-	28,676
	2003 50%	-	7,485	7,485	-	7,485
	2004	-	9,363	9,363	-	9,363
	2004 30%	-	5,481	5,481	-	5,481
	2004 50%	-	15,959	15,959	-	15,959
	2005	-	97,146	97,146	-	97,146
	2006	-	111,405	111,405	-	111,405
	2007	-	117,147	117,147	-	117,147
	2008	-	87,668	87,668	-	87,668
	2008 50%	-	35,065	35,065	-	35,065
	2009	-	(8,857)	(8,857)	-	(8,857)
	2009 50%	-	48,300	48,300	-	48,300
	2010	-	544	544	-	544
	2010 100%	-	-	-	-	-
	2010 50%	-	26,966.65	26,966.65	-	26,966.65
	2011	-	(8,869)	(8,869)	-	(8,869)
	2011 100%	-	-	-	-	-
	2011 50%	-	2,461	2,461	-	2,461
	2012	-	(51,623)	(51,623)	-	(51,623)
	2012 50%	-	92,191	92,191	-	92,191
	2013	-	1,774	1,774	-	1,774
	2013 50%	-	67,734	67,734	-	67,734
	2014	-	47,576	47,576	-	47,576
	2014 50%	-	(25,282)	(25,282)	-	(25,282)
	2014 EXP	-	(164)	(164)	-	(164)
	2015	-	164,377	164,377	-	164,377
	2015 50%	-	551,602	551,602	-	551,602
	2015 EXP	-	(60,698)	(60,698)	-	(60,698)
	2016	-	(434,089)	(434,089)	-	(434,089)
	2016 50%	-	5,875,503	5,875,503	-	5,875,503
Total Provision		\$ -	\$ 7,563,896	\$ 7,563,896	\$ -	\$ 7,563,896

PENN POWER
 Summary of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2016 - December, 2016

Reversal	Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
		State	Federal	Total	Normalizing Adjustments	Total
	1970	\$ -	\$ (9,604)	\$ (9,604)		(9,604)
	1971	-	(17,281)	(17,281)		(17,281)
	1972	-	(6,152)	(6,152)		(6,152)
	1973	-	(22,702)	(22,702)		(22,702)
	1974	-	(23,990)	(23,990)		(23,990)
	1975	-	(23,713)	(23,713)		(23,713)
	1976	-	(1,496)	(1,496)		(1,496)
	1977	-	(19,173)	(19,173)		(19,173)
	1978	-	(21,648)	(21,648)		(21,648)
	1979	-	(23,695)	(23,695)		(23,695)
	1980	-	(25,928)	(25,928)		(25,928)
	1981	-	(12,810)	(12,810)		(12,810)
	1982	-	(14,054)	(14,054)		(14,054)
	1983	-	(18,393)	(18,393)		(18,393)
	1984	-	(24,644)	(24,644)		(24,644)
	1985	-	(26,678)	(26,678)		(26,678)
	1986	-	(25,135)	(25,135)		(25,135)
	1987	-	(26,448)	(26,448)		(26,448)
	1987 A	-	(4,144)	(4,144)		(4,144)
	1988	-	(21,359)	(21,359)		(21,359)
	1988 A	-	(1,332)	(1,332)		(1,332)
	1989	-	(31,512)	(31,512)		(31,512)
	1989 A	-	(450)	(450)		(450)
	1990	-	(39,524)	(39,524)		(39,524)
	1990 A	-	(237)	(237)		(237)
	1991	-	(43,870)	(43,870)		(43,870)
	1992	-	(44,677)	(44,677)		(44,677)
	1993	-	(86,380)	(86,380)		(86,380)
	1993 A	-	1	1		1
	1994	-	(21,678)	(21,678)		(21,678)
	1995	-	(49,475)	(49,475)		(49,475)
	1996	-	(58,943)	(58,943)		(58,943)
	1997	-	(43,286)	(43,286)		(43,286)
	1998	-	(4,414)	(4,414)		(4,414)
	1999	-	(66,088)	(66,088)		(66,088)
	2000	-	(273,541)	(273,541)		(273,541)
	2001	-	(40,052)	(40,052)		(40,052)
	2001 30%	-	(3,287)	(3,287)		(3,287)
	2002	-	(15,605)	(15,605)		(15,605)
	2002 30%	-	(4,284)	(4,284)		(4,284)
	2003	-	(89,628)	(89,628)		(89,628)
	2003 30%	-	4,013	4,013		4,013
	2003 50%	-	(1,662)	(1,662)		(1,662)
	2004	-	(65,378)	(65,378)		(65,378)
	2004 30%	-	(21,122)	(21,122)		(21,122)
	2004 50%	-	(9,562)	(9,562)		(9,562)
	2005	-	(97,801)	(97,801)		(97,801)
	2006	-	(117,380)	(117,380)		(117,380)
	2007	-	(163,822)	(163,822)		(163,822)
	2008	-	(86,561)	(86,561)		(86,561)
	2008 50%	-	(63,595)	(63,595)		(63,595)
	2009	-	(88,117)	(88,117)		(88,117)
	2009 50%	-	(50,216)	(50,216)		(50,216)
	2010	-	39,489	39,489		39,489
	2010 100%	-	(57,012)	(57,012)		(57,012)
	2010 50%	-	(68,681)	(68,681)		(68,681)
	2011	-	(212,625)	(212,625)		(212,625)
	2011 100%	-	(216,595)	(216,595)		(216,595)
	2011 50%	-	(49,331)	(49,331)		(49,331)
	2012	-	(59,399)	(59,399)		(59,399)
	2012 50%	-	(224,879)	(224,879)		(224,879)
	2013	-	(24,744)	(24,744)		(24,744)
	2013 50%	-	(121,374)	(121,374)		(121,374)
	2014	-	(457,849)	(457,849)		(457,849)
	2014 50%	-	(275,567)	(275,567)		(275,567)
	2014 EXP	-	(354)	(354)		(354)
	2015	-	9,990	9,990		9,990
	2015 50%	-	16,488	16,488		16,488
	2015 EXP	-	(18,707)	(18,707)		(18,707)
	2016	-	36,708	36,708		36,708
	2016 50%	-	84,841	84,841		84,841
Total Reversal		\$ -	\$ (3,648,109)	\$ (3,648,109)	\$ -	\$ (3,648,109)
Net Provision		\$ -	\$ 3,915,787	\$ 3,915,787	\$ -	\$ 3,915,787

PENN POWER
 Computation of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2016 - December, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		State	Deferral of Taxes		Total
		State	Federal		Federal	Federal	
Provision							
1970	\$ (92)	0%	35%	\$ -	\$ (32)	\$ (32)	(32)
1971	(271)	0%	35%	-	(95)	(95)	(95)
1972	(427)	0%	35%	-	(149)	(149)	(149)
1973	(29)	0%	35%	-	(10)	(10)	(10)
1974	(41)	0%	35%	-	(14)	(14)	(14)
1975	4,830	0%	35%	-	1,691	1,691	1,691
1976	21,962	0%	35%	-	7,687	7,687	7,687
1977	(11)	0%	35%	-	(4)	(4)	(4)
1978	(5,235)	0%	35%	-	(1,832)	(1,832)	(1,832)
1979	(19,867)	0%	35%	-	(6,953)	(6,953)	(6,953)
1980	1	0%	35%	-	0	0	0
1981	-	0%	35%	-	-	-	-
1982	22,070	0%	35%	-	7,724	7,724	7,724
1983	28,302	0%	35%	-	9,905.53	9,905.53	9,905.53
1984	36,702	0%	35%	-	12,846	12,846	12,846
1985	38,946	0%	35%	-	13,631	13,631	13,631
1986	37,914	0%	35%	-	13,269.94	13,269.94	13,269.94
1987	39,071	0%	35%	-	13,675	13,675	13,675
1987 A	-	0%	35%	-	-	-	-
1988	56,615	0%	35%	-	19,815	19,815	19,815
1988 A	-	0%	35%	-	-	-	-
1989	52,549	0%	35%	-	18,392	18,392	18,392
1989 A	-	0%	35%	-	-	-	-
1990	57,229	0%	35%	-	20,030	20,030	20,030
1990 A	-	0%	35%	-	-	-	-
1991	62,633	0%	35%	-	21,921	21,921	21,921
1992	67,617	0%	35%	-	23,666	23,666	23,666
1993	115,753	0%	35%	-	40,514	40,514	40,514
1993 A	282	0%	35%	-	99	99	99
1994	38,501	0%	35%	-	13,475	13,475	13,475
1995	88,875	0%	35%	-	31,106	31,106	31,106
1996	285,440	0%	35%	-	99,904	99,904	99,904
1997	208,175	0%	35%	-	72,861	72,861	72,861
1998	69,542	0%	35%	-	24,340	24,340	24,340
1999	25,583	0%	35%	-	8,954	8,954	8,954
2000	214,543	0%	35%	-	75,090	75,090	75,090
2001	226,781	0%	35%	-	79,373	79,373	79,373
2001 30%	12,472	0%	35%	-	4,365	4,365	4,365
2002	126,432	0%	35%	-	44,251	44,251	44,251
2002 30%	102,759	0%	35%	-	35,966	35,966	35,966
2003	51,355	0%	35%	-	17,974	17,974	17,974
2003 30%	81,931	0%	35%	-	28,676	28,676	28,676
2003 50%	21,386	0%	35%	-	7,485	7,485	7,485
2004	26,751	0%	35%	-	9,363	9,363	9,363
2004 30%	15,661	0%	35%	-	5,481	5,481	5,481
2004 50%	45,598	0%	35%	-	15,959	15,959	15,959
2005	277,560	0%	35%	-	97,146	97,146	97,146
2006	318,300	0%	35%	-	111,405	111,405	111,405
2007	334,705	0%	35%	-	117,147	117,147	117,147
2008	250,480	0%	35%	-	87,668	87,668	87,668
2008 50%	100,186	0%	35%	-	35,065	35,065	35,065
2009	(25,306)	0%	35%	-	(8,857)	(8,857)	(8,857)
2009 50%	138,001	0%	35%	-	48,300	48,300	48,300
2010	1,556	0%	35%	-	544	544	544
2010 100%	-	0%	35%	-	-	-	-
2010 50%	77,048	0%	35%	-	26,967	26,967	26,967
2011	(25,341)	0%	35%	-	(8,869)	(8,869)	(8,869)
2011 100%	-	0%	35%	-	-	-	-
2011 50%	7,032	0%	35%	-	2,461	2,461	2,461
2012	(147,495)	0%	35%	-	(51,623)	(51,623)	(51,623)
2012 50%	263,402	0%	35%	-	92,191	92,191	92,191
2013	5,070	0%	35%	-	1,774	1,774	1,774
2013 50%	193,527	0%	35%	-	67,734	67,734	67,734
2014	135,930	0%	35%	-	47,576	47,576	47,576
2014 50%	(72,233)	0%	35%	-	(25,282)	(25,282)	(25,282)
2014 EXP	(469)	0%	35%	-	(164)	(164)	(164)
2015	469,649	0%	35%	-	164,377	164,377	164,377
2015 50%	1,576,006	0%	35%	-	551,602	551,602	551,602
2015 EXP	(173,424)	0%	35%	-	(60,698)	(60,698)	(60,698)
2016	(1,240,255)	0%	35%	-	(434,089)	(434,089)	(434,089)
2016 50%	16,787,153	0%	35%	-	5,875,503	5,875,503	5,875,503
	\$ 21,509,364			\$ -	\$ 7,528,277	\$ 7,528,277	
Provision Gains/Losses Page (11)				\$ -	\$ 35,619	\$ 35,619	
Provision				\$ -	\$ 7,563,896	\$ 7,563,896	

PENN POWER
 Computation of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2016 - December, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates			Deferral of Taxes		Total
		State	Federal	State	Federal		
Reversal							
1970	\$ (27,440)	0%	35%	\$ -	\$ (9,604)	\$ (9,604)	
1971	(49,373)	0%	35%	-	(17,281)	(17,281)	
1972	(17,577)	0%	35%	-	(6,152)	(6,152)	
1973	(64,863)	0%	35%	-	(22,702)	(22,702)	
1974	(68,544)	0%	35%	-	(23,990)	(23,990)	
1975	(67,751)	0%	35%	-	(23,713)	(23,713)	
1976	(4,275)	0%	35%	-	(1,496)	(1,496)	
1977	(54,781)	0%	35%	-	(19,173)	(19,173)	
1978	(61,853)	0%	35%	-	(21,648)	(21,648)	
1979	(67,701)	0%	35%	-	(23,695)	(23,695)	
1980	(74,079)	0%	35%	-	(25,928)	(25,928)	
1981	(36,599)	0%	35%	-	(12,810)	(12,810)	
1982	(40,155)	0%	35%	-	(14,054)	(14,054)	
1983	(52,551)	0%	35%	-	(18,393)	(18,393)	
1984	(70,411)	0%	35%	-	(24,644)	(24,644)	
1985	(76,222)	0%	35%	-	(26,678)	(26,678)	
1986	(71,814)	0%	35%	-	(25,135)	(25,135)	
1987	(75,565)	0%	35%	-	(26,448)	(26,448)	
1987 A	(11,840)	0%	35%	-	(4,144)	(4,144)	
1988	(61,026)	0%	35%	-	(21,359)	(21,359)	
1988 A	(3,806)	0%	35%	-	(1,332)	(1,332)	
1989	(90,035)	0%	35%	-	(31,512)	(31,512)	
1989 A	(1,285)	0%	35%	-	(450)	(450)	
1990	(112,925)	0%	35%	-	(39,524)	(39,524)	
1990 A	(676)	0%	35%	-	(237)	(237)	
1991	(125,342)	0%	35%	-	(43,870)	(43,870)	
1992	(127,649)	0%	35%	-	(44,677)	(44,677)	
1993	(246,800)	0%	35%	-	(86,380)	(86,380)	
1993 A	2	0%	36%	-	1	1	
1994	(61,937)	0%	35%	-	(21,678)	(21,678)	
1995	(141,356)	0%	35%	-	(49,475)	(49,475)	
1996	(168,409)	0%	35%	-	(58,943)	(58,943)	
1997	(123,673)	0%	35%	-	(43,286)	(43,286)	
1998	(12,611)	0%	35%	-	(4,414)	(4,414)	
1999	(188,822)	0%	35%	-	(66,088)	(66,088)	
2000	(781,544)	0%	35%	-	(273,541)	(273,541)	
2001	(114,434)	0%	35%	-	(40,052)	(40,052)	
2001 30%	(9,391)	0%	35%	-	(3,287)	(3,287)	
2002	(44,586)	0%	35%	-	(15,605)	(15,605)	
2002 30%	(12,240)	0%	35%	-	(4,284)	(4,284)	
2003	(256,080)	0%	35%	-	(89,628)	(89,628)	
2003 30%	11,464	0%	35%	-	4,013	4,013	
2003 50%	(4,747)	0%	35%	-	(1,662)	(1,662)	
2004	(186,795)	0%	35%	-	(65,378)	(65,378)	
2004 30%	(60,348)	0%	35%	-	(21,122)	(21,122)	
2004 50%	(27,320)	0%	35%	-	(9,562)	(9,562)	
2005	(279,431)	0%	35%	-	(97,801)	(97,801)	
2006	(335,373)	0%	35%	-	(117,380)	(117,380)	
2007	(468,064)	0%	35%	-	(163,822)	(163,822)	
2008	(247,316)	0%	35%	-	(86,561)	(86,561)	
2008 50%	(181,701)	0%	35%	-	(63,595)	(63,595)	
2009	(251,762)	0%	35%	-	(88,117)	(88,117)	
2009 50%	(143,474)	0%	35%	-	(50,216)	(50,216)	
2010	112,827	0%	35%	-	39,489	39,489	
2010 100%	(162,892)	0%	35%	-	(57,012)	(57,012)	
2010 50%	(196,231)	0%	35%	-	(68,681)	(68,681)	
2011	(607,499)	0%	35%	-	(212,625)	(212,625)	
2011 100%	(618,842)	0%	35%	-	(216,595)	(216,595)	
2011 50%	(140,945)	0%	35%	-	(49,331)	(49,331)	
2012	(169,710)	0%	35%	-	(59,399)	(59,399)	
2012 50%	(642,512)	0%	35%	-	(224,879)	(224,879)	
2013	(70,696)	0%	35%	-	(24,744)	(24,744)	
2013 50%	(346,783)	0%	35%	-	(121,374)	(121,374)	
2014	(1,308,139)	0%	35%	-	(457,849)	(457,849)	
2014 50%	(787,333)	0%	35%	-	(275,567)	(275,567)	
2014 EXP	(1,012)	0%	35%	-	(354)	(354)	
2015	28,544	0%	35%	-	9,990	9,990	
2015 50%	47,108	0%	35%	-	16,488	16,488	
2015 EXP	(53,450)	0%	35%	-	(18,707)	(18,707)	
2016	104,879	0%	35%	-	36,708	36,708	
2016 50%	242,404	0%	35%	-	84,841	84,841	
Reversal	\$ (10,423,168)			\$ -	\$ (3,648,109)	\$ (3,648,109)	
Total Net Provison				\$ -	\$ 3,915,787	\$ 3,915,787	

PENN POWER
 Computation of Deferred Income Taxes
Based upon Electric Plant in Service January, 2016 - December, 2016
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/ Effective Rates		Deferral of Taxes		Total
	Basis of Property 1	Accumulated Tax Depreciation 2		State 4	Federal 5	State 6 = 3 x 4	Federal 7 = 3 x 5	
Provision - 1/16-12/16								
1987	\$ 131,241	\$ 131,241	\$ -	0%	35%	\$ -	\$ -	\$ -
1988	253,596	253,596	-	0%	35%	-	-	-
1989	274,208	274,208	-	0%	35%	-	-	-
1990	292,257	292,257	-	0%	35%	-	-	-
1991	310,854	310,854	-	0%	35%	-	-	-
1992	307,448	307,448	-	0%	35%	-	-	-
1993	363,130	363,130	-	0%	35%	-	-	-
1994	267,989	267,989	-	0%	35%	-	-	-
1995	468,424	468,424	-	0%	35%	-	-	-
1996	482,266	476,892	5,374	0%	35%	-	1,881	1,881
1997	96,423	92,121	4,302	0%	35%	-	1,506	1,506
1998	26,635	24,260	2,375	0%	35%	-	831.25	831.25
2000	121,363	99,704	21,658	0%	35%	-	7,580	7,580
2001	131,409	102,095	29,314	0%	35%	-	10,260	10,260
2002	86,618	63,431	23,187	0%	35%	-	8,115	8,115
2002 30%	58,118	42,560	15,558	0%	35%	-	5,445.14	5,445.14
Provision - (gains/losses)						<u>35,618.57</u>		<u>35,618.57</u>

PENN POWER
 Summary of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2017 - December, 2017

Provision:	Vintage Year	Deferral of Taxes		Total
		State	Federal	
	1970	\$ -	\$ (33)	\$ (33)
	1971	-	77	77
	1972	-	(137)	(137)
	1973	-	7	7
	1974	-	(5)	(5)
	1975	-	1,651	1,651
	1976	-	7,686	7,686
	1977	-	(1)	(1)
	1978	-	13	13
	1979	-	(14)	(14)
	1980	-	3	3
	1981	-	-	-
	1982	-	-	-
	1983	-	-	-
	1984	-	-	-
	1985	-	-	-
	1986	-	-	-
	1987	-	-	-
	1987 A	-	-	-
	1988	-	11	11
	1988 A	-	-	-
	1989	-	28	28
	1989 A	-	-	-
	1990	-	1	1
	1990 A	-	-	-
	1991	-	130	130
	1992	-	1,931.77	1,931.77
	1993	-	(7)	(7)
	1993 A	-	98	98
	1994	-	2,015	2,015
	1995	-	1,964	1,964
	1996	-	2,585	2,585
	1997	-	34,437	34,437
	1998	-	33,131	33,131
	1999	-	11,059	11,059
	2000	-	84,222	84,222
	2001	-	91,988	91,988
	2001 30%	-	7,407	7,407
	2002	-	51,054	51,054
	2002 30%	-	45,064	45,064
	2003	-	25,617	25,617
	2003 30%	-	51,973	51,973
	2003 50%	-	28,320	28,320
	2004	-	11,435	11,435
	2004 30%	-	10,291	10,291
	2004 50%	-	60,651	60,651
	2005	-	144,121	144,121
	2006	-	160,741	160,741
	2007	-	171,965	171,965
	2008	-	131,693	131,693
	2008 50%	-	91,992	91,992
	2009	-	(10,450)	(10,450)
	2009 50%	-	121,829	121,829
	2010	-	774	774
	2010 100%	-	555	555
	2010 50%	-	53,468	53,468
	2011	-	5,934.59	5,934.59
	2011 100%	-	-	-
	2011 50%	-	5,480	5,480
	2012	-	(53,924)	(53,924)
	2012 50%	-	69,029	69,029
	2013	-	(480)	(480)
	2013 50%	-	103,281	103,281
	2014	-	37,394	37,394
	2014 50%	-	8,011	8,011
	2014 EXP	-	-	-
	2015	-	141,840	141,840
	2015 50%	-	187,230	187,230
	2015 EXP	-	(67,045)	(67,045)
	2016	-	293,089	293,089
	2016 50%	-	483,607	483,607
	2017	-	171,498	171,498
	2017 50%	-	7,204,327	7,204,327
Total Provision		\$ -	\$ 10,020,614	\$ 10,020,614

PENN POWER
 Summary of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2017 - December, 2017

Reversal	Vintage Year	Deferral of Taxes		Total
		State	Federal	
	1970	\$ -	\$ (3,751)	\$ (3,751)
	1971	-	(8,060)	(8,060)
	1972	-	(2,742)	(2,742)
	1973	-	(9,879)	(9,879)
	1974	-	(13,724)	(13,724)
	1975	-	(8,394)	(8,394)
	1976	-	(642)	(642)
	1977	-	(10,666)	(10,666)
	1978	-	(12,348)	(12,348)
	1979	-	(13,501)	(13,501)
	1980	-	(18,038)	(18,038)
	1981	-	(9,738)	(9,738)
	1982	-	(12,949)	(12,949)
	1983	-	(15,668)	(15,668)
	1984	-	(28,518)	(28,518)
	1985	-	(37,650)	(37,650)
	1986	-	(41,076)	(41,076)
	1987	-	(33,958)	(33,958)
	1987 A	-	(3,175)	(3,175)
	1988	-	(43,977)	(43,977)
	1988 A	-	(986)	(986)
	1989	-	(49,555)	(49,555)
	1989 A	-	(342)	(342)
	1990	-	(64,174)	(64,174)
	1990 A	-	(178)	(178)
	1991	-	(69,901)	(69,901)
	1992	-	(70,157)	(70,157)
	1993	-	(100,874)	(100,874)
	1993 A	-	1	1
	1994	-	(49,240)	(49,240)
	1995	-	(92,581)	(92,581)
	1996	-	(86,696)	(86,696)
	1997	-	(50,632)	(50,632)
	1998	-	(7,248)	(7,248)
	1999	-	(34,216)	(34,216)
	2000	-	(149,352)	(149,352)
	2001	-	(44,907)	(44,907)
	2001 30%	-	(3,350)	(3,350)
	2002	-	(17,661)	(17,661)
	2002 30%	-	(10,632)	(10,632)
	2003	-	(89,692)	(89,692)
	2003 30%	-	6,350	6,350
	2003 50%	-	(553)	(553)
	2004	-	(65,355)	(65,355)
	2004 30%	-	(11,631)	(11,631)
	2004 50%	-	(9,481)	(9,481)
	2005	-	(127,186)	(127,186)
	2006	-	(122,522)	(122,522)
	2007	-	(144,407)	(144,407)
	2008	-	(87,808)	(87,808)
	2008 50%	-	(50,944)	(50,944)
	2009	-	(91,069)	(91,069)
	2009 50%	-	(15,226)	(15,226)
	2010	-	13,599	13,599
	2010 100%	-	(52,141)	(52,141)
	2010 50%	-	(65,783)	(65,783)
	2011	-	(233,567)	(233,567)
	2011 100%	-	(168,502)	(168,502)
	2011 50%	-	(29,561)	(29,561)
	2012	-	(75,693)	(75,693)
	2012 50%	-	(213,237)	(213,237)
	2013	-	(22,458)	(22,458)
	2013 50%	-	(66,700)	(66,700)
	2014	-	(469,509)	(469,509)
	2014 50%	-	(396,806)	(396,806)
	2014 EXP	-	(582)	(582)
	2015	-	(21,108)	(21,108)
	2015 50%	-	(25,077)	(25,077)
	2015 EXP	-	(24,448)	(24,448)
	2016	-	89,143	89,143
	2016 50%	-	130,432	130,432
	2017	-	8,072	8,072
	2017 50%	-	(5,220)	(5,220)
Total Reversal		\$ -	\$ (3,669,807)	\$ (3,669,807)
Net Provision		\$ -	\$ 6,350,808	\$ 6,350,808

PENN POWER
 Computation of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2017 - December, 2017

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Provision						
1970	\$ (95)	0%	35%	\$ -	\$ (33)	(33)
1971	220	0%	35%	-	77	77
1972	(391)	0%	35%	-	(137)	(137)
1973	20	0%	35%	-	7	7
1974	(14)	0%	35%	-	(5)	(5)
1975	4,718	0%	35%	-	1,651	1,651
1976	21,961	0%	35%	-	7,686	7,686
1977	(4)	0%	35%	-	(1)	(1)
1978	37	0%	35%	-	13	13
1979	(41)	0%	35%	-	(14)	(14)
1980	10	0%	35%	-	3	3
1981	-	0%	35%	-	-	-
1982	-	0%	35%	-	-	-
1983	-	0%	35%	-	-	-
1984	-	0%	35%	-	-	-
1985	-	0%	35%	-	-	-
1986	-	0%	35%	-	-	-
1987	-	0%	35%	-	-	-
1987 A	-	0%	35%	-	-	-
1988	33	0%	35%	-	11	11
1988 A	-	0%	35%	-	-	-
1989	81	0%	35%	-	28	28
1989 A	-	0%	35%	-	-	-
1990	3	0%	35%	-	1	1
1990 A	-	0%	35%	-	-	-
1991	372	0%	35%	-	130	130
1992	5,519	0%	35%	-	1,932	1,932
1993	(21)	0%	35%	-	(7)	(7)
1993 A	279	0%	35%	-	98	98
1994	5,757	0%	35%	-	2,015	2,015
1995	5,610	0%	35%	-	1,964	1,964
1996	7,387	0%	35%	-	2,585	2,585
1997	97,552	0%	35%	-	34,143	34,143
1998	93,402	0%	35%	-	32,691	32,691
1999	30,766	0%	35%	-	10,768	10,768
2000	230,008	0%	35%	-	80,503	80,503
2001	246,341	0%	35%	-	86,220	86,220
2001 30%	19,900	0%	35%	-	6,965	6,965
2002	134,137	0%	35%	-	46,948	46,948
2002 30%	119,020	0%	35%	-	41,657	41,657
2003	67,649	0%	35%	-	23,677	23,677
2003 30%	134,938	0%	35%	-	47,228	47,228
2003 50%	72,006	0%	35%	-	25,202	25,202
2004	30,739	0%	35%	-	10,759	10,759
2004 30%	26,877	0%	35%	-	9,407	9,407
2004 50%	152,201	0%	35%	-	53,271	53,271
2005	368,147	0%	35%	-	128,851	128,851
2006	403,857	0%	35%	-	141,350	141,350
2007	402,927	0%	35%	-	141,024	141,024
2008	335,802	0%	35%	-	117,531	117,531
2008 50%	219,807	0%	35%	-	76,932	76,932
2009	(12,029)	0%	35%	-	(4,210)	(4,210)
2009 50%	277,020	0%	35%	-	96,957	96,957
2010	1,981	0%	35%	-	693	693
2010 100%	1,585	0%	35%	-	554.76	554.76
2010 50%	135,618	0%	35%	-	47,466	47,466
2011	23,407	0%	35%	-	8,193	8,193
2011 100%	-	0%	35%	-	-	-
2011 50%	13,132	0%	35%	-	4,596	4,596
2012	(124,799)	0%	35%	-	(43,680)	(43,680)
2012 50%	192,755	0%	35%	-	67,464	67,464
2013	1,107	0%	35%	-	388	388
2013 50%	267,253	0%	35%	-	93,538	93,538
2014	106,165	0%	35%	-	37,158	37,158
2014 50%	30,747	0%	35%	-	10,762	10,762
2014 EXP	73	0%	35%	-	26	26
2015	405,231	0%	35%	-	141,831	141,831
2015 50%	474,479	0%	35%	-	166,068	166,068
2015 EXP	(164,491)	0%	35%	-	(57,572)	(57,572)
2016	770,468	0%	35%	-	269,664	269,664
2016 50%	1,229,283	0%	35%	-	430,249	430,249
2017	489,995	0%	35%	-	171,498	171,498
2017 50%	20,583,791	0%	35%	-	7,204,327	7,204,327
	\$ 27,940,290			\$ -	\$ 9,779,101	\$ 9,779,101
Provision Gains/Losses Page (16)				\$ -	\$ 87,458	\$ 87,458
Provision				\$ -	\$ 9,866,559	\$ 9,866,559

PENN POWER
 Computation of Deferred Income Taxes
 Based upon Electric Plant in Service January, 2017 - December, 2017

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Reversal						
1970	\$ (10,717)	0%	35%	\$ -	\$ (3,751)	\$ (3,751)
1971	(23,028)	0%	35%	-	(8,060)	(8,060)
1972	(7,835)	0%	35%	-	(2,742)	(2,742)
1973	(28,225)	0%	35%	-	(9,879)	(9,879)
1974	(39,212)	0%	35%	-	(13,724)	(13,724)
1975	(23,984)	0%	35%	-	(8,394)	(8,394)
1976	(1,835)	0%	35%	-	(642)	(642)
1977	(30,476)	0%	35%	-	(10,666)	(10,666)
1978	(35,281)	0%	35%	-	(12,348)	(12,348)
1979	(38,574)	0%	35%	-	(13,501)	(13,501)
1980	(51,537)	0%	35%	-	(18,038)	(18,038)
1981	(27,823)	0%	35%	-	(9,738)	(9,738)
1982	(36,997)	0%	35%	-	(12,949)	(12,949)
1983	(44,767)	0%	35%	-	(15,668)	(15,668)
1984	(81,481)	0%	35%	-	(28,518)	(28,518)
1985	(107,573)	0%	35%	-	(37,650)	(37,650)
1986	(117,359)	0%	35%	-	(41,076)	(41,076)
1987	(97,023)	0%	35%	-	(33,958)	(33,958)
1987 A	(9,073)	0%	35%	-	(3,175)	(3,175)
1988	(125,648)	0%	35%	-	(43,977)	(43,977)
1988 A	(2,818)	0%	35%	-	(986)	(986)
1989	(141,584)	0%	35%	-	(49,555)	(49,555)
1989 A	(976)	0%	35%	-	(342)	(342)
1990	(183,355)	0%	35%	-	(64,174)	(64,174)
1990 A	(508)	0%	35%	-	(178)	(178)
1991	(199,718)	0%	35%	-	(69,901)	(69,901)
1992	(200,449)	0%	35%	-	(70,157)	(70,157)
1993	(288,211)	0%	35%	-	(100,874)	(100,874)
1993 A	2	0%	35%	-	1	1
1994	(140,687)	0%	35%	-	(49,240)	(49,240)
1995	(264,517)	0%	35%	-	(92,581)	(92,581)
1996	(247,704)	0%	35%	-	(86,696)	(86,696)
1997	(144,664)	0%	35%	-	(50,632)	(50,632)
1998	(20,710)	0%	35%	-	(7,248)	(7,248)
1999	(97,759)	0%	35%	-	(34,216)	(34,216)
2000	(426,720)	0%	35%	-	(149,352)	(149,352)
2001	(128,306)	0%	35%	-	(44,907)	(44,907)
2001 30%	(9,572)	0%	35%	-	(3,350)	(3,350)
2002	(50,461)	0%	35%	-	(17,661)	(17,661)
2002 30%	(30,377)	0%	35%	-	(10,632)	(10,632)
2003	(256,262)	0%	35%	-	(89,692)	(89,692)
2003 30%	18,144	0%	35%	-	6,350	6,350
2003 50%	(1,579)	0%	35%	-	(553)	(553)
2004	(186,730)	0%	35%	-	(65,355)	(65,355)
2004 30%	(33,231)	0%	35%	-	(11,631)	(11,631)
2004 50%	(27,088)	0%	35%	-	(9,481)	(9,481)
2005	(363,389)	0%	35%	-	(127,186)	(127,186)
2006	(350,062)	0%	35%	-	(122,522)	(122,522)
2007	(412,593)	0%	35%	-	(144,407)	(144,407)
2008	(250,881)	0%	35%	-	(87,808)	(87,808)
2008 50%	(145,555)	0%	35%	-	(50,944)	(50,944)
2009	(260,196)	0%	35%	-	(91,069)	(91,069)
2009 50%	(43,502)	0%	35%	-	(15,226)	(15,226)
2010	38,854	0%	35%	-	13,599	13,599
2010 100%	(148,973)	0%	35%	-	(52,141)	(52,141)
2010 50%	(187,952)	0%	35%	-	(65,783)	(65,783)
2011	(667,334)	0%	35%	-	(233,567)	(233,567)
2011 100%	(481,433)	0%	35%	-	(168,502)	(168,502)
2011 50%	(84,460)	0%	35%	-	(29,561)	(29,561)
2012	(216,265)	0%	35%	-	(75,693)	(75,693)
2012 50%	(609,249)	0%	35%	-	(213,237)	(213,237)
2013	(64,165)	0%	35%	-	(22,458)	(22,458)
2013 50%	(190,572)	0%	35%	-	(66,700)	(66,700)
2014	(1,341,454)	0%	35%	-	(469,509)	(469,509)
2014 50%	(1,133,731)	0%	35%	-	(396,806)	(396,806)
2014 EXP	(1,663)	0%	35%	-	(582)	(582)
2015	(60,308)	0%	35%	-	(21,108)	(21,108)
2015 50%	(71,649)	0%	35%	-	(25,077)	(25,077)
2015 EXP	(69,850)	0%	35%	-	(24,448)	(24,448)
2016	254,694	0%	35%	-	89,143	89,143
2016 50%	372,662	0%	35%	-	130,432	130,432
2017	23,063	0%	35%	-	8,072	8,072
2017 50%	(14,914)	0%	35%	-	(5,220)	(5,220)
Reversal	\$ (10,485,163)			\$ -	\$ (3,669,807)	\$ (3,669,807)
Total Net Provison				\$ -	\$ 6,196,752	\$ 6,196,752

PENN POWER
 Computation of Deferred Income Taxes
Based upon Electric Plant in Service January, 2017 - December, 2017
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/ Effective Rates		Deferral of Taxes		Total
	Basis of Property	Accumulated Tax Depreciation		State	Federal	State	Federal	
	1	2	3	4	5	6 = 3 x 4	7 = 3 x 5	8 = 6+7
Provision - 1/17-12/17								
1987	\$ 36,741	\$ 36,741	\$ -	0%	35%	\$ -	\$ -	\$ -
1987 A	3,702	3,702	-	0%	35%	-	-	-
1988	53,803	53,803	-	0%	35%	-	-	-
1988 A	1,430	1,430	-	0%	35%	-	-	-
1989	57,739	57,739	-	0%	35%	-	-	-
1989 A	440	440	-	0%	35%	-	-	-
1990	81,818	81,818	-	0%	35%	-	-	-
1990 A	244	244	-	0%	35%	-	-	-
1991	87,024	87,024	-	0%	35%	-	-	-
1992	86,071	86,071	-	0%	35%	-	-	-
1993	101,659	101,659	-	0%	35%	-	-	-
1994	75,130	75,130	-	0%	35%	-	-	-
1995	104,113	104,113	-	0%	35%	-	-	-
1996	103,316	103,316	-	0%	35%	-	-	-
1997	75,713	74,875	838	0%	35%	-	293	293
1998	28,255	26,996	1,259	0%	35%	-	441	441
1999	11,596	10,765	831	0%	35%	-	290.98	290.98
2000	85,819	75,194	10,625	0%	35%	-	3,719	3,719
2001	92,248	75,767	16,480	0%	35%	-	5,768.16	5,768.16
2001 30%	7,071	5,808	1,262	0%	35%	-	442	442
2002	52,593	40,861	11,732	0%	35%	-	4,106.25	4,106.25
2002 30%	43,539	33,804	9,735	0%	35%	-	3,407	3,407
2003	20,703	15,161	5,542	0%	35%	-	1,940	1,940
2003 30%	50,639	37,082	13,557	0%	35%	-	4,745	4,745
2003 50%	33,234	24,325	8,909	0%	35%	-	3,118	3,118
2004	6,189	4,256	1,933	0%	35%	-	676	676
2004 30%	9,057	6,531	2,526	0%	35%	-	884	884
2004 50%	67,579	46,494	21,086	0%	35%	-	7,380	7,380
2005	122,265	78,636	43,629	0%	35%	-	15,270	15,270
2006	138,091	82,687	55,404	0%	35%	-	19,391	19,391
2007	198,949	110,548	88,401	0%	35%	-	30,940	30,940
2008	82,748	42,284	40,464	0%	35%	-	14,162	14,162
2008 50%	88,057	45,029	43,028	0%	35%	-	15,060	15,060
2009	(32,348)	(14,521)	(17,827)	0%	35%	-	(6,239)	(6,239)
2009 50%	132,707	61,646	71,062	0%	35%	-	24,872	24,872
2010	(1,539)	(1,770)	230	0%	35%	-	81	81
2010 100%	-	-	-	0%	35%	-	-	-
2010 50%	29,543	12,395	17,148	0%	35%	-	6,002	6,002
2011	(10,284)	(3,832)	(6,451)	0%	35%	-	(2,258)	(2,258)
2011 100%	-	-	-	0%	35%	-	-	-
2011 50%	4,026	1,500	2,525	0%	35%	-	884	884
2012	(43,155)	(13,887)	(29,269)	0%	35%	-	(10,244)	(10,244)
2012 50%	8,892	4,420	4,472	0%	35%	-	1,565	1,565
2013	(3,380)	(902)	(2,478)	0%	35%	-	(867)	(867)
2013 50%	40,660	12,824	27,836	0%	35%	-	9,743	9,743
2014	851	176	674	0%	35%	-	236	236
2014 50%	(9,822)	(1,964)	(7,858)	0%	35%	-	(2,750)	(2,750)
2014 EXP	(92)	(19)	(73)	0%	35%	-	(26)	(26)
2015	30	4	25	0%	35%	-	9	9
2015 50%	70,797	10,334	60,463	0%	35%	-	21,162	21,162
2015 EXP	(31,584)	(4,519)	(27,065)	0%	35%	-	(9,472.65)	(9,472.65)
2016	72,653	5,723	66,930	0%	35%	-	23,425	23,425
2016 50%	165,487	13,036	152,451	0%	35%	-	53,358	53,358
Provision - (gains/losses)							\$ 241,513	\$ 241,513

PENN POWER
 (\$000)

POST 1969 VINTAGES

	Pro Forma Under Present Rates		
	Per Power Tax	Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Actuals 12/31/15	\$ (137,602)		\$ (137,602)
Balance per Actuals 12/31/14	(126,825)		(126,825)
Liberalized Depreciation Activity - January, 2015 to December, 2015	<u>\$ (10,777)</u>		<u>\$ (10,777)</u>
Net Federal and State Provision	\$ 10,777		\$ 10,777
Less: Net State Provision (negative)	1,029		1,029
Net Federal Provision per Actuals	\$ 9,748		\$ 9,748
Add: Federal Benefit (increase) of State	360		360.15
Net Federal - January, 2015 to December, 2015 Provision for Rates	<u>\$ 10,108</u>		<u>\$ 10,108</u>

POST 1969 VINTAGES

	Pro Forma Under Present Rates		
	Per Power Tax	Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Budget 12/31/16	\$ (141,089)		\$ (141,089)
Balance per Actuals 12/31/15	(137,602)		(137,602)
Liberalized Depreciation Activity - January, 2016 to December, 2016	<u>\$ (3,487)</u>		<u>\$ (3,487)</u>
Net Federal and State Provision	\$ 3,487		\$ 3,487
Less: Net State Provision (negative)	(659)		(659)
Net Federal Provision per Budget	\$ 4,146		\$ 4,146
Add: Federal Benefit (increase) of State	(231)		(231)
Net Federal - January, 2016 to December, 2016 Provision for Rates	<u>\$ 3,915</u>		<u>\$ 3,915</u>

POST 1969 VINTAGES

	Pro Forma Under Present Rates		
	Per Power Tax	Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Budget 12/31/17	\$ (147,820)		\$ (147,820)
Balance per Budget 12/31/16	(141,089)		(141,089)
Liberalized Depreciation Activity - January, 2017 to December, 2017	<u>\$ (6,731)</u>		<u>\$ (6,731)</u>
Net Federal and State Provision	\$ 6,731		\$ 6,731
Less: Net State Provision (negative)	584		584
Net Federal Provision per Budget	\$ 6,147		\$ 6,147
Add: Federal Benefit (increase) of State	204		204
Net Federal - January, 2017 to December, 2017 Provision for Rates	<u>\$ 6,351</u>		<u>\$ 6,351</u>

RECONCILIATION OF APB11 ADIT to BALANCE SHEET DEFERRED TAX BALANCES

	Penn Power
Balance Sheet (RAD-54) @ 12/31/14	\$ 129,714
Total APB11 Deferreds on Rollforward Schedule @ 12/31/14	<u>129,714</u>
Difference	-
Reconciling Items:	
FERC vs Rollforward APB11 Discrepancy	-
Vegetation Management FERC Reclasses	-
FAS109 related to CWIP	-
FAS 109 Gross-Up	-
FAS 109 related to Plant in Service	<u>-</u>
Total Reconciling Items	-
<hr/>	
Balance Sheet (RAD-54) @ 12/31/15	\$ 153,282
Total APB11 Deferreds on Rollforward Schedule @ 12/31/15	<u>144,004</u>
Difference	\$ 9,278
Reconciling Items:	
CIAC is Booked to Account 190	\$ 6,465
Tax Interest Capitalized is Booked to Account 190	1,349
FAS 109 Gross-Up	-
FAS 109 related to Plant in Service	887
FAS109 related to CWIP	577
Vegetation Management FERC Reclasses	<u>-</u>
Total Reconciling Items	\$ 9,278
<hr/>	
Balance Sheet (RAD-54) @ 12/31/16	\$ 157,749
Total APB11 Deferreds on Rollforward Schedule @ 12/31/16	<u>148,470</u>
Difference	\$ 9,279
Reconciling Items:	
CIAC is Booked to Account 190	\$ 6,465
Tax Interest Capitalized is Booked to Account 190	1,350
Vegetation Management FERC Reclasses	-
FAS 109 Gross-Up	-
FAS109 related to CWIP	652
FAS 109 related to Plant in Service	<u>812</u>
Total Reconciling Items	\$ 9,279
<hr/>	
Balance Sheet (RAD-54) @ 12/31/17	\$ 164,866
Total APB11 Deferreds on Rollforward Schedule @ 12/31/17	<u>151,767</u>
Difference	\$ 13,099
Reconciling Items:	
CIAC is Booked to Account 190	\$ 6,465
Tax Interest Capitalized is Booked to Account 190	1,350
Vegetation Management FERC Reclasses	-
Deferred Tax Pro-Ration on Rollforward Schedule	3,820
FAS 109 Gross-Up	-
FAS109 related to MAIT Transfer	-
FAS109 related to CWIP	688
FAS 109 related to Plant in Service	<u>776</u>
Total Reconciling Items	\$ 13,099

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-25:

“Submit a schedule showing a breakdown of accumulated and unamortized investment tax credits, by vintage year and percentage rate, together with calculations supporting the amortized amount claimed as a reduction to pro forma income taxes. Provide details of methods used to write-off the unamortized balances.”

RESPONSE:

Investment Tax Credit Balances, Provision and Amortization
(In Thousands)

	<u>4% and 10%</u>
Balance 12/31/2014	\$ 249
Amortization 2015 Calendar Year	<u>(189)</u>
Balance 12/31/2015	\$ 60
Amortization 2016 Calendar Year	<u>(60)</u>
Balance 12/31/2016	\$ -
Amortization 2017 Calendar Year	<u>-</u>
Balance 12/31/2017	\$ -

Investment Tax Credit

Pennsylvania Power Company is amortizing the deferred credit previously created by a ratable flow-through to income over the useful life of the property. The Company has been examined by the Internal Revenue Service for the years in which this tax credit originated and is in compliance with paragraph (2) of Section 46(e) of the Internal Revenue Code of 1954, as amended, for allowance, with respect to public utility property, of the credit as allowed by Section 38 of the Code. Section 46(e) provides: (a) to reduce the cost of service for ratemaking purposes or in its regulated books of account by no more than the ratable portion of the credit allowable by Section 38; and (b) not to reduce the base to which its rate of return is applied for ratemaking purposes by any portion of the credit allowable by Section 38.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-26:

“Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not otherwise specifically explained and supported in the statement of operating income.”

RESPONSE:

The appropriateness of claiming the various items included in the statement of operating income is explained in the supporting schedules to Penn Power Exhibit RAD-2 and the testimony and exhibits of the Company's witnesses.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-D-27:

“If the utility’s operations include non-jurisdictional activities, provide a schedule which demonstrates the manner in which rate base and operating income data have been adjusted to develop the jurisdictional test year claim.”

RESPONSE:

Not Applicable

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT II-E-1:

“Supply a copy of any budget utilized as a basis for any test year claim, and explain the utility’s budgeting process.”

RESPONSE:

The FirstEnergy “Budget/Forecast Guidelines” details the items required for the preparation of budgets. See attached Penn Power RAD-45 Attachment A for a review of the guidelines.

A copy of the budget utilized for the test year claim is contained in Penn Power Exhibit RAD-18.



Budget/Forecast Guidelines



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CHAPTER 1: INTRODUCTION

The integrated business planning process is critical to the success of FirstEnergy. A key component of this process is the annual budget which provides a method to quantify and report the current year's expectations and helps drive the enterprise toward achieving both short-term and long-term financial and operational objectives. The budget also helps facilitate the efficient usage of the Company's financial resources and allows FE to measure actual performance against projections.

The guidelines in this booklet are intended to assist persons responsible for direct input of data into the UIPlanner system as they prepare annual budgets and quarterly forecasts. The budget/forecast should be based on the business unit's business plans and should align with Executive Council's expectations.

Business Unit Income Statements will be produced using the UIPlanner report view in addition to QlikView and BW. Budget details will be developed and input using the various SAP cost collectors (i.e. cost centers, internal orders and WBSs). Through interface mapping between UIPlanner and SAP, these cost collectors are assigned to Profit Centers. Once data input is completed and the UIPlanner system is closed, Business Unit Income Statements will be available for review. The Profit Center Hierarchy (PC0001B) serves as the source for the structure of Business Unit Income Statements). Earnings Driver reports which measure the impact and contribution of key items to the financial performance of each Business Unit will also be produced. Any questions concerning these statements should be directed to Mike Kreighbaum (825-2556) or Carrie Wokaty (825-6005).

Note: Budget guideline documentation can be found in U:\Public\Budget Info\Budget

Overview for Budget Input

Planning Must Be Done For The Following:
➤ Gross Payroll (Dollars)
➤ Staffing Level (Headcount) – Coordinate with Short-Term Budget & Forecast - Business Services and Workforce Planning
➤ Other – Than – Labor (OTL)
➤ Activity Input Planning (Hours to Cost Centers, WBSs and Internal Orders)
Versions
Annual/Quarterly Budgeting & Forecasting:
➤ The budget and forecasting process includes a 5 year forecast horizon, current year plus 4 outer years.
➤ Budget/forecast detail planning will be input in Version 20 (Working Forecast)
➤ Final Closed detail budget will be in Version 12 unless otherwise noted

Calendar of Events

Forecast Schedule - (6 week forecast period)

- | | Activity |
|---|---|
| ➤ | Week 1 (UIPlanner available for updates) |
| ➤ | Week 2 (Input of all utility related revenues and expenses required for riders/deferrals, first round of check-in meetings) |
| ➤ | Week 3 (2 nd round of check-in meetings) |
| ➤ | Week 4 (Loading of previous months actuals, headcount for payroll due, preliminary income tax review) |
| ➤ | Week 5 (Final round of check-in meetings, UIPlanner locked for all edits) |
| ➤ | Week 6 (Assistant Controller, Tax and Treasury final review and approval, final system close with FERC and snapshot) |

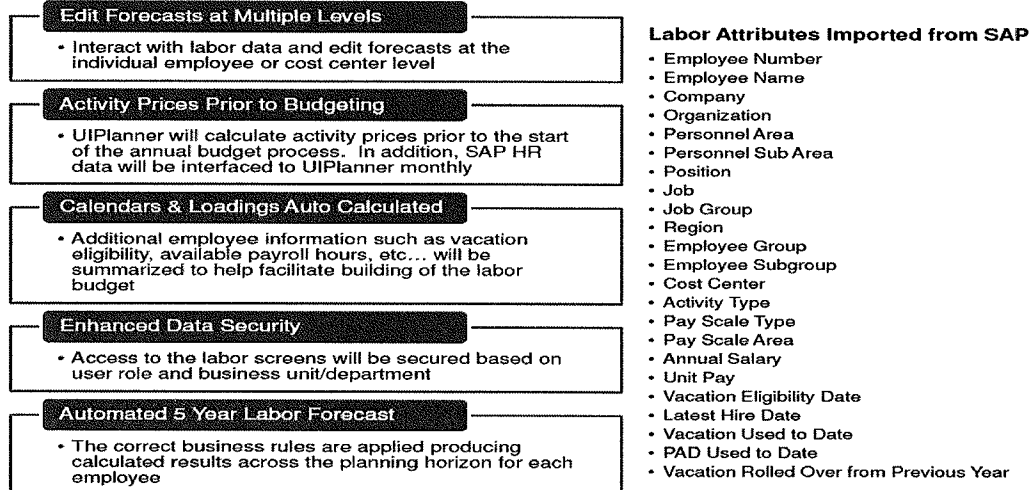
Throughout the budget cycle you should expect to receive communications as needed to ensure the schedule is met. The purpose of these communications will be to help individuals manage budgeting activities, ensure mid-process completion goals are met, and address any issues that arise during the budget entry period.

CHAPTER 2: LABOR

Straight Time Payroll

Straight time payroll for the 2014 Budget will be developed and input by the Business Units. The budget is based on projected staffing levels and estimated employee salaries based on a regular weekly schedule of 40 hours per week per full-time employee. Adjustments should be made for changes in payroll due to attrition, retirements, promotions, demotions, and all salary adjustments including general wage rate increases. **Annual wage rate increases need to be applied by the Business Units, based on the appropriate rate change and timing.** The assumed wage rate for non-bargaining employees is 3.0%. The non-bargaining WRI should be assumed to be effective September 1, 2014. For bargaining unit employees, the bargaining unit WRI is based on the terms of each union contract.

Employee Labor Overview - Benefits



Overtime Payroll

Costs associated in a given pay week for work exceeding 40 hours. The addition of overtime dollars to the budget should be planned and approved accordingly. Planning for all overtime will be completed by the business units using the appropriate cost elements (based on employee activity type):

- 520110 Payroll - Overtime Bargaining
- 520150 Payroll - Overtime Non Bargaining
- 520151 Payroll - Overtime Temporary Help
- 520162 Payroll - Overtime Co-Op Student
- 520163 Payroll - Overtime Part Time Non Barg
- 520164 Payroll - Overtime Part Time Bargaining

Payroll Overheads

Payroll Overheads – Employee Benefits, Incentive Comp and Payroll Taxes will be applied as an overhead during the closing process. The rates will be determined by General Accounting and input into the SAP costing sheets and interfaced into UIPlanner. After final payroll is determined and all gross benefit costs (medical, dental, prescription drug etc.) overheads will populate into HR benefit cost centers.

Employee Benefits – Benefit costs will be developed by Human Resources/Corp Budgets & Forecasts and input into UIPlanner in HR benefit cost centers using the appropriate primary cost elements. Pension and OPEB costs are not included in the Employee Benefits overhead calculation but are applied to capital work as specific capital overheads.

The secondary cost element 850070 – Payroll Overhead Benefits – Straight Time will be used to apply the Benefit overhead on straight time payroll during the budget closing process.

Payroll Taxes - will be budgeted by Corporate Budgets and Forecasts and input into UIPlanner in Special Tax cost centers.

The secondary cost element 850080 – Payroll Overhead – Taxes will be used to apply Payroll Tax overhead on straight time and overtime payroll during the closing process.

Incentive Comp - will be budgeted by Reporting Strategy & Process Management and input into UIPlanner in Special Incentive Comp cost centers.

The secondary cost element 850090 – Incentive Comp will be used to apply Incentive Comp overhead on straight time and overtime payroll during the closing process.

Payroll Related Items

Other payroll related general ledger accounts/cost elements:

- 520019 Payroll Retention Bonuses – Budgeted by the Business Unit granting the bonus
- 520165 Payroll Accrual (Budgeted only by General Accounting)
- 520250 Payroll Bonuses - Represents annual bonuses and other bonuses awarded throughout the year for special circumstances and are the responsibility of the Business Units
- 520260 Payroll Additional Comp – MGRK (Budgeted by Business Units where appropriate)
- 520300 Payroll Restricted Stock (Budgeted only by HR/Corporate Budgets and Forecasts)
- 520400 Payroll Severance – (Budget only by HR/Corporate Budgets and Forecasts)
- 520500 Payroll Adjustments to Gross - Examples include retro pay, grievance settlements, remote reporting costs, and relocation expenses not covered by HR (See Relocation Policy found on the Services & Support section of the FirstPlace Portal).

Employee Labor Overview – Calculations

Employee Forecast Calculations

- 1 Employee Headcount & FTE
- 2 PAD
- 3 Vacation
- 4 Vacation Deferred
- 5 Unit Pay
 - 3 Bi-Weekly (Exempt)
 - 4 Hourly (Non-Exempt)
- 6 Compensation
 - 1 Monthly Compensation
 - 1 Annual Compensation
 - 2 Incentive Compensation Plan
 - 3 Payroll Tax
 - 4 Benefits Loading
- 7 Loadings (Admin Maintained)
- 8 Fully Loaded Compensation
- 9 Productive Time (Activity Pricing) Hours Available (for Budget Grid)
- 10 Overtime Factors

- Select the Calculation Tab
- Listed are the key data fields and activity price calculation
- Only rows highlighted in yellow can be edited

Line: 18 Employee Forecast	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012
Calculate Annual Compensation					
Employee Salary	\$26,000	\$26,000	\$26,000	\$26,300	\$26
WFL - Wage Increase	0.000%	0.000%	3.000%	0.000%	0.0
WFL Compensation Increase	\$0	\$0	\$820	\$0	
Annual Compensation Adjustment	\$0	\$0	\$0	\$0	
Ending Salary of Last Actual Period	\$0	\$0	\$0	\$0	
Ending Salary of Forecast Period	\$26,000	\$26,000	\$26,820	\$26,300	\$26
Ending Annual Salary	\$126,000	\$126,000	\$126,820	\$126,300	\$126
Calculate Unit Pay					
Pay Scale Area	Element-1.0..	Element-1.0..	Element-1.0..	Element-1.0..	Element-1
Employee Unit Pay	\$1,000.000	\$1,000.000	\$1,000.000	\$1,000.000	\$1,000
Unit Pay Increase	\$0.000	\$0.000	\$20.000	\$0.000	\$0
Annual Unit Pay Adjustment	\$0.000	\$0.000	\$0.000	\$0.000	\$0
Ending Unit Pay	\$1,000.000	\$1,000.000	\$1,020.000	\$1,000.000	\$1,000
Calculate Monthly Compensation					

Staffing

Staffing levels (Headcount) **must be input by month**, by individual Cost Center, by individual or activity type. Budget all full-time, part-time, and temporary FE employees on SAP Payroll. **New employees should be budgeted in the month in which they will start.** Do not include contractor/non-FE employees and do not assume all hires begin the month of January.

Activity Input Planning (Hours)

Payroll costs can be moved from the employee or originating cost centers to a target or receiving cost collector (Cost Center, Order or WBS element) by planning productive hours by activity type. The activity price associated with each cost center/activity type combination is calculated and updated by Short-Term Budget & Forecast. These activity prices are then used to produce the standard labor activity allocations.

Unproductive Time – Planning for unproductive time (i.e. sick time, safety meetings, union business, etc.) is not required. These costs remain in the responsible cost center and the unproductive hours and associated costs are incorporated in the calculation of the activity prices.

CHAPTER 3: OTHER THAN LABOR (OTL)

All transactions for non-labor items must contain:

- Cost Center
- Cost Element
- Target Cost Collector – Cost Center, Order, Network or WBS element
- Target Cost Collector Type – (KS, OR, PR)
- Cost Type (Capital, O&M, Other)

Cost Owner cost center for Other-Than-Labor is defined as the Cost Center with budget responsibility for the expenditure.

Cost Types are defined as follows:

Type 1 Capital - Capital is planned to WBS Elements. WBS Elements are defined as Cost Type 1 if they settle to:

- 107XXX Construction Work In Progress
- 108XXX Retirement Work In Progress
- Capitalized Nuclear Fuel Accounts
- CWIP and RWIP for Non-Utility assets

Type 2 O&M (Income Statement Accounts)

Type 2 is any cost that settles to a Cost Center and becomes part of the Income Statement (predominately O&M but includes revenues, interest income, depreciation etc.)

Type 3 Other

Type 3 charges are any costs that settle to Balance Sheet accounts and are not considered Capital.

Guidelines for General Business Items:

Office Supplies – Cost Element 540100

Stationary type items purchased through Staples or similar vendor, e.g., annual planners and calendars, etc. The budget should be at the department/plant level rather than the cost center level to maintain consistency and control within the business unit.

Telecommunications Equipment and Service – Cost Element 590000

Costs associated with Company approved/provided cellular telephone equipment and associated monthly cellular charges are to be budgeted by cellular user's business unit.

- Basic cellular voice/text service - \$50 monthly per telephone.
- Smartphone (iPhone) - \$100 monthly per telephone.
- Cellular broadband data service (laptop and MiFi's/HotSpot) - \$55 monthly per device.

Business Units should refer to the Computer Peripherals Price List (page 11) to budget for costs associated with purchase of the cellular equipment.

Copies/Multi-functional devices (MFD), Printers, Faxes

Copier/MFD and printer equipment along with maintenance and supplies for general office use are budgeted by IT. Plotter purchase/lease, specialty copiers or printers, fax machines, and associated service/supply costs are to be budgeted by the responsible Business Unit. For special projects, short-term needs, and plant outages the cost for copy, fax, and print devices are to be budgeted by the responsible Business Unit. Contact IT to determine if existing devices may be redeployed for short term needs.

Budget printer equipment to G/L 580020, supplies to 560200, and maintenance to 550300.

Budget copier equipment to G/L 570052, supplies and maintenance to 560200.

Budget fax equipment and supplies to G/L 560200, maintenance to 550300.

Employee Expenses – Cost Element 540000

Miscellaneous expenses as a result of conducting company business not captured in other cost elements and reimbursed through an employee expense report.

Employee Meals – Cost Element 540010

Expensed meals as a result of company business.

Emergency Employee Expense / No Meals – Cost Element 540015

Miscellaneous expenses that were incurred unexpectedly (call-outs, storms, and outages).

Travel Expenses – Cost Element 540101

Expenses incurred while traveling on company business that are not reimbursed through employee expense reports. Each business unit should budget for use of the corporate jet by their employees at the rate of \$220 per "one way trip". Example: For one person flying from Akron to Morristown, \$220 is charged to the employee's responsible cost center. Persons budgeting for Executive travel will be provided more detailed information separately from these guidelines.

Per Diem – Cost Element 540102

Fixed rate for change in work location, outages, etc. Often used in lieu of meals and possibly other related employee expenses.

Travel Expenses – Corp Jet – Cost Element 540106

Costs associated with use of corporate jet. This cost element is used exclusively by the Flight Operations Group.

Employee Expense – Training – Cost Element 540020

External seminar fees and associated external training expenses.

Training Student Expenses – Cost Element 540103

Student training fees for internal courses coordinated by Human Resources.

Postage – Cost Element 650100

All non-customer mailings/billings, including large packages (UPS, FedEx, Overnight Express, etc) should be budgeted by each Business Unit. Postage for customer related mailings and billings should be budgeted by the Customer Service bill production cost centers.

Other Items:

Application Software Maintenance – Business application software maintenance will be budgeted by IT Business Unit Support. Portfolio Managers will be contacting your department to coordinate budget information and ensure that all maintenance fees are captured.

Banked Vacation – The payout of banked vacation should not be budgeted by the individual cost centers. It is budgeted by Human Resources/Corp Budgets/Forecasts.

Claims (Payable and Receivable) – The ED Operating Companies should budget for (payable) claims and lawsuits related to distribution facilities (including personal injury, property damage, and vegetation management claims), fleet vehicle accidents, and environmental injuries (such as asbestos) for historical ownership of generating plants, as well as the legal fees and other administrative costs to defend against such claims and lawsuits. The ED Operating Companies should also budget for damages caused to their respective distribution facilities by outside parties; applying offsets by taking into consideration historical recovery amounts achieved through (receivable) claims activities. Generating Plants should budget for anticipated (payable) claims and lawsuits related to their facilities, as well as the legal fees and other administrative costs to defend against such claims and lawsuits.

Company Facilities – Real Estate and Facilities will budget for the maintenance and service contracts for Corporate, FENOC and Fossil. Energy Delivery will budget for all Utility Company facilities. The WBS structure will be utilized for both budgeting and tracking of O&M spend. Budgets will be established using a WBS and WBS Element / Service Categories:

- Landscaping
- Janitorial
- Building Maintenance
- Waste Removal
- Paving repairs
- Elevators
- HVAC
- Roof repairs
- Electrical
- Mechanical Equipment
- Fire Protection
- Construction
- Fences
- Plumbing
- Painting
- Pest Control
- Utilities
- Snow Removal
- Costs will be segregated by line of business (Corporate, FENOC, Fossil, and ED Operating Company)
- Monthly reporting of actuals will include the WBS, the Service Category and Building Cost Center

- This will allow for a direct comparison of Budget to actual spend enabling a monthly view of actuals versus budget.

Real Estate will budget for all building and land leases.

Corporate membership dues and fees, contributions and donations – It is the Company's policy to enter into and maintain Corporate memberships in organizations deemed necessary to maintain professional expertise in various aspects of the Company's operations and to establish and maintain relationships with selected organizations with whom we share common interests.

Corporate memberships will be budgeted and processed through the Contributions Department. The company should not pay dues for an employee's individual membership unless the membership is held at the Company's specific request. When this is the case, the dues and any fees or assessments associated with membership should be budgeted in the employee's administrative cost center. Contributions will also be budgeted through the Contributions Department, working with Operating Company management and the Corporate Affairs staff.

Desktop Computer Hardware and Software – Standard PC workstations and laptops are budgeted in IT Client Support based on a fixed replacement cycle (5 years for desktops, 3 years for laptops).

Peripheral equipment is not budgeted in IT. All peripheral equipment requires director approval, will be ordered by the business unit (not IT) using a specific web site, **and should be budgeted as a purchase in the requesting business unit cost center.** Listed below are some commonly requested peripherals with pricing where applicable.

Computer Peripherals Price List:

<u>Display Options</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
For Laptops	Monitors not provided for laptops		n/a
For Desktops	17 inch CRT provided for desktops upon failure of previous unit	See HP or SHI catalog on portal for options.	
<u>Cellular</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Cellular voice/text	Basic cellular handset and standard accessories.	First Communications	\$30
iPhone	iPhone and standard accessories.	AT&T, Sprint, Verizon Wireless	\$150
Data – MiFi/Hot Spot	Data device.	AT&T, Sprint, Verizon Wireless	\$80 - \$130
<u>Laptop Options</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Port Replicator for nc8440p/8540p/8460/8470	Part # A7E34AA#ABA	HP	\$130
<u>Plotters</u>	<u>Description</u>	<u>Vendor / Model</u>	<u>Approximate Cost</u>
Standard HP Plotter Purchase	Wide Format plotter/printer purchase and install	HP	\$6,800
Standard HP Plotter Service	Annual service for HP Plotter	Print Service Provider	\$1,654

Educational Assistance – Human Resources/Corp Budgets/Forecasts will budget for these expenses.

Environmental Fees – Permit and environmental reporting fees should be budgeted by each location. The Environmental Dept. will budget for all software maintenance fees associated with the ESC CEM data acquisition systems. The Environmental Department will also budget for all stack and CEM RATA testing including labor, materials and outside test contractors. Questions should be directed to **Brittany Cannato 879-6442.**

EPRI – Business Units should budget for EPRI expenses based on approved programs as well as approved participation in Tailored Collaboration Projects, Co Funding Projects, or Billable Service Agreements (Supplemental Agreements that are in addition to membership selections). Item numbers for EPRI subscriptions will be available from FE Technologies. Subscription payments should be budgeted monthly. Business Units who budget for EPRI should contact **Stephen B. Briggs 825-3870**, for further information.

Fuel – Nuclear: The nuclear fuel expense budget is developed and entered by the Nuclear Fuels group based on generation plans provided by each nuclear unit. Auxiliary boiler and diesel generator fuel is budgeted by each nuclear site and entered by the Nuclear Generation Business Services. Capital nuclear fuel purchases will be budgeted by the Nuclear Fuels group, to appropriate WBS elements.
Fossil: Coal, Oil (light-off and peaking), natural gas, SO₂ allowances, NOX allowances, and reagent requirements will be modeled by the FES Planning & Analysis Group and budgeted by the Fuel Supply Dept., using the plant/unit specific FERC cost centers.

Insurance – Property and liability insurance will be budgeted by Risk Management.

Internal Use of Electricity – The costs of electricity for buildings and power plants owned by FE legal entities within the Competitive Services Unit and Corporate Support Unit, for both generation and non-generation components will be budgeted by **William Shonk (825-5472)** of General Accounting Services in coordination with Customer Service, Retail Tariff Analysis & Forecasting and Facilities Management.

Inter-company Building Rent Revenue/Expense – The inter-company revenue and expense for building rent invoiced between companies will be budgeted by **Richard Snyder (500-6807)** of General Accounting Services and will be based upon building related operation and maintenance costs budgeted by others.

Materials and Equipment – Material costs for direct purchases and stores issues are budgeted directly in the cost center, order or WBS element along with the responsible cost center. An M&S overhead will be applied to stores issues. The Controller's Group will enter the rates into the costing sheets and the system will generate the M&S overheads as part of the budget closing process.

Professional Contractors & Outside Services – Contracted work from professional and outside services vendors should be accounted for using the categories and cost elements established by Business Unit. Please refer to the tables in Chapter 7 for further details.

Revenues – Budgeted revenues must be entered as negative numbers.

Sales Tax – Business Units should include sales taxes incurred as part of the purchase price of taxable items in their cost centers.

Medical Surveillance Testing – Occupational Health -The outside vendor costs for employees participating in the FirstEnergy Medical Surveillance Program (Regulatory required) should be budgeted in the individual employee's responsible Cost Center. Each Plant and Operating Company should account for these costs (i.e., regulatory required respirator fitness exams, hearing tests, asbestos and lead physicals, etc.). The Industrial Relations-Health & Safety section will provide specific cost information related to this activity, contact **Timothy Walter 825-1706** or **Chuck Fabo 825-5162**.

Drug & Alcohol Testing Program – CDL/DOT, Maritime, Safety Sensitive, Ohio State Project Work, New Hires- The outside vendor costs for employees participating in FirstEnergy's Drug & Alcohol Testing Program (Company and Regulatory required) should be budgeted in the individual employee's responsible Cost Center. Each Plant and Operating Company should account for these

costs in 2014. The Industrial Relations-Health & Safety section will provide specific cost information related to this activity, contact **Timothy Walter 825-1706** or **Chuck Fabo 825-5162**.

Industrial Hygiene (IH) Assessments – The outside vendor costs associated with OSHA required routine IH monitoring, including associated laboratory analyses and processing costs, should be budgeted in the individual employee's responsible cost center. Routine monitoring (OSHA required) includes periodic assessment of the following hazards: Noise, Asbestos, Inorganic-arsenic, Lead, Personal Protective Equipment, Confined Space Entry, etc. The Industrial Relations–Health & Safety section will continue to support and budget for special, complex or unique IH assessment needs. Specific cost information related to this budgeting activity will be provided by the Industrial Relations-Health & Safety section, contact **Timothy Walter 825-1706** or **Martin Duffy 825-3814**.

Satellite Airtime – The infrastructure cost to provide the service will be paid by IT Network Services. The usage is not an IT cost and should, therefore, be budgeted by the business units at these rates:
 BTV broadcasts \$800 /hour (Bandwidth 3.0Mb/hr)

Severance – Each Executive Council member is contacted by HR to determine the appropriate level of severance to be budgeted. Cost of severance payments, as determined by HR, will be entered into the SAP system by HR/Corp Budgets/Forecasts.

Supply Chain/Inventory Items – Inventory Adjustments - Each plant and Operating Company should budget for its own storeroom's inventory adjustments. Assets No Longer Used or Useful – Obsolete Inventory - Each location should budget for its own obsolete inventory write-offs. With market value of these items being unknown, it is recommended that Business Units not budget for proceeds from obsolete inventory sales. Assets Other Than Inventory - Investment recovery proceeds from the sale of items will be given to the Business Unit that provided the items. We will use the accounting the Business Unit provides.

Training – Business unit cost centers should budget for on-site classes that support company-wide, employee, or department-specific programs. **The Learning and Development Department (L&D) will budget for the New Supervisor/Manager program. However, the business unit cost centers should budget for associated travel and lodging expense.** Questions should be addressed to **Jacqueline Roth 825-7890**.

The Information Technology Dept (IT) will budget for on-site classes that support company-wide software applications. Business unit cost centers should budget for on-site classes that support department-specific software applications.

Training – External – The cost of external training and seminars, as well as the travel and lodging expenses will be budgeted in the cost center requesting the training.

Transportation – Energy Delivery Transportation costs will be manually planned to appropriate cost collectors using the cost element 545099 – Fleet usage manual plan. The responsible cost center used on the SPL is the appropriate Operating Company transportation contra cost center.

COMPANY	CONTRA COST CENTER	DESCRIPTION
Toledo Edison	416001	Transportation Costs Undist-TE-Wstrn Reg
CEI	426001	Transportation Costs Undist-CE-Nrth Reg
Ohio Edison	406001	Transportation Costs Undist-OE-Cntrl Reg

Ohio Edison	406005	Transportation Costs Undist-OE-Sthrn Reg
Ohio Edison	406003	Transportation Costs Undist-OE-Estrn Reg
Penn Power	436001	Transportation Costs Undist-PP-Estrn Reg
Penelec	456001	Transportation Costs Undist-PN-W PA Reg
Met Ed	446001	Transportation Costs Undist-ME-E PA Reg
JCP&L	466003	Transportation Costs Undist-JC-Nrth Reg
JCP&L	466001	Transportation Costs Undist-JC-Cntrl Reg
West Penn Power	492001	Transportation Costs Undistrib- WP01
Mon Power	470201	Transportation Costs Undistrib - MP01
Potomac Edison	483001	Transportation Costs Undistrib - PE10

The Operating Companies must also plan a credit to the contra cost center in the amount planned out to the cost collectors using the same Responsible Cost Center. The contra cost center should be used as the target cost center for these credits.

Vehicle Leases & Licenses –

Vehicle lease payments should be budgeted, using G/L account 570050 for all Operating Leases and 570075 for all Capital Leases, for the following:

- Fleet Services cost center for Operating Company vehicles, (it is no longer necessary to budget by each department in the Operating Company using the vehicle).
- Each fossil generation plant, each nuclear generation plant, environmental, generation technical services.
- Each non-Operating Company or non-plant department using a vehicle. This would include (but is not limited to): IT, Corporate Transportation, Workforce Development, Administrative Services, T&D Technical Services.

Vehicle licenses should be budgeted, using G/L account 650300, for the following:

- Fleet Services cost center for Operating Company vehicles.
- Each fossil generation plant, each nuclear generation plant, environmental, generation technical services.
- Each non-Operating Company or non-plant department using a vehicle. This would include (but is not limited to): IT, Corporate Transportation, Workforce Development, Administrative Services, T&D Technical Services.

All requests for vehicles and/or power operated equipment should be directed to the Fleet Manager (see below) responsible for the area where the vehicle and/or equipment will be assigned. The Fleet Manager will work with Corporate Fleet Services directly to place the order, etc. Any questions related to this matter should be directed to **Lisa Pfeifer 824-5090**.

Company	Fleet Services Manager	Internal Phone	External Phone
CEI	Bryan Komlos	824-5060	216-295-5060
Toledo Edison	Jeff Burgoon	883-5938	419-249-5938
Ohio Edison/Penn Power	Robert Pyles	835-4099	330-436-4099
West Penn Power	Mike Geitner	365-2020	724-743-2020
Penelec	Bradley Reitmeyer	430-8844	814-868-8844

Met Ed	David Naylor	540-7109	717-848-4109
Mon Power	Kevin McCleary	326-1259	304-488-1259
Potomac Edison	Dale Bohn	300-6425	301-790-6425
JCP&L	Nick Dello Russo	210-2237	973-989-2237

Personal Computer Hardware Items that require direct funding by the Business Units:

Unique, non-standard PC configurations. IT budgets each year for standard notebook and desktop models and configurations. At the time IT approaches a client group to plan for the retirement / replacement of their existing computers, the client group will need to provide the funds to cover any cost above the standard model cost. Funding by the client will be required for special features such as:

- RAM (memory) above the standard configuration
- Higher CPU speeds or multiple CPU's
- Tower model
- Floppy drive (no longer provided on new PCs)
- Video graphic cards
- Extra network interface cards
- Optical or wireless mice or special trackball configurations
- Ergonomic keyboards
- Larger internal or external storage drives or memory sticks
- Port replicators or docking stations
- Second batteries for notebook PCs
- Glare shields
- DC power converters or adapters
- Monitors for notebooks (If you presently have one with your notebook, when it fails, it will not be replaced without business unit funding.)
- Local printer (all printer requests must be forwarded to **David A. Zeigler** for review).

Process related PCs. IT budgets each year for rollover of **20%** of the office desktop PCs and **33%** of the office notebook PCs. PCs that are not typically used by employees, but rather dedicated to a process are not funded out of the PC capital budget. Funding must be provided either within a capital project when these systems are upgraded, or by the business unit. Examples of process PCs include:

- AFSO and MRMS (TPP)
- EMS Consoles
- GMS Consoles
- HVAC controls
- Plant control systems
- Badge readers
- Field equipment testing or data logging PCs
- Special printer, scanner or plotter interfaces
- Cache PCs (pseudo servers)

Off-cycle (premature) replacement PCs. As mentioned earlier, IT budgets each year for rollover of 20% of the office desktop PCs and 33% of the office notebook PCs. The scheduling of replacements is determined by the local Desktop Support team. Should any department require a notebook PC to be replaced sooner than every 3 years, or a desktop model to be replaced sooner than every 5 years, the client group must fund the complete cost of the replacement.

Off-cycle upgrade of a desktop unit to a notebook unit. If an employee, because of their job responsibilities, requires switching from a desktop PC to a notebook PC, the full cost of the new notebook PC must be borne by the business unit if their desktop is not scheduled to be replaced. The exception to this rule is if the business unit still has un-deployed notebook PCs in its annual replacement allotment, the business unit leadership may elect to redirect a yet-to-be-deployed

notebook from its pool to the employee in need, at the sacrifice of another employee within the business unit. That impacted employee would then be given the notebook recipient's existing desktop PC.

On-cycle upgrade of a desktop unit to a notebook unit. If an employee, because of their job responsibilities, requires switching from a desktop PC to a notebook PC, and the timing of this need coincides with our replacement schedule, IT will cover the higher cost of the notebook PC. New or replacement notebooks will require director level review and approval. There must be a valid business case for using a notebook model.

Second PCs. If an employee requires more than one PC to perform their job, the full cost of the additional PCs must be borne by the business unit. This includes instances where a hot-standby PC must be provided for a critical function. The exceptions to this rule are console-based PCs, such as those in plant control rooms or regional dispatch centers where 2-3 PCs and/or monitors are part of the console and required for the operator to perform their work. This second PC will be an asset managed and maintained by IT, following the same standards and practices used for IT-funded PCs.

Moves, Adds, Changes (MACs) of Employee Services and Devices at Company Facilities – For all locations other than Shared Services' workspace in Akron General Office and the Reading General Office - Business Units will be responsible for budgeting for their planned moves, adds and changes described below:

- Non-computer equipment, such as telephone sets, headsets, speakerphones etc.
- Install and terminate voice cabling to workstations.
- Creation of the workstations in the telephone system database.
- Cross-connected and install telephone instruments.
- Move telephones to existing or new jack locations.
- Install, terminate, and test data cabling to the workstations.
- Activate data jacks by patching through to data switches.
- Install, terminate, and test inside fiber optic cabling.
- Install and terminate coax cabling for applications such as Satellite for IDL.

This does not include maintenance or repair responsibilities for these items. Normally the moves, adds, and changes are considered an O&M cost, unless they are associated with a major project.

The usual way to schedule moves, adds and changes is to contact your local facilities management team. This team will contact IT Field Operations to arrange for the approved vendors to make your requested changes. MACs that do not require Facilities involvement can be requested by calling the IT Service Desk. Please adjust your 2014 budget to include your facilities plan.

CHAPTER 4: CAPITAL MANAGEMENT PROCESS

FE's capital investments are integral in helping the company achieve operational excellence and financial success. The capital expenditures, are necessary to ensure the reliable generation and distribution of electricity, and compliance with regulatory requirements.

The Capital Planning & Management Process is a formalized process that provides the platform for capital discussions and allocation decisions at all levels of the organization. The process helps senior management effectively understand competing uses for FE's cash, funding requirements for capital investments, and to allocate capital dollars across various business units (ED, FENOC, Fossil, Corporate). Ref. Capital Planning & Management Corporate Policy CP-TPR-6101 and FE 5-year Capital Portfolio Development and Capital Management Procedure (FirstPlace Portal/About FirstEnergy/Policies and Practices/Corporate Policies/Capital Planning & Management.pdf)

Capital Categories:

Mandatory - Non-discretionary investment required by law, regulatory order, or duty to serve customers (e.g. new business). Other required investment to meet externally driven regulatory commitment.

Maintain - Discretionary investment to support and sustain existing infrastructure at existing performance levels. Specific operational performance and financial tracking support these projects (e.g. SAIDI, CAIDI, EFOR).

Improve - Discretionary investment to improve existing infrastructure or performance levels beyond existing business plan key performance metric commitments. Improvement in specific operational performance and financial benchmark targets support these projects (e.g. SAIDI, EFOR, ROI).

Value - Discretionary, non-recurring investment for a defined initiative which improves or expands existing infrastructure or creates new business opportunities and drives improved economic value.

Capital questions contact:

Business Area	Business Area Contact	Capital Support
Corporate Services - IT	Dave Wolfe (500.6004)	Scott McBride (825.4888)
	Megan Mazza (850-2277)	
Corporate Services - Facilities	Bob Grosjean (825.6393)	
	Paul Shultz (825. 5495)	
Corporate Services - Other	Business Area Management	
FE Utilities/Transmission	Mark Myers (825.7961)	
	Rick Long (500.6820)	
Fossil Generation	Kate Pinkus (850.6820)	
	Lori Sunbury (850.6842)	
FENOC	Kate Pinkus (850.6820)	
	Lori Sunbury (850.6842)	
FES - Other	Steve Monter (850.7269)	
	Trevor Fernandez (850.6851)	

Capital Projects – Only budget capital projects to the level of spending identified in Executive Council guidance

Work Breakdown Structures (WBS) - Labor is budgeted through Activity Input Planning using UIPlanner. Loaded labor costs, which include overheads, are moved from the employee or sending cost center to a WBS element by planning productive hours by activity type. Instructions for Activity Input Planning are located in Chapter 2 - Labor. All 'Other than Labor' costs are input into UIPlanner and must include the cost element and the appropriate responsible cost center. Instructions for input are found in Chapter 3 – OTL.

If new WBSs are created, all master data fields (i.e., costing sheets, project type, interest profiles, settlement rules, etc.) must be entered into UIPlanner. **(See Key Contact appendix, page 26, for names to set up the WBS Master Data.) In all cases, it is critical that the WBS and WBS element start and finish dates be accurate and the WBS should be established at the Company which will own the assets. Departments which complete work for other Companies should cross charge the other Company WBS. Planning must never be entered in months beyond the finish date.** These dates are used by the capital forecast module of UIPlanner to compute and input AFUDC and depreciation and in reporting, including rate cases. All WBSs with settlement rules to asset accounts (CWIP, RWIP & OWIP) require an AFUDC element regardless if the project would qualify for AFUDC.

The status of WBSs must be TECO (Technically Complete), when the project is ready for service. The TECO date is passed to UIPlanner and the project is placed in-service. If a project is suspended or ceases construction the WBS elements should be locked and the status of the project is changed to "suspended" in PowerPlant. The data will pass to UIPlanner and this will shut off the AFUDC calculation. If a project is cancelled existing charges should be transferred to expense, the AFUDC should be reversed and once the charges have been removed from the WBS, the WBS should be 'business closed'. **It is important to update the status to TECO on a timely basis since it directly reflects the calculation of AFUDC and the beginning of depreciation in PowerPlant / UIPlanner.**

Construction Indirects (Supervisory, Engineering, Administrative and General Overheads) – Capital costs should be direct charged to the related WBS whenever possible. However, in those cases where certain costs have a proven relationship to construction, an assessment or allocation will be made from predefined cost centers to Operating Company construction indirect cost centers (Supervision, Engineering, and A&G). An example of this would be supervision of an engineering group that supports capital projects overall. A portion of those supervision costs will be allocated to capital using the prescribed process. Rates will be calculated by General Accounting Services for each Operating Company and overhead category and will be applied on the labor and contractor portion of the budgeted WBS elements.

PowerPlant Property Unit Catalog – The PowerPlant Property Unit Catalog should be used to determine what items or activities are capital. Assistance in using the Property Unit Catalog or questionable items should be directed to **Tim Clyde (825-5863)**, Property Accounting Services, prior to inclusion of an item in the budget as capital.

Small Tools and Equipment - Only small tools and equipment greater than \$1,000 should be capitalized.

Corporate Facilities will budget for all facility-related Mandatory and Maintain capital project work across FirstEnergy. Each Business Unit will budget for any Value Added or Improve facility related capital work. If there are questions on definition, please refer to the Capital Definitions section.

Vehicles/Power Operated Equipment

When acquiring the equipment identified below, the acquisition should be coordinated with the Corporate Fleet Services Department. The Corporate Fleet Services Department will determine with Treasury whether to purchase or lease the equipment. If the decision is to purchase the equipment, Corporate Fleet Services will purchase the equipment and charge the appropriate capital WBS. The equipment will also be given a vehicle number and tracked in the M5 Fleet System.

All requests for vehicles and/or power operated equipment should be directed to the Fleet Manager (see below) responsible for the area where the vehicle and/or equipment will be assigned. The Fleet Manager will work with Corporate Fleet Services directly to place the order, etc. Any questions related to this matter should be directed to **Lisa Pfeifer 824-4090**.

Company	Fleet Services Manager	Internal Phone	External Phone
CEI	Bryan Komlos	824-5060	216-295-5060
Toledo Edison	Jeff Burgoon	883-5938	419-249-5938
Ohio Edison/Penn Power	Robert Pyles	835-4099	330-436-4099
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Met Ed	David Naylor	540-7109	717-848-4109
Mon Power	Kevin McCleary	326-1259	304-488-1259
Potomac Edison	Dale Bohn	300-6425	301-790-6425
JCP&L	Nick Dello Russo	210-2237	973-989-2237

- | Asset Class | Vehicle Type |
|-------------|---|
| 1 | Light Duty - primarily downsize pickups, mini vans, passenger cars & units impacted by EPAct |
| 2 | Medium Duty - includes full size pickups, vans, substation vehicles, small stake body trucks, etc |
| 3 | Heavy Duty - includes heavy trucks other than aerial units, digger derricks or crane trucks |
| 4 | Aerial Trucks - includes all manlift capabilities regardless of size |
| 5 | Digger Derrick Trucks - includes all digger derricks |
| 6 | Crane Trucks - includes all trucks with cranes mounted on them and licensed. Off road cranes are included in construction equipment |
| 7 | Trailers - includes all trailers regardless of size |
| 8 | Construction Equipment - includes backhoes, loaders, excavators, off-road cranes, dozers, etc |
| 9 | Forklifts, Mowers, Misc - includes forklifts, riding sweepers, scrubbers, snow removal equipment, mowers, ATV's & other. |

Office Furniture – The Real Estate and Facilities Department manages and budgets all capital expenditures for furniture as well as maintains an inventory of existing furniture items. The Facilities Section has developed the Workspace Guidelines Policy and receives substantial discounted pricing on all furniture used by the Company.

All requests for furniture should be directed to **Kathy Tatman, Supervisor, Asset Planning** through an e-mail notification. Please base your request on budgeted new hire positions and/or replacement requirements for worn, damaged or obsolete furniture. Any purchases of furniture made outside of this arrangement will not be approved.

Software Costs - The following guidelines should be used for capitalizing computer software costs:

New Computer Software Costs:

- designed as a complete system
- has a life greater than 1 year
- capitalized cost is greater than **\$5,000**

Preliminary study costs, data conversions, and training are expensed when installing computer software.

Upgrades and Enhancements of Existing Software:

Upgrades and enhancements of existing software are expensed unless additional functionality is added and the cost is greater than **\$5,000** and is a significant upgrade or enhancement.

Questions concerning capitalization of Computer Software items should be discussed with **Tim Clyde (825-5863)**, Property Accounting Services, prior to inclusion in the budget.

Generation Employee Training Costs – All employee training costs should be expensed, **except for Yards Creek.**

IT Projects – Activity allocate appropriate labor charges to IT managed projects that require Business Unit support. *All IT projects created under SC00 WBSs that are for the benefit of other Companies should have settlement rules that settle these costs to other company WBSs.* IT Department should coordinate these projects with the appropriate Business Services group.

Depreciation – The computation and application of depreciation is forecasted in UIPlanner, it is Property Accounting Services responsibility to ensure the accuracy of the forecast.

Major Retirements of Plant – For retirements of plant, in which the estimated original cost exceeds \$5 million, the following information is required: the month the item is being retired, the estimated original cost, and a short description of the item being retired. For all other retirements a percentage assumption is applied to all monthly assets in serviced.

Generation Cost of Removal and Salvage – The budgeting of cost of removal and salvage will be performed by Generation. Generation cost of removal is expensed, **except for Yards Creek.**

Energy Delivery (Distribution and Transmission) Cost of Removal and Salvage – The budgeting of distribution and transmission cost of removal and salvage will be performed by Energy Delivery. For Met-Ed, Penelec, Penn Power and West Penn Power and JCP&L, the cost of removal and salvage will be expensed as a component of the depreciation expense in accordance with the current rate making. The planned cost of removal and salvage will settle to Account 403, Depreciation Expense.

CHAPTER 5: INTERCOMPANY TRANSACTIONS

Intercompany transactions are now settled within UIPlanner as part of the model sequence iterative report design and verified by Business Planning and Performance.

Some examples of inter-company transactions include:

- Purchased Power and Revenues including RFP and POLR sales
- Interest Income or Expense from Associated Companies
- Leases including ATSI ground lease
- Internal Use of Company Electricity
- Billings between subsidiaries (Bayshore Power, FE Properties, etc.)

CHAPTER 6: FIRSTENERGY SERVICE COMPANY

Service Company Cost Centers – Budgeting Guidelines:

Direct Charging

When preparing your budget and incurring actual expenditures, it is important to consider who the beneficiary of your services is. Direct charging of time and expenses to the entity for which the services are being rendered is the preferred approach, where possible. To the extent that costs can be readily identified and associated with a specific transaction, the charging of those costs should be directed to the company(ies) receiving the goods or services, even when there is more than one receiving company.

Indirect Charging

Indirect charging through the Service Company assessment process supplements the direct charging of costs. Assessments are used to allocate the costs that were not direct charged from a cost center. Frequently, costs cannot be direct charged because the recipient cannot be readily identified, or excessive administrative expense would result. Indirect charging employs the use of one of FirstEnergy's approved assessment methods. An approved assessment method is assigned to each Service Company cost center. The assessment methodology and the targeted legal entities for the Service Company cost centers can be provided by General Accounting upon request.

Service Company Assessments

Any desired change to organizational structure or revisions to the methodology used to allocate expenses from a Service Company cost center to the other legal entities must be reviewed and approved by **Jason Petrik, Assistant Controller (825-4049)**, prior to the change being implemented. This review process is necessary to insure that inter-company service agreements remain current and valid and that all regulatory requirements are being satisfied.

Budget Reference Material

Key Terms & Concepts

Activity Price

The price calculated for an activity type – used for charging labor hours and transportation usage to cost collectors.

Allocations

Used to: assess shared services costs; move charges to correct legal entity; and/or assign to capital where appropriate.

Assessments

Transactions that allocate costs from Cost Centers to receiver cost objects.

Cost Allocation

Distribution of costs from one collector to another to reflect actual usage or predefined rates.

Costing Sheet

Defines an overhead calculation. Contains the percentages to be applied to the base amount and the collector to be credited.

CREWS (Customer Request Work Scheduling)

Used to estimate and schedule Transmission and Distribution projects.

Customer Care Services (CCS)

The SAP R/3 software module for utility customer information.

BPC (BusinessObjects Planning & Consolidation)

The consolidation module of used for legal consolidation reports.

Financial Accounting Module (FI)

SAP R/3's grouping of financial data required for external reporting purpose such as balance sheet, P&L statements, cash flows, and retained earnings.

Overhead Rate

A surcharge, expressed as a percentage, used to spread indirect costs over a defined base.

Project System (PS) SAP R/3 Module

Module is used to manage large projects. Accounting data used to manage WBS Elements are also located in this module.

Profit Center

Organizational unit that reflects a management-oriented structure for the purpose of internal control and reporting.

Profit Center Accounting (PCA)

A module of SAP used to manage the business by segregating costs and revenues by business units. Measures profitability by profit center or high-level business unit.

Settlement

The SAP process of allocating costs from temporary cost collectors such as orders or WBSs to other cost collectors such as FERC cost centers.

Settlement Rule

Set of instructions that define distribution of costs incurred on a temporary cost object such as an order or WBS.

Key Contacts

By Department:

Area	Key Contact	Responsibility
Corporate Budgets and Forecasts	<ul style="list-style-type: none"> Olenger Pannell Mike Kreighbaum Mark Dudley Marita Tatarko Abigail Nahs 	<ul style="list-style-type: none"> UIPlanner specific budget system preparations Updating Activity prices Communicating the dates and times for budget input Oversight and management of the annual/multi-year budgeting and forecast processes Tracking budget status and ensuring completion of key budget mid-point deliverables Ad-hoc budget related reporting
Business Services and Corporate Business Planning	<ul style="list-style-type: none"> Marie Rote Mike Clemens Carrie Wokaty 	<ul style="list-style-type: none"> Corporate Shared Services – budget and forecast coordination and support HR Benefits and Special Item budgets and forecasts
Capital Management	<ul style="list-style-type: none"> Scott McBride 	<ul style="list-style-type: none"> Capital Management Processes
Controllers Department	<ul style="list-style-type: none"> Nancy Kramer Mike Strozak Rich Snyder 	<ul style="list-style-type: none"> Processing/Closing of SAP Plan Develop and input Costing sheets (overheads) System Maintenance – Versions, SPL, CO Accounting Issues
Competitive Business Planning	<ul style="list-style-type: none"> Steve Monter 	<ul style="list-style-type: none"> Generation and Competitive segment forecasting Budget and forecasting of competitive retail sales, load & revenue
Rates	<ul style="list-style-type: none"> Brad Eberts Denise Mullins 	<ul style="list-style-type: none"> Development of the Load, MWH Sales, and Wires Forecast Forecasting of regulated revenue for budgeting
Supply Chain	<ul style="list-style-type: none"> David Zeigler 	<ul style="list-style-type: none"> Personal Printer requests

For SAP/UIPlanner Master Data questions or to set up new Master Data for the Budget/Forecast:

Master Data		
Contact:		
➤ Cost Centers – Nancy Kramer 500-6639; Michael Strozak 500-6554		
➤ Internal Orders – Nancy Kramer 500-6639; Michael Strozak 500-6554		
➤ Cost Elements – Will Blair 825-5866		
➤ WBS Elements – By Business Unit		
Energy Delivery Operating companies:		
The Illuminating Co	Gregory Werner	824-8783
Ohio Edison/Penn Power	Eric Weaver	835-4021
Toledo Edison	Ann Toth	883-5016
Jersey Central	Sue Gabel	200-8673
Met Ed	Pete Dragovich	500-6892
Penelec	Guy Costa	430-8874
Mon Power	Sara Cetorelli	333-7320
Potomac Edison	Terri Kuhn	200-8711
West Penn	Marianne Sobota	350-5847
ED Finance	Eric Herrmann	825-5444
Fossil Generation Group	Katie Pinkus	850-6820
	Lori Sunbury	850-6842

	Nuclear (FENOC)	Katie Pinkus	850-6820
		Desiree Etchell	850-6842
	Information Technology, Security	Mike Clemens	825-5394
	Facilities	Mike Clemens	825-5394
	All Other Groups	Mike Czubinski	825-5646

Key Contacts

For Questions by Topic or Business Unit:

Questions or Issue Topic	Name	Phone Number
Inter-company Billings	Mike Kreighbaum	825-2556
General UIPlanner	Mike Kreighbaum Mark Dudley Marita Tatarko Abigail Nahs	825-2556 825-1683 825-4246 825-4180
FE Solutions	Steve Monter Mike Kormushoff	850-7269 850-7026
Fossil Generation Group	Katie Pinkus Lori Sunbury	850-6820 850-6842
Nuclear (FENOC)	Katie Pinkus Lori Sunbury	850-6820 850-6842
Records Management/Corporate/Real Estate	Marie Rote	825-3854
Energy Delivery Business The Illuminating Co Ohio Edison/Penn Power Toledo Edison Jersey Central Met Ed Penelec Mon Power Potomac Edison West Penn Utility Support Customer Service & EE (Energy Efficiency)	Gregory Werner Eric Weaver Ann Toth Sue Gabel Pete Dragoich Guy Costa Sara Cetorelli Clarence Haden Marianne Sobota Eugene DeChellis Rob Wemhoff	824-8783 835-4021 883-5016 200-8673 500-6892 430-8874 333-7320 300-5218 350-5847 825-7969 825-7981
Finance	Marie Rote	825-3854
General Counsel (Legal, Claims, Communications, Corp. Affairs, Government Affairs)	Marie Rote	825-3854
Human Resources	Marie Rote	825-3854
Information Technology	Mike Clemens	825-5394
Supply Chain	Mike Clemens	825-5394
Corporate Security, Flight Operations	Mike Clemens	825-5394

Corporate Shared Services – Professional & Contractor Services - Guidelines

GL	GL Short Name	GL Long Name	General Description	CSS Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for unique skill-sets that we don't do in-house.	Security Equipment Installation & Investigations, Software Application Consulting/Training, Lobbying Firms, Ethics Vendors, Expert Legal Witness, and Facility "White" Collar - Engineering, Electrical, etc.
550200	OutContractProLegal	Outside Services/Contractors - Professional Legal	Legal Fees/Legal Expenses	Law Firms Only
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities	Security Guards, Annual Shareholders Meeting, Facility "Blue Collar" Contractors - Janitorial, Landscaping, Snow removal, etc.
550310	OutContractTreeTrim	Outside Services/Contractors - Tree Trim	Major Storm Deferrals	Major Storm Deferrals
550320	OutContractTempAgnc	Time and Material Contractor	Temp hires not managed by a staff service provider.	Guidant, Jet Professionals
550500	ONSITECONSLT/STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Guidant, Garretcom Utility Networks
550503	Envrmt Wrk & Comp	Environmental Work and Compliance	Environmental	Warrenton River Terminal - Environmental

Fossil – Professional & Contractor Services Guidelines (pgs. 28-29)

GL	GL Short Name	GL Long Name	General Description	Fossil Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Labor outside of the plants possessing skills/knowledge that the plant does not have.	Examples include: NDE testing, Divers, Hydrochem (hydro blasting), Training Vendors (providing training on and off site), Guest Speakers, Inspection Services, Lab testing/services, Calibration, Non-repair/non-refurbishment of equipment, Welding Inspectors (x-ray team), Screening Systems International, David C Kissig Enterprises Inc., Turbine Services Incorporated, Structural Integrity Associates, Janx, Surveying, Schedulers, Ardmore, Gas line maintenance.
550105	OutsideSrvsContFees	Outside Srvs/Contractors - Profess Conting	Contingency Fees (Jefferson wells for example)	Contingency and incentive fees paid to vendors.
550200	OutContractProLegal	Outside Services/Contractors - Professional Legal	Legal Fees/Legal Expenses	FERC relicensing (primarily used by CT/Hydro plants)
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Contractors asked to provide engineering analysis/studies, project support, or technical development that cannot be completed with in-house engineering staff.	Examples include: Monitoring wells, Marland, RE Warner Consultants helping with outages, GE Energy, Kleinschmidt, Alstom, Siemens, Middough, Door maintenance (CT/Hydro).
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities related work	Examples include: Scrap Removal, Janitorial work, Lawn care, Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens maintenance, Building and structures maintenance, General Pest Control, Elevator repairs, Grounds and roads maintenance, Auto Repair, Laundry Services, Fence Repairs,

GL	GL Short Name	GL Long Name	General Description	Fossil Description/Examples
				US Coast Guard, Fire Inspections, Vegetation Management.
550305	OutContract-ProjMgmt	Outside Services/Contractors - Project Mgmt	Consultants providing project management services such as costing reports.	Examples include JR Johnson, Sargent and Lundy.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment /Overhaul of Plant Equipment	Off-site labor repairing/refurbishing/replacing plant production equipment.	Examples include: Repair/refurbish valves, motors, circuit boards, etc.; CMT for Motor repairs, Cleveland Valve & Gauge for valves, Columbus Equipment Company, City Machine Technologies Inc., Monarch Electric Service Company, 3-D Service LTD.
550500	ONSITECONSLT/STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Example: Guidant
550501	PRIMMNT CONTRCRAFT	Primary Maintenance Contractor - Craft	On-site craft labor	Examples include: Enerfab, outage work/support, GMAs for bringing in Boilermakers, Insulators, Electrical Contractors, Mechanical Contractors, Patent Construction Systems, Enerfab, Burnham Industrial Contractors, McCarl's Incorporated, ERB Electric Company, Crane Inspections.
550503	Envrmnt Wrk & Comp	Environmental Work and Compliance	Contractors working on Environmental projects or performing work in support of Environmental Compliance.	Examples include: any fees, Consulting services, Test monitors, Replace monitors/analyzers, Ash site maintenance, Cleaning spills, air/water waste, Performing lab work.

GL	GL Short Name	GL Long Name	General Description	Fossil Description/Examples
550513	OnSiteContractedLbr	On-Site Contractor Labor	Labor outside of the plants providing "turn-key solutions".	Examples include: Fluor, Stein (preventative maintenance).

Fossil - Project Construction – Professional & Contractor Services Guidelines

GL	GL Short Name	GL Long Name	General Description	Fossil - Project Construction Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Labor outside of FirstEnergy possessing specialized skills/knowledge that we do not have in-house.	Examples include: Print Services, Nurses, Investigation Services, Background Checks/Investigations, Training, Inspection Services.
550105	OutsideSrvsContFees	Outside Srvs/Contractors - Profess Conting	Incentive fees	Examples include: Incentive arrangements, Contractor Shared Savings (for example B&W), Contractor Bonuses and Incentives.
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Contractors asked to provide engineering analysis/studies, project support, or technical development that cannot be completed with in-house engineering staff.	Examples include: Conceptual Designs, Detailed Design Mods, Eng. Studies, Non-Mod, Calculations, Evaluations.
550300	OutContract-Other	Outside Services/Contractors - Other	Facilities related work	Facilities related work such as: Scrap Removal, Janitorial work, Lawn care, Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens maintenance, Building and structures maintenance, General Pest Control, Elevator repairs, Grounds and roads maintenance, Auto Repair, Laundry Services, Fence

				Repairs, US Coast Guard, Fire Inspections, Vegetation Management.
550305	OutContract-ProjMgmt	Outside Services/Contractors - Project Mgmt	Consultants providing project management services such as costing reports.	Examples include JR Johnson, Sargent and Lundy.
550501	PRIMMNT CONTRCRAFT	Primary Maintenance Contractor - Craft	On-site craft labor	Examples include: Enerfab, GMAs for bringing in Boilermakers, Insulators, Electrical Contractors, Mechanical Contractors.
550513	OnSiteContractedLbr	On-Site Contractor Labor	Fixed price, milestone payment, or other "turn key" type purchase agreement.	Examples include: OEM contracts (B&W), EPC contracts (Bechtel), Patent, ERB, contractors for excavating, painting, etc.

Nuclear – Professional & Contractor Services Guidelines (pgs. 31-32)

GL	GL Short Name	GL Long Name	General Description	FENOC Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for Unique skill sets that we don't do in-house	Divers, Vendor Reps, Training Vendors (providing training on and off site), Guest Speakers, Inspection Services, Vendor Source Inspections, Refueling Services, Chemistry Services, RP Services (excluding on-site support), Laundry Services, Management requested contractors/facilitators, Lab testing, Calibration of M&TE, Software customization (firm price), CNRB Members, Investigation Support, TLD Contracts, Supplier List Updates, ANI Support, Corrective Action Program Support, Print Services (Kinkos), Bulk Gas Delivery, Demurrage. Refer to cost element 550513 to ensure correct placement of vendor.

GL	GL Short Name	GL Long Name	General Description	FENOC Description/Examples
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Engineering Expenses	Engineering support occurring predominantly offsite, Conceptual Design, Detailed Design Mods/ECR, Eng. Studies, Non-Mod, Calculations, Evaluations. Refer to cost element 550513 to ensure correct placement of vendor.
550300	OutContract-Other	Outside Services/Contractors - Other	Other	Lawn care and Snow removal, Garbage and Sewage removal, HVAC/ Non-Plant Equipment, Sirens (Maintenance), Building, Structures, Beta Security, Security Range Maintenance, General Pest Control. Refer to cost element 550513 to ensure correct placement of vendor.
550325	OutContractRadwstDsp	Outside Services/Contractors - Radwaste	FENOC specific	Transportation, Burial, Compacting, Processing and Analysis/Characterization of radwaste. Refer to cost element 550513 to ensure correct placement of resource.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment /Overhaul of Plant Equipment	Self-explanatory - see FENOC Description	Repair/refurbish valves, motors, circuit boards, etc. Security Repairs (Target Systems, Scope, NVG units), Beta test equipment. Refer to cost element 550513 to ensure correct placement of vendor.

GL	GL Short Name	GL Long Name	General Description	FENOC Description/Examples
550500	ONSITECONSLT/ STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider - used to manage co-employment issues	Guidant
550501	PRIMMNT CONTRCRAFT	Primary Maintenance Contractor - Craft	Interfab/Day Zimmerman/etc	NPS contracted labor, site manager, administrative personnel.
550502	TIME&MATCONTR	Time and Material Contractor	Primary Security Contractor	Subcontracted outside security for Beaver Valley (Burns and Securitas).
550513	OnSiteContractedLbr	On-Site Contractor Labor	Goes back into capital allocation process for FENOC.	Contracted workers that are on site for a continuous period of 5 days or greater. Construction contractors other than NPS or Guidant that are brought on site to support a specific PRC, MERP, or outage project as identified by project managers. Contracted workers that are on site for a continuous period of time (e.g. 5 or greater continuous days i.e. Janitorial services). Part of fixed price, milestone payment, or other "turn key" type purchase agreement which represents the portion that is contract labor and performed on-site. Examples of included services are: Maxcom (telecommunication support), Assessment team support, Root Cause support, DZ Atlantic Group/Bartlett (RP Support), contractor Site Managers (with the exception of NPS). Excludes services with total annual cost <\$15k, any materials included in the contract, and services provided on an "as needed" basis.

Energy Delivery – Professional & Contractor Services Guidelines

GL	GL Short Name	GL Long Name	General Description	FEU Description/Examples
550100	OutContractProNonLeg	Outside Services/Contractors - Professional Non-Legal	Service Contracts for Unique skill sets that we don't do in-house	OSI inbound calling, Vendor services, Training
550210	OutContractEngineer	Outside Services/Contractors - Engineering	Engineering Expenses	Off-site engineering that is primarily in Transmission and Substation voltages.
550300	OutContract-Other	Outside Services/Contractors - Other	Other	Storms, Transmission aerial inspections, Facility improvements, Cable locating, Grass cutting, Snow removal, Janitorial, Heating, and Electrical repair
550310	OutContractTreeTrim	Outside Services/Contractors - Tree Trim	Tree trimming	Vegetation management
550320	OutContractTempAgnc	Outside Services/Contractors - Temporary	Temp hires not managed by a staff service provider.	Flaggers (Traffic control), Safety audits, Call-Center Temp Workers
550330	OutContractEngDrawing	Outside Services/Contractors - Engineering Drawings	Engineering Drawings	Lightly used. Outside drafting distribution work. Roll into 550210.
550335	OutContrRepairRefurb	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment	Outside Services/Contractors - Repair/Refurbishment/Overhaul of Plant Equipment
550500	ONSITECONSLT/STFFAUG	On-Site Consultants/Staff Augmentation	Managed Service Provider	Guidant
550503	Envrmt Wrk & Comp	Environmental Work and Compliance	Environmental	Claims follow-ups, Oil testing, and Clean-ups.
550506	CollAgencyCreditBur	Collection Agency - Credit Bureau	Collection Agencies	Revenue operations collections.

PENNSYLVANIA POWER COMPANY

Original Cost of Plant, Reserves and Accruals by Functions for Fully Projected Test Year Ending
12/31/2017

FILING REQUIREMENT V-A-1:

“Provide schedules supporting claimed amounts for Electric Plant in Service by function and by account if available.”

FILING REQUIREMENT V-A-2:

“Provide a comparison of calculated depreciation reserve versus book reserve at the end of the test year. Provide this comparison by functional group and by account if available.”

FILING REQUIREMENT V-B-1:

“Provide a comparison of calculated depreciation accruals versus book accruals by function and by account if available.”

FILING REQUIREMENT V-D-1:

“Provide the surviving original cost plant at the appropriated test year date or dates by account and functional property group and include claimed depreciation reserves. Provide annual depreciation accruals where appropriate. These calculations should be provided for plant in service as well as other categories of plant, including but not limited to, contributions in aid of construction, customers' advances for construction and anticipated retirements associated with construction work in progress claims, if applicable.”

RESPONSE:

V-A-1

See Penn Power Exhibit RAD-46 Attachments A and B.

V-A-2

See Penn Power Exhibit RAD-46 Attachments A and B.

V-B-1

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-7.

V-D-1

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement
No. 7, Exhibit JJS-10.

Pennsylvania Power Company
 Accrual Expense Computation after Adjustments
 Activity Updated from January 2017 to December 2017
 (\$000)

Line No.	Description	Adjusted Plant Balances		Book Depreciation Reserve (4)	Depreciation Reserve Ratio (5)	Net Uncovered Book Plant (6)	Accrual Average Remaining Life Basis		Target Reserve (9)	Book Reserve (10)	Difference (11)	Difference as a % of Target Reserve (12)
		Non Depreciable (1)	Depreciable (2)				Total (3)	Amount (7)				
1	Transmission	(0)	13,040	13,040	56.77%	5,637	154	1.18%	4,730	7,403	(2,672)	-56.50%
2	Distribution	578	647,622	648,201	26.25%	478,056	16,780	2.59%	144,261	170,145	(25,884)	-17.94%
3	General Plant	227	18,498	18,725	52.69%	8,858	2,176	11.76%	11,515	9,867	1,648	14.31%
4	Subtotal	805	679,160	679,965	27.56%	492,551	19,110	2.81%	160,506	187,414	(26,908)	-16.76%
5	Intangible Plant	91	18,883	18,975	65.60%	6,527	2,698	14.29%	14,871	12,447	2,424	16.30%
6	Total	897	698,043	698,940	28.59%	499,078	21,808	3.12%	175,377	199,862	(24,485)	-13.96%

Exhibit Reference

RAD-46 Attachment B P 1-2

RAD-53 Attachment A P 1-2

RAD-46 Attachment B P 4-5

RAD-46 Attachment B P 3

Pennsylvania Power Company
Original Cost - Plant and Depreciation Reserves
Activity Updated from 1/1/17 to 12/31/17
Plant-In-Service

Acct No	Description	Balance 1/1/17 (1)	Actual Activity			Balance 12/31/17 (5)	Adjustments (6)	Adjusted Balance 12/31/17 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
NONDEPRECIABLE PLANT								
<u>Intangible Plant</u>								
301	Organization	\$ 22,834	\$ -	\$ -	\$ -	\$ 22,834	\$ -	\$ 22,834
302	Franchise And Consents	68,666	-	-	-	68,666	-	68,666
	Total Intangible Plant	\$ 91,500	\$ -	\$ -	\$ -	\$ 91,500	\$ -	\$ 91,500
<u>Land</u>								
350.11	Transmission Substations	\$ 917,485	\$ -	\$ -	\$ -	\$ 917,485	\$ (917,485)	\$ (0)
350.21	Transmission Lines	1,172,320	-	-	-	1,172,320	(1,172,320)	(0)
360.11	Distribution Substations.	573,086	-	-	-	573,086	-	573,086
360.21	Distribution Lines	5,371	-	-	-	5,371	-	5,371
389.1	General	226,639	-	-	-	226,639	-	226,639
	Total Land	\$ 2,894,900	\$ -	\$ -	\$ -	\$ 2,894,900	\$ (2,089,805)	\$ 805,095
	TOTAL NON-DEPRECIABLE PLANT	\$ 2,986,400	\$ -	\$ -	\$ -	\$ 2,986,400	\$ (2,089,805)	\$ 896,595
<u>INTANGIBLE PLANT</u>								
303	Misc. Intangible Plant	\$ 12,119,673	\$ 679,997	\$ -	\$ -	\$ 12,799,670	\$ -	\$ 12,799,670
303	Smart Meter Software	4,089,337	1,994,182	-	-	6,083,519	-	6,083,519
	TOTAL INTANGIBLE PLANT	\$ 16,209,010	\$ 2,674,179	\$ -	\$ -	\$ 18,883,189	\$ -	\$ 18,883,189
<u>NUCLEAR PRODUCTION</u>								
326	Nuclear Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Asset Retirement Costs Nuclear	-	-	-	-	-	-	-
	TOTAL NUCLEAR PRODUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>TRANSMISSION PLANT</u>								
<u>TRANSMISSION PLANT</u>								
350.12	Easements - Trans. Subs.	\$ 931,483	\$ -	\$ -	\$ -	\$ 931,483	\$ (931,483)	\$ -
350.22	Easements - Trans. Lines	7,498,624	-	-	-	7,498,624	(7,498,624)	-
352.1	Structures, Improvements	764,598	-	-	-	764,598	-	764,598
352.2	Clearing, Grading Of Land	195,216	-	-	-	195,216	-	195,216
353	Station Equipment	6,417,734	-	-	-	6,417,734	-	6,417,734
354	Towers And Fixtures	7,576	-	-	-	7,576	-	7,576
355	Poles And Fixtures	2,825,553	-	-	-	2,825,553	-	2,825,553
356.1	Overhd Conductr, Devices	2,591,159	-	-	-	2,591,159	-	2,591,159
356.2	Clearing, Grading of Land	130,852	-	-	-	130,852	-	130,852
357	Underground Conduit	64,654	-	-	-	64,654	-	64,654
358	Undergrnd Conductr,Devices	36,071	-	-	-	36,071	-	36,071
359	Roads And Trails	6,324	-	-	-	6,324	-	6,324
	TOTAL TRANSMISSION PLANT	\$ 21,469,844	\$ -	\$ -	\$ -	\$ 21,469,844	\$ (8,430,107)	\$ 13,039,737

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/17 to 12/31/17
 Plant-In-Service

Acct No	Description	Balance 1/1/17 (1)	Actual Activity			Balance 12/31/17 (5)	Adjustments (6)	Adjusted Balance 12/31/17 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
DISTRIBUTION PLANT								
360.12	Easements - Subs.	\$ 10,977	\$ -	\$ -	\$ -	\$ 10,977	\$ -	\$ 10,977
360.22	Easements - Trans.	5,791,894	-	-	-	5,791,894	-	5,791,894
361.1	Structures, Improvements	1,297,037	51,183	(5,118)	-	1,343,103	(15,260)	1,327,843
361.2	Clearing, Grading Of Land	448,649	-	-	-	448,649	-	448,649
362	Station Equipment	52,509,890	5,015,981	(501,598)	-	57,024,272	(703,738)	56,320,534
364	Poles, Towers And Fixtures	110,824,666	10,499,316	(1,049,932)	-	120,274,050	(31,122)	120,242,928
365	Overhd Conductor, Devices	116,208,290	14,394,613	(1,439,461)	-	129,163,442	(22,070)	129,141,372
365.1	Clearing, Grading of Land	48,591,447	-	-	-	48,591,447	-	48,591,447
366	Underground Conduit	7,645,677	59,565	(5,957)	-	7,699,286	-	7,699,286
367	Undergrmd Conductor,Devices	66,219,919	5,307,558	(530,756)	-	70,996,721	-	70,996,721
368	Line Transformers	107,870,423	5,408,623	(540,862)	-	112,738,183	(2,858)	112,735,325
369	Services OH	38,808,793	723,388	(72,339)	-	39,459,842	-	39,459,842
369	Unground Services	-	-	-	-	-	-	-
370	Meters	-	-	-	-	-	-	-
370	Smart Grid - 10yr Life	145,735	-	-	-	145,735	-	145,735
370	Smart Meters non classified 15 yr	12,719,801	2,528,538	-	-	15,248,339	-	15,248,339
370	Smart Meter Commercial - 15yr Life	2,971,079	-	-	-	2,971,079	-	2,971,079
370	Smart Meter Industrial - 15yr Life	80	-	-	-	80	-	80
370	Smart Meter Infrastructure-15yr L	2,414,213	-	-	-	2,414,213	-	2,414,213
370	Smart Meter Residential - 15yr Life	17,924,425	-	-	-	17,924,425	-	17,924,425
371	Inst. On Cust. Prem.	3,792,738	-	-	-	3,792,738	-	3,792,738
373.1	Street Light - Oh, Ug Lines	7,715,683	72,687	(7,269)	-	7,781,101	4,577,895	12,358,996
374	ARC Distribution	4,408	-	-	-	4,408	(4,408)	(0)
TOTAL DISTRIBUTION PLANT		\$ 603,915,822	\$44,061,452	\$ (4,153,291)	\$ -	\$ 643,823,983	\$ 3,798,439	\$ 647,622,422
GENERAL PLANT								
389.2	Easements	\$ 311	\$ -	\$ -	\$ -	\$ 311	\$ -	\$ 311
390.1	Structures, Improvements	5,745,175	335	(34)	-	5,745,477	-	5,745,477
390.2	Clearing, Grading of Land	41,299	-	-	-	41,299	-	41,299
390.3	Struct Imprv, Leasehold Imp	407,069	-	-	-	407,069	-	407,069
391.1	Office Furn., Mech. Equip.	739,893	-	-	-	739,893	-	739,893
391.2	Data Processing Equipment	1,878,444	-	-	-	1,878,444	-	1,878,444
391.2	Project Evolution	13,028	-	-	-	13,028	-	13,028
391.2	Smart Grid - 5 Year Life	3,167,936	204,071	-	-	3,372,007	-	3,372,007
392	Transportation Equipment	594,878	-	-	-	594,878	-	594,878
393	Stores Equipment	171,743	-	-	-	171,743	-	171,743
394	Tools, Shop, Garage Equip.	2,433,042	-	-	-	2,433,042	-	2,433,042
395	Laboratory Equipment	72,968	-	-	-	72,968	-	72,968
396	Power Operated Equipment	461,035	-	-	-	461,035	-	461,035
397	Communication Equipment	2,379,512	137,179	(13,718)	-	2,502,973	-	2,502,973
398	Misc. Equipment	63,790	-	-	-	63,790	-	63,790
399.1	ARC General Plant	32,875	-	-	-	32,875	(32,875)	0
TOTAL GENERAL PLANT		\$ 18,202,997	\$ 341,586	\$ (13,751)	\$ -	\$ 18,530,832	\$ (32,875)	\$ 18,497,957
TOTAL		\$ 662,784,073	\$47,077,217	\$ (4,167,043)	\$ -	\$ 705,694,248	\$ (6,754,348)	\$ 698,939,899

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/17 to 12/31/17
 Book Reserves

Acct No	Description	Balance 1/1/17 (1)	Actual Activity			Balance 7/12/31/16 (5)	Adjustments (6)	Adjusted Balance 7/12/31/16 (7)
			Additions (2)	Retirements (3)	Transfers/Adjustments (4)			
INTANGIBLE PLANT								
302	Franchise & Consents	\$ 772	\$ -	\$ -	\$ -	\$ 772	\$ -	\$ 772
303	Smart Meter Software	882,143	1,370,040	-	-	2,252,183	-	2,252,183
303	Software	9,625,427	568,965	-	-	10,194,392	-	10,194,392
TOTAL INTANGIBLES		\$ 10,508,343	\$ 1,939,005	\$ -	\$ -	\$ 12,447,348	\$ -	\$ 12,447,348
TRANSMISSION PLANT								
350	Land & land rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
352	Structures/improve	630,967	6,814	-	-	637,781	-	637,781
353	ER Oh	4,556,147	80,308	-	-	4,636,455	-	4,636,455
353	Station equipment	150,085	-	-	-	150,085	-	150,085
354	Towers & fixtures	7,524	-	-	-	7,524	-	7,524
355	Poles & fixtures	894,333	20,485	-	-	914,818	-	914,818
356	Overhead cond	935,444	28,484	-	-	963,928	-	963,928
3562	Veg Clrng-FERC exp	540	120	-	-	660	-	660
357	Underground conduit	54,697	1,028	-	-	55,725	-	55,725
358	Undergrd conductor	29,719	624	-	-	30,343	-	30,343
359	Roads and trails	5,112	72	-	-	5,184	-	5,184
		\$ 7,264,568	\$ 137,935	\$ -	\$ -	\$ 7,402,503	\$ -	\$ 7,402,503
TOTAL TRANSMISSION		\$ 7,264,568	\$ 137,935	\$ -	\$ -	\$ 7,402,503	\$ -	\$ 7,402,503
DISTRIBUTION PLANT								
360	Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
361	Structures/improve	750,851	17,517	(5,118)	-	763,250	(15,260)	747,990
362	Station equipment	13,818,394	899,886	(501,598)	-	14,216,682	(609,247)	13,607,435
364	Poles towers	33,948,648	1,901,511	(1,049,932)	-	34,800,227	(22,546)	34,777,681
365	Overhead conductor	23,571,040	1,887,739	(1,439,461)	-	24,019,318	(16,965)	24,002,353
36510	Clearing Grading	5,497,266	759,477	-	-	6,256,743	-	6,256,743
366	Underground conduit	2,374,449	118,819	(5,957)	-	2,487,311	-	2,487,311
367	Undergrd conductor	20,991,481	1,211,944	(530,756)	-	21,672,669	-	21,672,669
368	Line transformers	32,519,650	2,191,938	(540,862)	-	34,170,726	(2,858)	34,167,868
369	Services	19,526,697	469,089	(72,339)	-	19,923,447	-	19,923,447
370	Meters	0	-	-	-	0	-	0
370	Smart Grid - 10yr Life	37,802	14,566	-	-	52,368	-	52,367.61
370	Smart Meters non classifi	899,353	963,390	-	-	1,862,743	-	1,862,743
370	Smart Meter Commercial	306,765	177,183	-	-	483,948	-	483,948
370	Smart Meter Industrial - 11	9	6	-	-	15	-	15
370	Smart Meter Infrastructure	139,605	139,605	-	-	279,210	-	279,210
370	Smart Meter Residential -	1,826,035	1,061,662	-	-	2,887,697	-	2,887,697
371	Inst on cust prem	2,512,429	69,288	-	-	2,581,717	-	2,581,717
373	Street lighting	4,192,520	148,248	(7,269)	-	4,333,499	-	4,333,499
374	DIST SUB ARC	2,437	85	-	-	2,522	(2,522)	(0)
		\$ 162,915,430	\$ 12,031,953	\$ (4,153,292)	\$ -	\$ 170,794,091	\$ (669,398)	\$ 170,124,693
RWIP *		20,214	-	-	-	20,214	-	20,214
TOTAL DISTRIBUTION		\$ 162,935,644	\$ 12,031,953	\$ (4,153,292)	\$ -	\$ 170,814,305	\$ (669,398)	\$ 170,144,907
GENERAL PLANT								
390	Structures/improve	\$ 2,899,239	\$ 72,640	\$ (34)	\$ -	\$ 2,971,845	\$ -	\$ 2,971,845
39110	Office furn & equi	642,844	56,972	-	-	699,816	-	699,816
39120	Data process equip	2,067,229	-	-	-	2,067,229	-	2,067,229
39125	Data Proc Smart Me	938,115	598,715	-	-	1,536,830	-	1,536,830
392	Transportation equip	156,577	12,529	-	-	169,106	-	169,106
393	Stores equipment	119,323	11,266	-	-	130,589	-	130,589
394	Tool shop garage	1,043,441	257,948	-	-	1,301,389	-	1,301,389
395	Laboratory equip	59,533	6,019	-	-	65,552	-	65,552
396	Power operated equip	212,104	23,645	-	-	235,749	-	235,749
397	Communication equip	347,961	277,005	(13,718)	-	611,248	-	611,248
398	Miscellaneous equip	66,022	11,508	-	-	77,530	-	77,530
399	GEN BLDG ARC	22,291	812	-	-	23,103	(23,103)	(0)
TOTAL GENERAL		\$ 8,574,680	\$ 1,329,059	\$ (13,752)	\$ -	\$ 9,889,987	\$ (23,103)	\$ 9,866,884
Total		\$ 189,283,235	\$ 15,437,952	\$ (4,167,044)	\$ -	\$ 200,554,143	\$ (692,501)	\$ 199,861,642

* Retirement work in progress has not classified on a FERC account number basis

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/17 to 12/31/17
 Target Reserve

Acct No	Description	Balance 1/1/17 (1)	Actual Activity			Balance 12/31/17 (5)	Adjustments (6)	Adjusted Balance 12/31/17 (7)
			Accruals (2)	Retirements (3)	Transfers/ Adjustments (4)			
INTANGIBLE PLANT								
302	Franchise & Consents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
303	Misc. Intangible Plant	11,617,139	1,780,487	-	-	13,397,626	-	13,397,626
303	Smart Meter Software	746,725	726,851	-	-	1,473,576	-	1,473,576
	TOTAL INTANGIBLE PLANT	12,363,864	2,507,338	\$ -	\$ -	14,871,202	\$ -	14,871,202
NUCLEAR PRODUCTION								
	Nuclear Production							
326	Asset Retirement Costs Nuclear	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL NUCLEAR PRODUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRANSMISSION PLANT								
	TRANSMISSION PLANT							
350.12	Easements - Trans. Subs.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
350.22	Easements - Trans. Lines	-	-	-	-	-	-	-
352.1	Structures, Improvements	422,889	6,117	-	-	429,006	-	429,006
352.2	Clearing, Grading Of Land	80,927	2,635	-	-	83,562	-	83,562
353	Station Equipment	2,655,596	51,342	-	-	2,706,938	-	2,706,938
354	Towers And Fixtures	6,344	4	-	-	6,348	-	6,348
355	Poles And Fixtures	647,976	50,012	-	-	697,988	-	697,988
356.1	Overhd Conductr, Devices	672,740	40,681	-	-	713,421	-	713,421
356.2	Clearing, Grading of Land	8,246	2,054	-	-	10,300	-	10,300
357	Underground Conduit	49,963	950	-	-	50,913	-	50,913
358	Undergrmd Conductr,Devices	26,702	566	-	-	27,268	-	27,268
359	Roads And Trails	4,353	74	-	-	4,427	-	4,427
	TOTAL TRANSMISSION PLANT	\$ 4,575,738	\$ 154,435	\$ -	\$ -	\$ 4,730,173	\$ -	\$ 4,730,173
DISTRIBUTION PLANT								
	DISTRIBUTION PLANT							
360.12	Easements - Dist. Subs.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
360.22	Easements - Dist. Lines	-	-	-	-	-	-	-
361.1	Structures, Improvements	383,272	17,293	(5,118)	-	395,446	(15,260)	380,186
361.2	Clearing, Grading of Land	133,475	6,146	-	-	139,621	-	139,621
362	Station Equipment	10,472,064	1,511,571	(501,598)	-	11,482,037	(609,247)	10,872,790
364	Poles, Towers And Fixtures	29,531,229	2,588,306	(1,049,932)	-	31,069,603	(22,546)	31,047,057
365	Overhd Conductr, Devices	19,521,747	2,944,461	(1,439,461)	-	21,026,747	(16,965)	21,009,782
365.1	Clearing, Grading of Land	4,355,321	1,132,181	-	-	5,487,502	-	5,487,502
366	Underground Conduit	2,131,337	141,941	(5,957)	-	2,267,321	-	2,267,321
367	Undergrmd Conductr,Devices	17,095,860	1,529,966	(530,756)	-	18,095,070	-	18,095,070
368	Line Transformers	27,461,837	2,934,094	(540,862)	-	29,855,068	(2,858)	29,852,210
369	Services	13,059,283	528,313	(72,339)	-	13,515,257	-	13,515,257
369	Underground Conduit	-	-	-	-	-	-	-
370	Meters	-	-	-	-	-	-	-
370	Smart Grid - 10yr Life	281,982	14,573	-	-	296,555	-	296,555
370	Smart Meters non classified 15 yr	704,749	932,737	-	-	1,637,486	(3,332)	1,634,154
370	Smart Meter Commercial - 15yr Life	320,548	198,171	-	-	518,719	-	518,719
370	Smart Meter Industrial - 15yr Life	8	5	-	-	13	-	13
370	Smart Meter Infrastructure-15yr L	148,996	161,028	-	-	310,024	-	310,024
370	Smart Meter Residential - 15yr Life	1,959,367	1,195,559	-	-	3,154,926	-	3,154,926
371	Inst. On Cust. Prem.	1,869,926	77,372	-	-	1,947,298	-	1,947,298
373.1	Street Light - Oh, Ug Lines	3,516,542	223,154	(7,269)	-	3,732,427	-	3,732,427
374	ARC Distribution	171	85	-	-	256	(256)	(1)
	TOTAL DISTRIBUTION PLANT	\$ 132,947,710	\$ 16,136,956	\$ (4,153,291)	\$ -	\$ 144,931,375	\$ (670,464)	\$ 144,260,911

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/17 to 12/31/17
 Target Reserve

Acct No	Description	Balance 1/1/17 (1)	Actual Activity			Balance 12/31/05 (5)	Adjustments (6)	Adjusted Balance 12/31/17 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
GENERAL PLANT								
389.2	Easements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
390.1	Structures, Improvements	2,423,401	102,841	(34)	-	2,526,208	-	2,526,208
390.2	Clearing, Grading of Land	6,876	917	-	-	7,793	-	7,793
390.3	Struct Imprv, Leasehold Imp	-	-	-	-	-	-	-
391.1	Office Furn., Mech. Equip.	892,457	178,314	-	-	1,070,771	-	1,070,771
391.2	Data Processing Equipment	1,824,799	669,290	-	-	2,494,089	-	2,494,089
391.2	Project Evolution	(2,567)	4,642	-	-	2,075	-	2,075
391.25	Data Proc Smart Meters	971,365	653,994	-	-	1,625,359	-	1,625,359
392	Transportation Equipment	266,372	59,726	-	-	326,098	-	326,098
393	Stores Equipment	171,220	19,063	-	-	190,283	-	190,283
394	Tools, Shop, Garage Equip.	1,690,659	206,809	-	-	1,897,468	-	1,897,468
395	Laboratory Equipment	65,092	5,057	-	-	70,149	-	70,149
396	Power Operated Equipment	197,176	25,634	-	-	222,810	-	222,810
397	Communication Equipment	804,697	219,956	(13,718)	-	1,010,935	-	1,010,935
398	Misc. Equipment	66,658	4,095	-	-	70,753	-	70,753
399.1	ARC General Plant	1,623	812	-	-	2,435	(2,435)	0
TOTAL GENERAL PLANT		\$ 9,379,828	\$ 2,151,150	\$ (13,751)	\$ -	\$ 11,517,227	\$ (2,435)	\$ 11,514,792
TOTAL		\$ 159,267,140	\$ 20,949,879	\$ (4,167,043)	\$ -	\$ 176,049,977	\$ (672,899)	\$ 175,377,078

PENNSYLVANIA POWER COMPANY

Original Cost of Plant, Reserves and Accruals by Functions for Future Test Year Ending 12/31/2016

FILING REQUIREMENT V-A-1:

“Provide schedules supporting claimed amounts for Electric Plant in Service by function and by account if available.”

FILING REQUIREMENT V-A-2:

“Provide a comparison of calculated depreciation reserve versus book reserve at the end of the test year. Provide this comparison by functional group and by account if available.”

FILING REQUIREMENT V-B-1:

“Provide a comparison of calculated depreciation accruals versus book accruals by function and by account if available.”

FILING REQUIREMENT V-D-1:

“Provide the surviving original cost plant at the appropriated test year date or dates by account and functional property group and include claimed depreciation reserves. Provide annual depreciation accruals where appropriate. These calculations should be provided for plant in service as well as other categories of plant, including but not limited to, contributions in aid of construction, customers' advances for construction and anticipated retirements associated with construction work in progress claims, if applicable.”

RESPONSE:

V-A-1

See Penn Power Exhibit RAD-47 Attachments A and B.

V-A-2

See Penn Power Exhibit RAD-47 Attachments A and B.

V-B-1

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-7.

V-D-1

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-10.

Pennsylvania Power Company
 Accrual Expense Computation after Adjustments
 Activity Updated from January 2016 to December 2016
 (\$000)

Line No.	Description	Adjusted Plant Balances		Book Depreciation Reserve (4)	Depreciation Reserve Ratio (5)	Net Uncovered Book Plant (6)	Accrual Average Remaining Life Basis		Target Reserve (9)	Book Reserve (10)	Difference (11)	Difference as a % of Target Reserve (12)
		Non Depreciable (1)	Depreciable (2)				Amount (7)	Effective Rate (8)				
1	Transmission	\$ (0)	\$ 13,040	\$ 7,265	55.71%	\$ 5,775	159	1.22%	\$ 4,576	\$ 7,265	\$ (2,689)	-58.76%
2	Distribution	578	607,714	162,282	26.68%	446,010	15,636	2.57%	132,948	162,282	(29,335)	-22.06%
3	General Plant	227	18,170	8,575	46.61%	9,822	1,611	8.87%	9,380	8,575	805	8.58%
4	Subtotal	\$ 805.10	\$ 638,924.12	\$ 178,121.68	27.84%	\$ 461,608	\$ 17,406	2.72%	\$ 146,903	\$ 178,122	\$ (31,218)	-21.25%
5	Intangible Plant	\$ 91.50	\$ 16,209.01	\$ 10,508.34	64.47%	\$ 5,792	\$ 2,316	14.29%	\$ 12,364	\$ 10,508	\$ 1,856	15.01%
6	Total	\$ 896.59	\$ 655,133.13	\$ 188,630.02	28.75%	\$ 467,400	\$ 19,722	3.01%	\$ 159,267	\$ 188,630	\$ (29,363)	-18.44%

Exhibit Reference

RAD-46 Attachment B P 1-2

RAD-46 Attachment B P 1-2

RAD-46 Attachment B P 3

RAD-53 Attachment A P 3-4

RAD-46 Attachment B P 4-5

RAD-46 Attachment B P 3

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/16 to 12/31/16
 Plant-In-Service

Acct No	Description	Balance 1/1/16 (1)	Actual Activity			Balance 12/31/16 (5)	Adjustments (6)	Adjusted Balance 12/31/16 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
NONDEPRECIABLE PLANT								
<u>Intangible Plant</u>								
301	Organization	\$ 22,834	\$ -	\$ -	\$ -	\$ 22,834	\$ -	\$ 22,834
302	Franchise And Consents	68,666	-	-	-	68,666	-	68,666
	Total Intangible Plant	\$ 91,500	\$ -	\$ -	\$ -	\$ 91,500	\$ -	\$ 91,500
<u>Land</u>								
350.11	Transmission Substations	\$ 917,485	\$ -	\$ -	\$ -	\$ 917,485	\$ (917,485)	\$ (0)
350.21	Transmission Lines	1,172,320	-	-	-	1,172,320	(1,172,320)	(0)
360.11	Distribution Substations.	573,086	-	-	-	573,086	-	573,086
360.21	Distribution Lines	5,371	-	-	-	5,371	-	5,371
389.1	General	226,639	-	-	-	226,639	-	226,639
	Total Land	\$ 2,894,900	\$ -	\$ -	\$ -	\$ 2,894,900	\$ (2,089,805)	\$ 805,095
	TOTAL NON-DEPRECIABLE PLANT	\$ 2,986,400	\$ -	\$ -	\$ -	\$ 2,986,400	\$ (2,089,805)	\$ 896,595
<u>INTANGIBLE PLANT</u>								
303	Misc. Intangible Plant	\$ 11,721,276	\$ 398,398	\$ -	\$ -	\$ 12,119,673	\$ -	\$ 12,119,673
303	Smart Meter Software	2,831,841	1,257,496	-	-	4,089,337	-	4,089,337
	TOTAL INTANGIBLE PLANT	\$ 14,553,117	\$ 1,655,893	\$ -	\$ -	\$ 16,209,010	\$ -	\$ 16,209,010
<u>NUCLEAR PRODUCTION</u>								
326	Nuclear Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL NUCLEAR PRODUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>TRANSMISSION PLANT</u>								
350.12	Easements - Trans. Subs.	\$ 931,483	\$ -	\$ -	\$ -	\$ 931,483	\$ (931,483)	\$ 0
350.22	Easements - Trans. Lines	7,498,624	-	-	-	7,498,624	(7,498,624)	0
352.1	Structures, Improvements	764,598	-	-	-	764,598	-	764,598
352.2	Clearing, Grading Of Land	195,216	-	-	-	195,216	-	195,216
353	Station Equipment	6,417,734	-	-	-	6,417,734	-	6,417,734
354	Towers And Fixtures	7,576	-	-	-	7,576	-	7,576
355	Poles And Fixtures	2,683,169	158,204	(15,820)	-	2,825,553	-	2,825,553
356.1	Overhd Conductr, Devices	2,591,159	-	-	-	2,591,159	-	2,591,159
356.2	Clearing, Grading of Land	130,852	-	-	-	130,852	-	130,852
357	Underground Conduit	64,654	-	-	-	64,654	-	64,654
358	Undergrmd Conductr,Devices	36,071	-	-	-	36,071	-	36,071
359	Roads And Trails	6,324	-	-	-	6,324	-	6,324
	TOTAL TRANSMISSION PLANT	\$ 21,327,461	\$ 158,204	\$ (15,820)	\$ -	\$ 21,469,844	\$ (8,430,107)	\$ 13,039,737

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/16 to 12/31/16
 Plant-In-Service

Acct No	Description	Balance 1/1/16 (1)	Actual Activity			Balance 12/31/16 (5)	Adjustments (6)	Adjusted Balance 12/31/16 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
DISTRIBUTION PLANT								
360.12	Easements - Subs.	\$ 10,977	\$ -	\$ -	\$ -	\$ 10,977	\$ -	\$ 10,977
360.22	Easements - Trans.	5,791,894	-	-	-	5,791,894	-	5,791,894
361.1	Structures, Improvements	1,278,980	20,064	(2,006)	-	1,297,037	(15,260)	1,281,777
361.2	Clearing, Grading Of Land	448,649	-	-	-	448,649	-	448,649
362	Station Equipment	50,740,001	1,966,543	(196,654)	-	52,509,890	(703,738)	51,806,152
364	Poles, Towers And Fixtures	102,990,881	8,704,205	(870,420)	-	110,824,666	(31,122)	110,793,544
365	Overhd Conductr, Devices	105,166,441	12,268,721	(1,226,872)	-	116,208,290	(22,070)	116,186,220
365.1	Clearing, Grading of Land	48,591,447	-	-	-	48,591,447	-	48,591,447
366	Underground Conduit	7,586,389	65,875	(6,588)	-	7,645,677	-	7,645,677
367	Undergrnd Conductr,Devices	61,907,364	4,791,727	(479,173)	-	66,219,919	-	66,219,919
368	Line Transformers	102,964,358	5,451,183	(545,118)	-	107,870,423	(2,858)	107,867,565
369	Services OH	38,032,759	862,261	(86,226)	-	38,808,793	-	38,808,793
369	Unground Services	-	-	-	-	-	-	-
370	Meters	-	-	-	-	-	-	-
370	Smart Grid - 10yr Life	145,735	-	-	-	145,735	-	145,735
370	Smart Grid - 15yr Life	4,041,294	8,678,507	-	-	12,719,801	-	12,719,801
370	Smart Meter Commercial - 15yr Life	2,971,079	-	-	-	2,971,079	-	2,971,079
370	Smart Meter Industrial - 15yr Life	80	-	-	-	80	-	80
370	Smart Meter Infrastructure-15yr L	2,414,213	-	-	-	2,414,213	-	2,414,213
370	Smart Meter Residential - 15yr Life	17,924,425	-	-	-	17,924,425	-	17,924,425
371	Inst. On Cust. Prem.	3,792,738	-	-	-	3,792,738	-	3,792,738
373.1	Street Light - Oh, Ug Lines	7,641,561	82,358	(8,236)	-	7,715,683	4,577,895	12,293,578
374	ARC Distribution	4,408	-	-	-	4,408	(4,408)	(0)
TOTAL DISTRIBUTION PLANT		\$ 564,445,672	\$ 42,891,444	\$ (3,421,294)	\$ -	\$ 603,915,822	\$ 3,798,439	\$ 607,714,261
GENERAL PLANT								
389.2	Easements	\$ 311	\$ -	\$ -	\$ -	\$ 311	\$ -	\$ 311
390.1	Structures, Improvements	5,202,574	602,890	(60,289)	-	5,745,175	-	5,745,175
390.2	Clearing, Grading of Land	41,299	-	-	-	41,299	-	41,299
390.3	Struct Imprv, Leasehold Imp	407,069	-	-	-	407,069	-	407,069
391.1	Office Furn., Mech. Equip.	739,893	-	-	-	739,893	-	739,893
391.2	Data Processing Equipment	1,878,444	-	-	-	1,878,444	-	1,878,444
391.2	Project Evolution	13,028	-	-	-	13,028	-	13,028
391.2	Smart Grid - 5 Year Life	2,482,617	685,319	-	-	3,167,936	-	3,167,936
392	Transportation Equipment	594,878	-	-	-	594,878	-	594,878
393	Stores Equipment	171,743	-	-	-	171,743	-	171,743
394	Tools, Shop, Garage Equip.	2,433,042	-	-	-	2,433,042	-	2,433,042
395	Laboratory Equipment	72,968	-	-	-	72,968	-	72,968
396	Power Operated Equipment	461,035	-	-	-	461,035	-	461,035
397	Communication Equipment	2,125,868	281,827	(28,183)	-	2,379,512	-	2,379,512
398	Misc. Equipment	63,790	-	-	-	63,790	-	63,790
399.1	ARC General Plant	32,875	-	-	-	32,875	(32,875)	0
TOTAL GENERAL PLANT		\$ 16,721,433	\$ 1,570,036	\$ (88,472)	\$ -	\$ 18,202,997	\$ (32,875)	\$ 18,170,122
TOTAL		\$ 620,034,082	\$ 46,275,577	\$ (3,525,586)	\$ -	\$ 662,784,073	\$ (6,754,348)	\$ 656,029,725

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/16 to 12/31/16
 Book Reserves

Acct No	Description	Balance 1/1/16 (1)	Actual Activity			Balance 12/31/16 (5)	Adjustments (6)	Adjusted Balance 12/31/16 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
INTANGIBLE PLANT								
302	Franchise & Consents	\$ 772	\$ -	\$ -	\$ -	\$ 772	\$ -	\$ 772
303	Smart Meter Software	181,335	700,808	-	-	882,143	-	882,143
303	Software	9,014,763	610,664	-	-	9,625,427	-	9,625,427
	TOTAL INTANGIBLES	\$ 9,196,871	\$ 1,311,472	\$ -	\$ -	\$ 10,508,343	\$ -	\$ 10,508,343
TRANSMISSION PLANT								
350	Land & land rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
352	Structures/improve	624,153	6,814	-	-	630,967	-	630,967
353	ER Oh	4,475,839	80,308	-	-	4,556,147	-	4,556,147
353	Station equipment	150,085	-	-	-	150,085	-	150,085
354	Towers & fixtures	7,524	-	-	-	7,524	-	7,524
355	Poles & fixtures	890,609	19,544	(15,820)	-	894,333	-	894,333
356	Overhead cond	906,960	28,484	-	-	935,444	-	935,444
3562	Veg Clrng-FERC exp	420	120	-	-	540	-	540
357	Underground conduit	53,669	1,028	-	-	54,697	-	54,697
358	Undergrd conductor	29,095	624	-	-	29,719	-	29,719
359	Roads and trails	5,040	72	-	-	5,112	-	5,112
	TOTAL TRANSMISSION	\$ 7,143,394	\$ 136,994	\$ (15,820)	\$ -	\$ 7,264,568	\$ -	\$ 7,264,568
	RWIP	0	-	-	-	0	-	0
	TOTAL TRANSMISSION	\$ 7,143,394	\$ 136,994	\$ (15,820)	\$ -	\$ 7,264,568	\$ -	\$ 7,264,568
DISTRIBUTION PLANT								
360	Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
361	Structures/improve	735,556	17,301	(2,006)	-	750,851	-	750,851
362	Station equipment	13,149,461	865,587	(196,654)	-	13,818,394	(593,677)	13,224,717
364	Poles towers	33,057,699	1,761,369	(870,420)	-	33,948,648	(21,970)	33,926,678
365	Overhead conductor	23,093,526	1,704,386	(1,226,872)	-	23,571,040	(16,589)	23,554,451
36510	Clearing Grading	4,737,789	759,477	-	-	5,497,266	(15,260)	5,482,006
366	Underground conduit	2,263,193	117,844	(6,588)	-	2,374,449	-	2,374,449
367	Undergrd conductor	20,338,558	1,132,096	(479,173)	-	20,991,481	-	20,991,481
368	Line transformers	30,969,644	2,095,124	(545,118)	-	32,519,650	(3,280)	32,516,370
369	Services	19,152,873	460,050	(86,226)	-	19,526,697	-	19,526,697
370	Meters	0	-	-	-	0	-	0
370	Smart Grid - 10yr Life	23,236	14,566	-	-	37,802	-	37,802
370	Smart Meters non classified - 15yr Life	210,792	688,561	-	-	899,353	-	899,353
370	Smart Meter Commercial - 15yr Life	129,582	177,183	-	-	306,765	-	306,765
370	Smart Meter Industrial - 15yr Life	3	6	-	-	9	-	9
370	Smart Meter Infrastructure-15yr L	(0)	139,605	-	-	139,605	-	139,605
370	Smart Meter Residential - 15yr Life	764,373	1,061,662	-	-	1,826,035	-	1,826,035
371	Inst on cust prem	2,443,141	69,288	-	-	2,512,429	-	2,512,429
373	Street lighting	4,053,947	146,809	(8,236)	-	4,192,520	-	4,192,520
374	DIST SUB ARC	2,352	85	-	-	2,437	(2,437)	(0)
	TOTAL DISTRIBUTION	\$ 155,125,724	\$ 11,210,999	\$ (3,421,293)	\$ -	\$ 162,915,430	\$ (653,213)	\$ 162,262,217
	RWIP	20,214	-	-	-	20,214	-	20,214
	TOTAL DISTRIBUTION	\$ 155,145,938	\$ 11,210,999	\$ (3,421,293)	\$ -	\$ 162,935,644	\$ (653,213)	\$ 162,282,431
GENERAL PLANT								
390	Structures/improve	\$ 2,891,893	\$ 67,635	\$ (60,289)	\$ -	\$ 2,899,239	\$ -	\$ 2,899,239
39110	Office furn & equip	585,872	56,972	-	-	642,844	-	642,844
39120	Data process equip	1,265,574	801,655	-	-	2,067,229	-	2,067,229
39125	Data Proc Smart Me	434,082	504,033	-	-	938,115	-	938,115
392	Transportation equip	144,048	12,529	-	-	156,577	-	156,577
393	Stores equipment	108,057	11,266	-	-	119,323	-	119,323
394	Tool shop garage	785,493	257,948	-	-	1,043,441	-	1,043,441
395	Laboratory equip	53,514	6,019	-	-	59,533	-	59,533
396	Power operated equip	188,459	23,645	-	-	212,104	-	212,104
397	Communication equip	113,298	262,846	(28,183)	-	347,961	-	347,961
398	Miscellaneous equip	47,702	18,320	-	-	66,022	-	66,022
399	GEN BLDG ARC	21,479	812	-	-	22,291	(22,291)	(0)
	TOTAL GENERAL	\$ 6,639,472	\$ 2,023,680	\$ (88,472)	\$ -	\$ 8,574,680	\$ -	\$ 8,574,680
	RWIP	-	-	-	-	-	-	-
	TOTAL GENERAL	\$ 6,639,472	\$ 2,023,680	\$ (88,472)	\$ -	\$ 8,574,680	\$ -	\$ 8,574,680
TOTAL		\$ 178,125,675	\$ 14,683,145	\$ (3,525,585)	\$ -	\$ 189,283,235	\$ (653,213)	\$ 188,630,022

* Retirement work in progress has not classified on a FERC account number basis

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/16 to 12/31/16
 Target Reserve

Acct No	Description	Balance 1/1/16 (1)	Actual Activity			Balance 12/31/16 (5)	Adjustments (6)	Adjusted Balance 12/31/16 (7)
			Accruals (2)	Retirements (3)	Transfers/ Adjustments (4)			
INTANGIBLE PLANT								
302	Franchise & Consents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
303	Misc. Intangible Plant	9,913,703	1,703,436	-	-	11,617,139	-	11,617,139
303	Smart Meter Software	252,207	494,518	-	-	746,725	-	746,725
	TOTAL INTANGIBLE PLANT	\$ 10,165,910	\$ 2,197,954	\$ -	\$ -	\$ 12,363,864	\$ -	\$ 12,363,864
TRANSMISSION PLANT								
TRANSMISSION PLANT								
350.12	Easements - Trans. Subs.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
350.22	Easements - Trans. Lines	-	-	-	-	-	-	-
352.1	Structures, Improvements	416,772	6,117	-	-	422,889	-	422,889
352.2	Clearing, Grading Of Land	78,292	2,635	-	-	80,927	-	80,927
353	Station Equipment	2,602,971	52,625	-	-	2,655,596	-	2,655,596
354	Towers And Fixtures	6,339	5	-	-	6,344	-	6,344
355	Poles And Fixtures	612,566	51,231	(15,820)	-	647,976	-	647,976
356.1	Overhd Conductr, Devices	631,022	41,718	-	-	672,740	-	672,740
356.2	Clearing, Grading of Land	6,139	2,107	-	-	8,246	-	8,246
357	Underground Conduit	48,954	1,009	-	-	49,963	-	49,963
358	Undergrmd Conductr,Devices	26,085	617	-	-	26,702	-	26,702
359	Roads And Trails	4,281	72	-	-	4,353	-	4,353
	TOTAL TRANSMISSION PLANT	\$ 4,433,422	\$ 158,136	\$ (15,820)	\$ -	\$ 4,575,738	\$ -	\$ 4,575,738
DISTRIBUTION PLANT								
360.12	Easements - Dist. Subs.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
360.22	Easements - Dist. Lines	-	-	-	-	-	-	-
361.1	Structures, Improvements	368,791	16,487	(2,006)	-	383,272	-	383,272
361.2	Clearing, Grading of Land	127,284	6,191	-	-	133,475	-	133,475
362	Station Equipment	9,274,844	1,393,874	(196,654)	-	10,472,064	-	10,472,064
364	Poles, Towers And Fixtures	28,081,750	2,319,899	(870,420)	-	29,531,229	-	29,531,229
365	Overhd Conductr, Devices	18,147,466	2,601,153	(1,226,872)	-	19,521,747	-	19,521,747
365.1	Clearing, Grading of Land	3,169,690	1,185,631	-	-	4,355,321	-	4,355,321
366	Underground Conduit	1,995,504	142,420	(6,588)	-	2,131,337	-	2,131,337
367	Undergrmd Conductr,Devices	16,165,632	1,409,400	(479,173)	-	17,095,860	-	17,095,860
368	Line Transformers	25,171,227	2,835,728	(545,118)	-	27,461,837	-	27,461,837
369	Services	12,634,513	510,996	(86,226)	-	13,059,283	-	13,059,283
369	Underground Conduit	-	-	-	-	-	-	-
370	Meters	-	-	-	-	-	-	-
370	Smart Grid - 10yr Life	267,409	14,573	-	-	281,982	-	281,982
370	Smart Meters non classified - 15yr Life	145,766	558,983	-	-	704,749	-	704,749
370	Smart Meter Commercial - 15yr Life	122,377	198,171	-	-	320,548	-	320,548
370	Smart Meter Industrial - 15yr Life	3	5	-	-	8	-	8
370	Smart Meter Infrastructure-15yr L	(12,032)	161,028	-	-	148,996	-	148,996
370	Smart Meter Residential - 15yr Life	763,808	1,195,559	-	-	1,959,367	-	1,959,367
371	Inst. On Cust. Prem.	1,788,761	81,165	-	-	1,869,926	-	1,869,926
373.1	Street Light - Oh, Ug Lines	3,289,043	235,734	(8,236)	-	3,516,542	-	3,516,542
374	ARC Distribution	86	85	-	-	171	-	171
	TOTAL DISTRIBUTION PLANT	\$ 121,501,922	\$ 14,867,082	\$ (3,421,294)	\$ -	\$ 132,947,710	\$ -	\$ 132,947,710

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/16 to 12/31/16
 Target Reserve

Acct No	Description	Balance 1/1/16 (1)	Actual Activity			Balance 12/31/05 (5)	Adjustments (6)	Adjusted Balance 12/31/16 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
GENERAL PLANT								
389.2	Easements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
390.1	Structures, Improvements	2,382,971	100,719	(60,289)	-	2,423,401	-	2,423,401
390.2	Clearing, Grading of Land	5,947	929	-	-	6,876	-	6,876
390.3	Struct Impr, Leasehold Imp	-	-	-	-	-	-	-
391.1	Office Furn., Mech. Equip.	777,256	115,201	-	-	892,457	-	892,457
391.2	Data Processing Equipment	1,645,595	179,204	-	-	1,824,799	-	1,824,799
391.2	Project Evolution	(3,810)	1,243	-	-	(2,567)	-	(2,567)
391.25	Data Proc Smart Meters	406,310	565,055	-	-	971,365	-	971,365
392	Transportation Equipment	198,675	67,697	-	-	266,372	-	266,372
393	Stores Equipment	156,107	15,113	-	-	171,220	-	171,220
394	Tools, Shop, Garage Equip.	1,465,846	224,813	-	-	1,690,659	-	1,690,659
395	Laboratory Equipment	61,451	3,641	-	-	65,092	-	65,092
396	Power Operated Equipment	170,113	27,063	-	-	197,176	-	197,176
397	Communication Equipment	609,413	223,467	(28,183)	-	804,697	-	804,697
398	Misc. Equipment	65,561	1,097	-	-	66,658	-	66,658
399.1	ARC General Plant	812	812	-	-	1,623	-	1,623
TOTAL GENERAL PLANT		\$ 7,942,246	\$ 1,526,054	\$ (88,472)	\$ -	\$ 9,379,828	\$ -	\$ 9,379,828
TOTAL		\$ 144,043,501	\$ 18,749,226	\$ (3,525,586)	\$ -	\$ 159,267,140	\$ -	\$ 159,267,140

PENNSYLVANIA POWER COMPANY

Original Cost of Plant, Reserves and Accruals by Functions for Historical Test Year Ended 12/31/2015

FILING REQUIREMENT V-A-1:

“Provide schedules supporting claimed amounts for Electric Plant in Service by function and by account if available.”

FILING REQUIREMENT V-A-2:

“Provide a comparison of calculated depreciation reserve versus book reserve at the end of the test year. Provide this comparison by functional group and by account if available.”

FILING REQUIREMENT V-B-1:

“Provide a comparison of calculated depreciation accruals versus book accruals by function and by account if available.”

FILING REQUIREMENT V-D-1:

“Provide the surviving original cost plant at the appropriated test year date or dates by account and functional property group and include claimed depreciation reserves. Provide annual depreciation accruals where appropriate. These calculations should be provided for plant in service as well as other categories of plant, including but not limited to, contributions in aid of construction, customers' advances for construction and anticipated retirements associated with construction work in progress claims, if applicable.”

RESPONSE:

V-A-1

See Penn Power Exhibit RAD-48 Attachments A and B.

V-A-2

See Penn Power Exhibit RAD-48 Attachments A and B.

V-B-1

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-7.

V-D-1

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-10.

Pennsylvania Power Company
 Accrual Expense Computation after Adjustments
 At Historical Year from January 2015 to December 2015
 (\$000)

Line No.	Description	Adjusted Plant Balances		Book Depreciation Reserve	Depreciation Reserve Ratio	Net Uncovered Book Plant	Accrual Average Remaining Life Basis		Target Reserve	Book Reserve	Difference	Difference as a % of Target Reserve
		Non Depreciable	Depreciable				Amount	Effective Rate				
		(1)	(2)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1	Transmission	\$ (0)	\$ 12,897	\$ 7,143	55.39%	\$ 5,754	\$ 159	1.23%	\$ 4,433	\$ 7,143	\$ (2,710)	-61.13%
2	Distribution	578	568,244	154,505	27.16%	414,318	14,382	2.53%	121,502	154,505	(33,003)	-27.16%
3	General Plant	227	16,689	6,618	39.12%	10,297	1,788	10.71%	7,942	6,618	1,324	16.67%
4	Subtotal	\$ 805	\$ 597,830	\$ 168,266	28.11%	\$ 430,369	\$ 16,329	2.73%	\$ 133,878	\$ 168,266	\$ (34,389)	-25.69%
5	Intangible Plant	\$ 91	\$ 14,553	\$ 9,197	62.80%	\$ 5,448	\$ 2,080	14.29%	\$ 10,166	\$ 9,197	\$ 969	9.53%
6	Total	\$ 897	\$ 612,383	\$ 177,463	28.94%	\$ 435,816	\$ 18,409	3.01%	\$ 144,044	\$ 177,463	\$ (33,420)	-23.20%

Exhibit Reference

RAD-48 Attachment A P 1-2

RAD-48 Attachment A P 1-2

RAD-48 Attachment A P 3

RAD-53 Attachment B P 5-6

RAD-48 Attachment A P 4-5

RAD-48 Attachment A P 3

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/15 to 12/31/15
 Plant-in-Service

Acct No	Description	Balance 1/1/15 (1)	Actual Activity			Balance 12/31/15 (5)	Adjustments (6)	Adjusted Balance 12/31/15 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
<u>NONDEPRECIABLE PLANT</u>								
<u>Intangible Plant</u>								
301	Organization	\$ 22,834	\$ -	\$ -	\$ -	\$ 22,834	\$ -	\$ 22,834
302	Franchise And Consents	68,666	-	-	-	68,666	-	68,666
	Total Intangible Plant	\$ 91,500	\$ -	\$ -	\$ -	\$ 91,500	\$ -	\$ 91,500
<u>Land</u>								
350.11	Transmission Substations	\$ 917,485	\$ -	\$ -	\$ -	\$ 917,485	\$ (917,485)	\$ (0)
350.21	Transmission Lines	1,172,320	-	-	-	1,172,320	(1,172,320)	(0)
360.11	Distribution Substations.	578,860	398	-	(6,172)	573,086	-	573,086
360.21	Distribution Lines	5,371	-	-	-	5,371	-	5,371
389.1	General	226,639	-	-	-	226,639	-	226,639
	Total Land	\$ 2,900,674	\$ 398	\$ -	\$ (6,172)	\$ 2,894,900	\$ (2,089,805)	\$ 805,095
	TOTAL NON-DEPRECIABLE PLANT	\$ 2,992,174	\$ 398	\$ -	\$ (6,172)	\$ 2,986,400	\$ (2,089,805)	\$ 896,595
<u>INTANGIBLE PLANT</u>								
303	Misc. Intangible Plant	\$ 10,013,996	\$ 1,868,520	\$ -	\$ (161,240)	\$ 11,721,276	\$ -	\$ 11,721,276
303	Smart Meter Software	617,917	2,133,843	-	80,081	2,831,841	-	2,831,841
	TOTAL INTANGIBLE PLANT	\$ 10,631,913	\$ 4,002,363	\$ -	\$ (81,159)	\$ 14,553,117	\$ -	\$ 14,553,117
<u>NUCLEAR PRODUCTION</u>								
326	Nuclear Production Asset Retirement Costs Nuclear	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL NUCLEAR PRODUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>TRANSMISSION PLANT</u>								
<u>TRANSMISSION PLANT</u>								
350.12	Easements - Subs.	\$ 931,408	\$ 76	\$ -	\$ -	\$ 931,483	\$ (931,483)	\$ 0
350.22	Easements - Trans.	7,498,607	17	-	-	7,498,624	(7,498,624)	0
352.1	Structures, Improvements	766,037	153	(1,592)	-	764,598	-	764,598
352.2	Clearing, Grading Of Land	196,171	-	(955)	-	195,216	-	195,216
353	Station Equipment	6,485,466	604	(68,337)	-	6,417,734	-	6,417,734
354	Towers And Fixtures	7,576	-	-	-	7,576	-	7,576
355	Poles And Fixtures	2,546,245	137,895	(970)	-	2,683,169	-	2,683,169
356.1	Overhd Conductr, Devices	2,073,208	506,253	(606)	12,303	2,591,159	-	2,591,159
356.2	Clearing, Grading of Land	115,771	15,717	(637)	-	130,852	-	130,852
357	Underground Conduit	64,654	-	-	-	64,654	-	64,654
358	Undergrmd Conductr,Devices	36,070	2	-	-	36,071	-	36,071
359	Roads And Trails	6,324	-	-	-	6,324	-	6,324
	TOTAL TRANSMISSION PLANT	\$ 20,727,537	\$ 660,717	\$ (73,096)	\$ 12,303	\$ 21,327,461	\$ (8,430,107)	\$ 12,897,354

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/15 to 12/31/15
 Plant-In-Service

Acct No	Description	Balance 1/1/15 (1)	Actual Activity			Balance 12/31/15 (5)	Adjustments (6)	Adjusted Balance 12/31/15 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
<u>DISTRIBUTION PLANT</u>								
360.12	Easements Subs.	\$ 10,963	\$ 13	\$ -	\$ -	\$ 10,977	\$ -	\$ 10,977
360.22	Easements - Trans.	5,789,305	2,588	-	-	5,791,894	-	5,791,894
361.1	Structures, Improvements	1,174,161	104,339	-	480	1,278,980	(15,260.00)	1,263,720
361.2	Clearing, Grading Of Land	451,496	17	(2,865)	-	448,649	-	448,649
362	Station Equipment	43,328,332	7,698,123	(421,926)	135,472	50,740,001	(703,738.00)	50,036,263
364	Poles, Towers And Fixtures	98,509,922	4,680,552	(254,504)	54,911	102,990,881	(31,122.00)	102,959,759
365	Overhd Conductr, Devices	98,828,126	5,973,325	(1,030,533)	1,395,524	105,166,441	(22,070.00)	105,144,371
365.1	Clearing, Grading of Land	44,870,538	3,718,408	-	2,501	48,591,447	-	48,591,447
366	Underground Conduit	7,442,818	124,002	(54)	19,623	7,586,389	-	7,586,389
367	Undergrmd Conductr, Devices	58,328,949	3,312,501	(83,336)	349,250	61,907,364	-	61,907,364
368	Line Transformers	99,756,623	4,191,806	(1,483,782)	499,711	102,964,358	(2,858.00)	102,961,500
369	Services OH	37,071,299	924,540	259	36,661	38,032,759	-	38,032,759
369	Ungrndd Services	-	-	-	-	-	-	-
370	Meters	22,378,743	934,635	(10,508,937)	(12,804,440)	-	-	-
370	Smart Grid - 10yr Life	152,840	443	(7,548)	-	145,735	-	145,735
370	Smart Grid - 15yr Life	1,746,285	3,696,648	(523)	(1,401,115)	4,041,294	-	4,041,294
370	Smart Meter Commercial - 15yr Life	454,629	2,272,686	-	243,764	2,971,079	-	2,971,079
370	Smart Meter Industrial - 15yr Life	6	80	-	(6)	80	-	80
370	Smart Meter Infrastructure-15yr L	84,105	2,235,459	(101,906)	196,556	2,414,213	-	2,414,213
370	Smart Meter Residential - 15yr Life	4,325,962	12,946,071	-	652,392	17,924,425	-	17,924,425
371	Inst. On Cust. Prem.	3,765,161	49,161	(16,266)	(5,318)	3,792,738	-	3,792,738
373.1	Street Light - Oh, Ug Lines	7,497,538	209,961	(118,746)	52,807	7,641,561	4,577,895	12,219,456
374	ARC Distribution	4,408	-	-	-	4,408	(4,408)	(0)
TOTAL DISTRIBUTION PLANT		\$ 535,972,210	\$ 53,075,357	\$ (14,030,667)	\$ (10,571,228)	\$ 564,445,672	\$ 3,798,439	\$ 568,244,111
<u>GENERAL PLANT</u>								
389.2	Easements	\$ 311	\$ -	\$ -	\$ -	\$ 311	\$ -	\$ 311
390.1	Structures, Improvements	5,201,546	1,028	-	-	5,202,574	-	5,202,574
390.2	Clearing, Grading of Land	41,239	60	-	-	41,299	-	41,299
390.3	Struct Imprv, Leasehold Imp	407,069	-	-	-	407,069	-	407,069
391.1	Office Furn., Mech. Equip.	781,359	7	(41,473)	-	739,893	-	739,893
391.2	Data Processing Equipment	2,031,254	112,318	(391,634)	126,507	1,878,444	-	1,878,444
391.2	Project Evolution	20,525	-	(7,497)	-	13,028	-	13,028
391.2	Smart Grid - 5 Year Life	1,443,425	2,014,256	(38,049)	(937,016)	2,482,617	-	2,482,617
392	Transportation Equipment	300,778	31,742	(50,943)	313,301	594,878	-	594,878
393	Stores Equipment	176,993	-	(5,250)	-	171,743	-	171,743
394	Tools, Shop, Garage Equip.	2,447,820	24,598	(39,376)	-	2,433,042	-	2,433,042
395	Laboratory Equipment	78,583	32	(5,648)	-	72,968	-	72,968
396	Power Operated Equipment	460,370	665	-	-	461,035	-	461,035
397	Communication Equipment	2,839,364	283,296	(996,792)	-	2,125,868	-	2,125,868
398	Misc. Equipment	66,995	11	(3,217)	-	63,790	-	63,790
399.1	ARC General Plant	32,875	-	-	-	32,875	(32,875)	0
TOTAL GENERAL PLANT		\$ 16,330,506	\$ 2,468,014	\$ (1,579,879)	\$ (497,208)	\$ 16,721,433	\$ (32,875)	\$ 16,688,558
TOTAL		\$ 586,654,340	\$ 60,206,849	\$ (15,683,642)	\$ (11,143,465)	\$ 620,034,082	\$ (6,754,348)	\$ 613,279,734

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/15 to 12/31/15
 Book Reserves

Acct No	Description	Balance 1/1/15 (1)	Actual Activity			Balance 12/31/15 (5)	Adjustments (6)	Adjusted Balance 12/31/15 (7)
			Accruals (2)	Retirements (3)	Transfers/Adjustments (4)			
INTANGIBLE PLANT								
302	Franchise & Consents	\$ 772	\$ -	\$ -	\$ -	\$ 772	\$ -	\$ 772
303	Smart Meter Software	-	181,335	-	-	181,335	-	181,335
303	Software	8,506,017	508,746	-	-	9,014,763	-	9,014,763
TOTAL INTANGIBLES		\$ 8,506,790	\$ 690,081	\$ -	\$ -	\$ 9,196,871	\$ -	\$ 9,196,871
TRANSMISSION PLANT								
350	Land & land rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
352	Structures/improve	617,615	7,981	(2,546)	1,104	624,153	-	624,153
353	ER Oh	4,647,261	42,911	(68,337)	(145,996)	4,475,839	-	4,475,839
353	Station equipment	109,070	1,294	-	39,720	150,085	-	150,085
354	Towers & fixtures	7,576	-	-	(52)	7,524	-	7,524
355	Poles & fixtures	773,250	34,967	(970)	83,362	890,609	-	890,609
356	Overhead cond	846,119	28,085	(1,242)	33,998	906,960	-	906,960
3562	Veg Clrng-FERC exp	301	120	-	-	420	-	420
357	Underground conduit	52,641	1,028	-	-	53,669	-	53,669
358	Undergrd conductor	28,471	624	-	-	29,095	-	29,095
359	Roads and trails	4,968	72	-	-	5,040	-	5,040
		\$ 7,087,272	\$ 117,082	\$ (73,096)	\$ 12,136	\$ 7,143,394	\$ -	\$ 7,143,394
RWIP		(248,332)	248,332	-	-	0	-	0
TOTAL TRANSMISSION		\$ 6,838,940	\$ 365,414	\$ (73,096)	\$ 12,136	\$ 7,143,394	\$ -	\$ 7,143,394
DISTRIBUTION PLANT								
360	Land and Land Rights	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
361	Structures/improve	725,693	17,664	(2,865)	(4,936)	735,556	-	735,556
362	Station equipment	12,873,611	760,963	(421,926)	(63,186)	13,149,461	(17,457)	13,132,004
364	Poles towers	30,645,541	1,852,160	(254,504)	814,502	33,057,699	(21,393)	33,036,306
365	Overhead conductor	21,083,709	1,567,520	(1,030,533)	1,472,830	23,093,526	(596,518)	22,497,008
36510	Clearing Grading	3,996,115	741,675	-	-	4,737,789	-	4,737,789
366	Underground conduit	2,145,499	116,355	(54)	1,393	2,263,193	-	2,263,193
367	Undergrd conductor	19,175,338	1,051,920	(83,336)	194,636	20,338,558	-	20,338,558
368	Line transformers	31,605,812	1,962,170	(1,483,782)	(1,114,555)	30,969,644	(3,224)	30,966,420
369	Services	18,434,711	449,558	259	268,345	19,152,873	-	19,152,873
370	Meters	14,406,127	154,880	(10,508,937)	(4,052,069)	0	-	0
370	Smart Grid - 10yr Life	16,141	14,649	(7,548)	(6)	23,236	-	23,236
370	Smart Meters non classified - 15yr Life	18,352	205,891	(523)	(12,928)	210,792	-	210,792
370	Smart Meter Commercial - 15yr Life	8,602	114,407	-	6,573	129,582	-	129,582
370	Smart Meter Industrial - 15yr Life	0	2	-	-	3	-	3
370	Smart Meter Infrastructure-15yr L	615	74,450	(101,906)	26,841	(0)	-	(0)
370	Smart Meter Residential - 15yr Life	81,846	698,201	-	(15,674)	764,373	-	764,373
371	Inst on cust prem	2,376,510	69,158	(16,266)	13,739	2,443,141	-	2,443,141
373	Street lighting	4,472,894	147,486	(118,746)	(447,688)	4,053,947	-	4,053,947
374	DIST SUB ARC	2,266	86	-	-	2,352	(2,352)	(0)
		\$ 162,069,382	\$ 9,999,193	\$ (14,030,667)	\$ (2,912,183)	\$ 155,125,724	\$ (640,944)	\$ 154,484,780
RWIP		302,728	-	-	(282,514)	20,214	-	20,214
TOTAL DISTRIBUTION		\$ 162,372,109	\$ 9,999,193	\$ (14,030,667)	\$ (3,194,697)	\$ 155,145,938	\$ (640,944)	\$ 154,504,994
GENERAL PLANT								
390	Structures/improve	\$ 2,736,896	\$ 61,590	\$ -	\$ 93,407	\$ 2,891,893	\$ -	\$ 2,891,893
39110	Office furn & equi	631,420	59,234	(41,473)	(63,308)	585,872	-	585,872
39120	Data process equip	720,089	942,975	(399,131)	1,641	1,265,574	-	1,265,574
39125	Data Proc Smart Me	139,363	332,768	(38,049)	-	434,082	-	434,082
392	Transportation equip	210,076	14,202	(50,943)	(29,287)	144,048	-	144,048
393	Stores equipment	104,250	11,510	(5,250)	(2,453)	108,057	-	108,057
394	Tool shop garage	564,386	260,483	(39,376)	-	785,493	-	785,493
395	Laboratory equip	52,813	6,349	(5,648)	-	53,514	-	53,514
396	Power operated equip	164,823	23,637	-	-	188,459	-	188,459
397	Communication equip	877,829	176,064	(996,792)	56,197	113,298	-	113,298
398	Miscellaneous equip	31,946	18,973	(3,217)	-	47,702	-	47,702
399	GEN BLDG ARC	20,668	812	-	-	21,479	(21,479)	0
		\$ 6,254,558	\$ 1,908,597	\$ (1,579,879)	\$ 56,197	\$ 6,639,472	\$ (21,479)	\$ 6,617,993
* RWIP		943,704	-	-	(943,704)	-	-	-
TOTAL GENERAL		\$ 7,198,261	\$ 1,908,597	\$ (1,579,879)	\$ (887,507)	\$ 6,639,472	\$ (21,479)	\$ 6,617,993
COR			\$ 5,476,743		\$ (5,476,743)		\$ (0)	\$ (0)
TOTAL		\$ 184,916,101	\$ 18,440,027	\$ (15,683,642)	\$ (9,546,811)	\$ 178,125,675	\$ (662,423)	\$ 177,463,252

Retirement work in progress has not classified on a FERC account number basis

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/15 to 12/31/15
 Target Reserve

Acct No	Description	Balance 1/1/15 (1)	Actual Activity			Balance 12/31/15 (5)	Adjustments (6)	Adjusted Balance 12/31/15 (7)
			Accruals (2)	Retirements (3)	Transfers/ Adjustments (4)			
INTANGIBLE PLANT								
302	Franchise & Consents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
303	Misc. Intangible Plant	8,372,238	1,541,465	-	-	9,913,703	-	9,913,703
303	Smart Meter Software	-	252,207	-	-	252,207	-	252,207
	TOTAL INTANGIBLE PLANT	\$ 8,372,238	\$ 1,793,672	\$ -	\$ -	\$ 10,165,910	\$ -	\$ 10,165,910
NUCLEAR PRODUCTION								
Nuclear Production								
326	Asset Retirement Costs Nuclear	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	TOTAL NUCLEAR PRODUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRANSMISSION PLANT								
TRANSMISSION PLANT								
350.12	Easements - Trans. Subs.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
350.22	Easements - Trans. Lines	-	-	-	-	-	-	-
352.1	Structures, Improvements	412,165	6,199	(1,592)	-	416,772	-	416,772
352.2	Clearing, Grading Of Land	76,586	2,661	(955)	-	78,292	-	78,292
353	Station Equipment	2,617,115	54,193	(68,337)	-	2,602,971	-	2,602,971
354	Towers And Fixtures	6,334	5	-	-	6,339	-	6,339
355	Poles And Fixtures	566,210	47,326	(970)	-	612,566	-	612,566
356.1	Overhd Conductr, Devices	592,344	39,284	(606)	-	631,022	-	631,022
356.2	Clearing, Grading of Land	4,704	2,072	(637)	-	6,139	-	6,139
357	Underground Conduit	47,881	1,073	-	-	48,954	-	48,954
358	Undergrnd Conductr,Devices	25,429	656	-	-	26,085	-	26,085
359	Roads And Trails	4,202	79	-	-	4,281	-	4,281
	TOTAL TRANSMISSION PLANT	\$ 4,352,970	\$ 153,548	\$ (73,096)	\$ -	\$ 4,433,422	\$ -	\$ 4,433,422
DISTRIBUTION PLANT								
DISTRIBUTION PLANT								
360.12	Easements - Dist. Subs.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
360.22	Easements - Dist. Lines	-	-	-	-	-	-	-
361.1	Structures, Improvements	353,088	15,703	-	-	368,791	-	368,791
361.2	Clearing, Grading of Land	123,893	6,256	(2,865)	-	127,284	-	127,284
362	Station Equipment	8,354,366	1,342,404	(421,926)	-	9,274,844	-	9,274,844
364	Poles, Towers And Fixtures	26,219,919	2,116,335	(254,504)	-	28,081,750	-	28,081,750
365	Overhd Conductr, Devices	16,826,282	2,351,717	(1,030,533)	-	18,147,466	-	18,147,466
365.1	Clearing, Grading of Land	1,954,652	1,215,038	-	-	3,169,690	-	3,169,690
366	Underground Conduit	1,853,347	142,211	(54)	-	1,995,504	-	1,995,504
367	Undergrnd Conductr,Devices	14,952,673	1,296,295	(83,336)	-	16,165,632	-	16,165,632
368	Line Transformers	23,891,208	2,763,801	(1,483,782)	-	25,171,227	-	25,171,227
369	Services	12,142,082	492,172	259	-	12,634,513	-	12,634,513
369	Underground Conduit	-	-	-	-	-	-	-
370	Meters	-	-	-	-	-	-	-
370	Smart Grid - 10yr Life	260,028	14,929	(7,548)	-	267,409	-	267,409
370	Smart Meters non classified - 15yr Life	-	146,289	(523)	-	145,766	-	145,766
370	Smart Meter Commercial - 15yr Life	-	122,377	-	-	122,377	-	122,377
370	Smart Meter Industrial - 15yr Life	-	3	-	-	3	-	3
370	Smart Meter Infrastructure-15yr L	-	89,874	(101,906)	-	(12,032)	-	(12,032)
370	Smart Meter Residential - 15yr Life	-	763,808	-	-	763,808	-	763,808
371	Inst. On Cust. Prem.	1,720,060	84,967	(16,266)	-	1,788,761	-	1,788,761
373.1	Street Light - Oh, Ug Lines	3,157,123	250,666	(118,746)	-	3,289,043	-	3,289,043
374	ARC Distribution	-	86	-	-	86	-	86
	TOTAL DISTRIBUTION PLANT	\$ 111,808,721	\$ 13,214,931	\$ (3,521,729)	\$ -	\$ 121,501,922	\$ -	\$ 121,501,922

Pennsylvania Power Company
 Original Cost - Plant and Depreciation Reserves
 Activity Updated from 1/1/15 to 12/31/15
 Target Reserve

Acct No	Description	Balance 1/1/15 (1)	Actual Activity			Balance 12/31/05 (5)	Adjustments (6)	Adjusted Balance 12/31/15 (7)
			Additions (2)	Retirements (3)	Transfers/ Adjustments (4)			
GENERAL PLANT								
389.2	Easements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
390.1	Structures, Improvements	2,291,415	91,556	-	-	2,382,971	-	2,382,971
390.2	Clearing, Grading of Land	5,006	941	-	-	5,947	-	5,947
390.3	Struct Imprv, Leasehold Imp	-	-	-	-	-	-	-
391.1	Office Furn., Mech. Equip.	729,660	89,069	(41,473)	-	777,256	-	777,256
391.2	Data Processing Equipment	1,593,650	443,579	(391,634)	-	1,645,595	-	1,645,595
391.2	Project Evolution	-	3,687	(7,497)	-	(3,810)	-	(3,810)
391.25	Data Proc Smart Meters	145,456	298,903	(38,049)	-	406,310	-	406,310
392	Transportation Equipment	171,882	77,736	(50,943)	-	198,675	-	198,675
393	Stores Equipment	150,581	10,776	(5,250)	-	156,107	-	156,107
394	Tools, Shop, Garage Equip.	1,273,869	231,353	(39,376)	-	1,465,846	-	1,465,846
395	Laboratory Equipment	63,454	3,645	(5,648)	-	61,451	-	61,451
396	Power Operated Equipment	141,780	28,333	-	-	170,113	-	170,113
397	Communication Equipment	1,212,214	393,991	(996,792)	-	609,413	-	609,413
398	Misc. Equipment	58,518	10,260	(3,217)	-	65,561	-	65,561
399.1	ARC General Plant	-	812	-	-	812	-	812
TOTAL GENERAL PLANT		\$ 7,837,485	\$ 1,684,641	\$ (1,579,879)	\$ -	\$ 7,942,246	\$ -	\$ 7,942,246
TOTAL		\$ 132,371,414	\$ 16,846,791	\$ (5,174,704)	\$ -	\$ 144,043,501	\$ -	\$ 144,043,501

RWIP balance not included

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT V-A-3:

“Provide supporting schedules which indicate the procedures and calculations employed to develop the original cost plant and applicable reserves to the test year end as submitted in the current proceeding.”

RESPONSE:

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-6.

PENNSYLVANIA POWER COMPANY

Original Cost Plant and Reserve and Accrual Rate Adjustments for Rate Case Purposes
(Fully Projected Future Test Year)

FILING REQUIREMENT V-A-4:

“Provide a schedule showing details of rate case adjustments.”

RESPONSE:

This response provides original cost plant and reserve adjustments for rate case purposes at 12/31/17, the fully future test year. This information is in support of Penn Power Exhibit RAD-46 Attachment B.

The following provide detail for plant and reserve adjustment items:

1. Asset Retirement Costs –for Asset Retirement Obligations and FIN 47 Accounting for Asset Retirement Obligations. The Plant in Service, budgeted book has been reduced by \$37,283; book reserve were reduced by \$25,625.
2. LED Streetlight plant in service was increased by \$4,577,895 in accordance with the latest work plan. No corresponding book reserves or calculated reserves were included.
3. ATSI plant were removed in accordance with the settlement, at Docket No. A-110450F0016, by \$775,048; ATSI book reserved were reduced by \$666,876.
4. ATSI transmission easements and land were removed by \$10,519,912.

PENNSYLVANIA POWER COMPANY

Original Cost Plant and Reserve and Accrual Rate Adjustments for Rate Case Purposes
(Future Test Year)

FILING REQUIREMENT V-A-4:

“Provide a schedule showing details of rate case adjustments.”

RESPONSE:

This response provides original cost plant and reserve adjustments for rate case purposes at 12/31/16, the future test year. This information is in support of Penn Power Exhibit RAD-47 Attachment B.

The following provide detail for plant and reserve adjustment items:

1. Asset Retirement Costs –for Asset Retirement Obligations and FIN 47 Accounting for Asset Retirement Obligations. The Plant in Service, budgeted book has been reduced by \$37,283; book reserve were reduced by \$24,728.
2. ATSI plant were removed in accordance with the settlement, at Docket No. A-110450F0016, by \$775,048; ATSI book reserved were reduced by \$650,776.
3. LED Streetlight plant in service was increased by \$4,577,895 in accordance with the latest work plan. No corresponding book reserves or calculated reserves were included.
4. ATSI transmission easements and land were removed by \$10,519,912.

PENNSYLVANIA POWER COMPANY

Original Cost Plant and Reserve and Accrual Rate Adjustments for Rate Case Purposes
(Historical Test Year)

FILING REQUIREMENT V-A-4:

“Provide a schedule showing details of rate case adjustments.”

RESPONSE:

This response provides original cost plant and reserve adjustments for rate case purposes at 12/31/15, the historic test year. This information is in support of Penn Power Exhibit RAD-48 Attachment B.

The following provide detail for plant and reserve adjustment items:

1. Asset Retirement Costs –for Asset Retirement Obligations and FIN 47 Accounting for Asset Retirement Obligations. The Plant in Service, budgeted book has been reduced by \$37,283; book reserves were reduced by \$23,831.
2. ATSI plant was removed in accordance with the settlement, at Docket No. A-110450F0016, by \$775,048; ATSI book reserves were reduced by \$638,592.
3. LED Streetlight plant in service was increased by \$4,577,895 in accordance with the latest work plan. No corresponding book reserves or calculated reserves were included.
4. ATSI transmission easements and land were removed by \$10,519,912.

PENNSYLVANIA POWER COMPANY

Annual Depreciation Review on Capital Plant Investments

FILING REQUIREMENT V-B-2

“Supply a schedule by account or by depreciable group showing the survivor curve or interim survivor curve or interim survivor curve and annual accrual rate estimated to be appropriate:

- a. For the purpose of this filing
- b. For the purposes of the most recent filing prior to the current proceeding.
- c. Supply an explanation for any major change in annual accrual rate by account or by depreciable group
- d. Supply a comprehensive statement of major changes in depreciation methods, procedures and techniques and the effect of the changes upon accumulated and annual depreciation, if any.”

FILING REQUIREMENT V-C

“Where the retirement rate actuarial method of mortality is utilized, set forth representative examples including charts depicting the observed and estimated survivor curves and a tabular presentation of the observed and estimated life tables plotted on the chart. Other analysis results shall be subject to request.”

FILING REQUIREMENT V-D Item 2

“Provide representative examples of detail calculations by vintage at account or at a more detailed level, as performed for those purposes. Other vintage detail calculations shall be subject to request.”

FILING REQUIREMENT V-E

“Provide a description of depreciation methods utilized in calculating annual depreciation amounts and depreciation reserves, together with a discussion of significant factors which were considered in arriving at estimates of service life and forecast retirements by facilities, accounts or sub-accounts as applicable.”

RESPONSE:

V-B-2

- a. See Penn Power Exhibit RAD-53 Attachment A for the accrual expenses. Pages 1 and 2 show the accrual expense for the fully projected future test year, pages 3 and 4 show the accrual expense for the future test year, and pages 5 and 6 show the accrual expense for the historical test year.
- b. See Penn Power Exhibit RAD-53 Attachment B for the accrual expenses from the Company's last base rate case. Pages 1 and 2 show the accrual expense for the fully projected future test year, twelve months ended April 30, 2016; pages 3 and 4 show the accrual expense for the future test year, twelve months ended March 31, 2015 and pages 5 and 6 show the accrual expense for the historical test year, twelve months ended March 31, 2014.
- c. See the direct testimony and exhibits of John J. Spanos, Penn Power Statement No. 7, Exhibit JJS-8.
- d. See the direct testimony and exhibits of John J. Spanos, Penn Power Statement No. 7, Exhibit JJS-8.

V-C

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-9.

V-D

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-11.

V-E

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-12.

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 Activity Updated from January 2017 to December 2017

Acct No	Description	Adjusted Depreciable Base (1)	Accrual Rate Ave Remaining Life Basis (2)	Accrual Expense Amount (3)
INTANGIBLE PLANT				
303	Miscellaneous Intangible Plant	\$ 12,799,670	14.29%	\$ 1,829,073
303	Smart Meters	6,083,519	14.29%	869,335
	TOTAL INTANGIBLE PLANT	<u>\$ 18,883,189</u>		<u>\$ 2,698,408</u>
TRANSMISSION PLANT				
350.12	Land Rights-subs	\$ 0	0.00%	\$ -
350.22	Land Rights-lines	0	0.00%	-
352.1	Structures	764,598	0.80%	6,117
352.2	Clearing Costs	195,216	1.35%	2,635
353	Station Equipment	6,417,734	0.80%	51,342
354	Towers and Fixtures	7,576	0.05%	4
355	Poles and Fixtures	2,825,553	1.77%	50,012
356.1	Overhead Conductors	2,591,159	1.57%	40,681
356.2	Clearing Costs	130,852	1.57%	2,054
357	Underground Conductors	64,654	1.47%	950
358	Underground Conductors	36,071	1.57%	566
359	Roads & Trails	6,324	1.17%	74
	TOTAL TRANSMISSION PLANT	<u>\$ 13,039,737</u>	1.18%	<u>\$ 154,435</u>
DISTRIBUTION PLANT				
360.12	Land Rights-subs	\$ 10,977	0.00%	\$ -
360.22	Land Rights-lines	5,791,894	0.00%	-
361.1	Structures	1,327,843	1.31%	17,395
361.2	Clearing Costs	448,649	1.37%	6,146
362	Station Equipment	56,320,534	2.76%	1,554,447
364	Poles, Towers and Fixtures	120,242,928	2.24%	2,693,442
365	Overhead Conductors	129,141,372	2.40%	3,099,393
365.1	Clearing Costs	48,591,447	2.33%	1,132,181
366	Underground Conduit	7,699,286	1.85%	142,437
367	Underground Conductors	70,996,721	2.23%	1,583,227
368	Line Transformers	112,735,325	2.66%	2,998,760
369	Overhead Services	39,459,842	1.35%	532,708
369	Underground	-	0.00%	-
370	Meters	-	0.00%	-
370	Smart Grid - 10yr Life	145,735	10.00%	14,573
370	Smart Meters non classified 15 yr	15,248,339	6.67%	1,017,064
370	Smart Meter Commercial - 15yr Life	2,971,079	6.67%	198,171
370	Smart Meter Industrial - 15yr Life	80	6.67%	5
370	Smart Meter Infrastructure-15yr L	2,414,213	6.67%	161,028
370	Smart Meter Residential - 15yr Life	17,924,425	6.67%	1,195,559
371	Installed on Customer Premises	3,792,738	2.04%	77,372
373.1	Street Lighting & Signal Systems	12,358,996	2.88%	355,939
	TOTAL DISTRIBUTION PLANT	<u>\$ 647,622,422</u>	2.59%	<u>\$ 16,779,847</u>

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 Activity Updated from January 2017 to December 2017

Acct No	Description	Adjusted Depreciable Base (1)	Accrual Rate Ave Remaining Life Basis (2)	Accrual Expense Amount (3)
<u>GENERAL PLANT</u>				
389.1	Land Rights	\$ 311	0.00%	-
390.1	Structures	5,745,477	1.79%	102,844
390.2	Clearing	41,299	2.22%	917
390.3	Structure LH	407,069	0.00%	-
391.1	Office Furniture & Equipment	739,893	24.10%	178,314
391.2	Data processing Equip	1,878,444	35.63%	669,290
391.2	Data processing Equip Prj Evolution	13,028	35.63%	4,642
391.3	Data Processing Smart Meters	3,372,007	20.00%	674,401
392	Transportation	594,878	10.04%	59,726
393	Stores Equipment	171,743	11.10%	19,063
394	Tools, Shop, & Garage Equipment	2,433,042	8.50%	206,809
395	Laboratory Equipment	72,968	6.93%	5,057
396	Power Operated Equipment	461,035	5.56%	25,634
397	Communications Equipment	2,502,973	9.01%	225,518
398	Miscellaneous Equipment	63,790	6.42%	4,095
	TOTAL GENERAL PLANT	<u>\$ 18,497,957</u>	11.77%	<u>\$ 2,176,310</u>
	TOTAL	<u>\$ 698,043,305</u>	3.12%	<u>\$ 21,809,000</u>

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 Activity Updated from January 2016 to December 2016

Acct No	Description	Adjusted Depreciable Base (1)	Accrual Rate Ave Remaining Life Basis (2)	Accrual Expense Amount (3)
<u>INTANGIBLE PLANT</u>				
303	Miscellaneous Intangible Plant	\$ 12,119,673	14.29%	\$ 1,731,901
303	Smart Meters	4,089,337	14.29%	584,366
	TOTAL INTANGIBLE PLANT	\$ 16,209,010	14.29%	\$ 2,316,267
<u>TRANSMISSION PLANT</u>				
350.12	Land Rights-subs	\$ 0	0.00%	\$ -
350.22	Land Rights-lines	0	0.00%	-
352.1	Structures	764,598	0.80%	6,117
352.2	Clearing Costs	195,216	1.35%	2,635
353	Station Equipment	6,417,734	0.82%	52,625
354	Towers and Fixtures	7,576	0.07%	5
355	Poles and Fixtures	2,825,553	1.86%	52,555
356.1	Overhead Conductors	2,591,159	1.61%	41,718
356.2	Clearing Costs	130,852	1.61%	2,107
357	Underground Conduit	64,654	1.56%	1,009
358	Underground Conductors	36,071	1.71%	617
359	Roads & Trails	6,324	1.22%	77
	TOTAL TRANSMISSION PLANT	\$ 13,039,737	1.22%	\$ 159,465
<u>DISTRIBUTION PLANT</u>				
360.12	Land Rights-subs	\$ 10,977	0.00%	\$ -
360.22	Land Rights-lines	5,791,894	0.00%	-
361.1	Structures	1,281,777	1.28%	16,407
361.2	Clearing Costs	448,649	1.38%	6,191
362	Station Equipment	51,806,152	2.70%	1,398,766
364	Poles, Towers and Fixtures	110,793,544	2.17%	2,404,220
365	Overhead Conductors	116,186,220	2.35%	2,730,376
365.1	Clearing Costs	48,591,447	2.44%	1,185,631
366	Underground Conduit	7,645,677	1.87%	142,974
367	Underground Conductors	66,219,919	2.20%	1,456,838
368	Line Transformers	107,867,565	2.69%	2,901,637
369	Overhead Services	38,808,793	1.33%	516,157
369	Underground Services	-	0.00%	-
370	Meters	-	0.00%	-
370.1	Smart Grid Meters 10 yr	145,735	10.00%	14,573
370.1	Smart Meters 15 yr	12,719,801	6.67%	848,411
370	Smart Meter Commercial - 15yr Life	2,971,079	6.67%	198,171
370	Smart Meter Industrial - 15yr Life	80	6.67%	5
370	Smart Meter Infrastructure-15yr L	2,414,213	6.67%	161,028
370	Smart Meter Residential - 15yr Life	17,924,425	6.67%	1,195,559
371	Installed on Customer Premises	3,792,738	2.14%	81,165
373.1	Street Lighting & Signal Systems	12,293,578	3.07%	377,413
	TOTAL DISTRIBUTION PLANT	\$ 607,714,261	2.57%	\$ 15,635,522

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 Activity Updated from January 2016 to December 2016

Acct No	Description	Adjusted Depreciable Base (1)	Accrual Rate Ave Remaining Life Basis (2)	Accrual Expense Amount (3)
GENERAL PLANT				
389.1	Land Rights	\$ 311	0.00%	\$ -
390.1	Structures	5,745,175	1.84%	105,711
390.2	Clearing	41,299	2.25%	929
390.3	Structure LH	407,069	0.00%	-
391.1	Office Furniture & Equipment	739,893	15.57%	115,201
391.2	Data processing Equip	1,878,444	9.54%	179,204
391.2	Data processing Equip Prj Evolution	13,028	9.54%	1,243
391.3	Data Processing Smart Meters	3,167,936	20.00%	633,587
392	Transportation	594,878	11.38%	67,697
393	Stores Equipment	171,743	8.80%	15,113
394	Tools, Shop, & Garage Equipment	2,433,042	9.24%	224,813
395	Laboratory Equipment	72,968	4.99%	3,641
396	Power Operated Equipment	461,035	5.87%	27,063
397	Communications Equipment	2,379,512	9.92%	236,048
398	Miscellaneous Equipment	63,790	1.72%	1,097
	TOTAL GENERAL PLANT	\$ 18,170,122	8.87%	\$ 1,611,347
	TOTAL	\$ 655,133,131	3.01%	\$ 19,722,601

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 At Future Year from January 2015 to December 2015

Acct No	Description	Adjusted Depreciable Base	Accrual Rate Ave Remaining Life Basis	Accrual Expense Amount
		(1)	(2)	(3)
<u>INTANGIBLE PLANT</u>				
303	Miscellaneous Intangible Plant	\$ 11,721,276	14.29%	\$ 1,674,970
303	Smart Meters	2,831,841	14.29%	404,670
	TOTAL INTANGIBLE PLANT	\$ 14,553,117	14.29%	\$ 2,079,640
<u>TRANSMISSION PLANT</u>				
350.12	Land Rights-subs	\$ 0	0.00%	\$ -
350.22	Land Rights - lines	0	0.00%	-
352.1	Structures	764,598	0.81%	6,193
352.2	Clearing Costs	195,216	1.36%	2,655
353	Station Equipment	6,417,734	0.84%	53,909
354	Towers and Fixtures	7,576	0.07%	5
355	Poles and Fixtures	2,683,169	1.81%	48,565
356.1	Overhead Conductors	2,591,159	1.68%	43,531
356.2	Clearing Costs	130,852	1.68%	2,198
357	Underground Conduit	64,654	1.66%	1,073
358	Underground Conductors	36,071	1.82%	656
359	Roads & Trails	6,324	1.25%	79
	TOTAL TRANSMISSION PLANT	\$ 12,897,354		\$ 158,864
<u>DISTRIBUTION PLANT</u>				
360.12	Land Rights-subs	\$ 10,977	0.00%	\$ -
360.22	Land Rights-lines	5,791,894	0.00%	-
361.1	Structures	1,263,720	1.28%	16,176
361.2	Clearing Costs	448,649	1.39%	6,236
362	Station Equipment	50,036,263	2.85%	1,426,033
364	Poles, Towers and Fixtures	102,959,759	2.10%	2,162,155
365	Overhead Conductors	105,144,371	2.29%	2,407,806
365.1	Clearing Costs	48,591,447	2.60%	1,263,378
366	Underground Conduit	7,586,389	1.89%	143,383
367	Underground Conductors	61,907,364	2.15%	1,331,008
368	Line Transformers	102,961,500	2.72%	2,800,553
369	Overhead Services	38,032,759	1.31%	498,229
369.1	Underground Services	-	0.00%	-
370	Meters	-	0.00%	-
370	Smart Grid - 10yr Life	145,735	10.00%	14,573
370	Smart Meters non classified - 15yr Life	4,041,294	6.67%	269,554
370	Smart Meter Commercial - 15yr Life	2,971,079	6.67%	198,171
370	Smart Meter Industrial - 15yr Life	80	6.67%	5
370	Smart Meter Infrastructure-15yr L	2,414,213	6.67%	161,028
370	Smart Meter Residential - 15yr Life	17,924,425	6.67%	1,195,559
371	Inst. On Cust. Prem.	3,792,738	2.25%	85,337
373	Street Lighting and Signal Systems	12,219,456	3.30%	403,242
	TOTAL DISTRIBUTION PLANT	\$ 568,244,111	2.53%	\$ 14,382,426

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 At Future Year from January 2015 to December 2015

Acct No	Description	Adjusted Depreciable Base (1)	Accrual Rate Ave Remaining Life Basis (2)	Accrual Expense Amount (3)
<u>GENERAL PLANT</u>				
389.1	Land Rights	\$ 311	0.00%	\$ -
390.1	Structures	5,202,574	1.76%	91,565
390.2	Clearing	41,299	2.28%	942
390.3	Structure LH	407,069	0.00%	-
391.1	Office Furniture & Equipment	739,893	11.71%	86,641
391.2	Data processing Equip	1,878,444	21.98%	412,882
391.2	Project Evolution	13,028	21.98%	2,864
391.2	Data Processing Smart Meters	2,482,617	20.00%	496,523
392	Transportation	594,878	12.86%	76,501
393	Stores Equipment	171,743	6.18%	10,614
394	Tools, Shop, & Garage Equipment	2,433,042	9.48%	230,652
395	Laboratory Equipment	72,968	4.81%	3,510
396	Power Operated Equipment	461,035	6.15%	28,354
397	Communications Equipment	2,125,868	15.87%	337,375
398	Miscellaneous Equipment	63,790	15.69%	10,009
	TOTAL GENERAL PLANT	<u>\$ 16,688,558</u>	10.72%	<u>\$ 1,788,432</u>
	TOTAL	<u>\$ 612,383,140</u>	3.01%	<u>\$ 18,409,362</u>

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 At Fully Future Year from May 2015 to April 2016

Acct No	Description	Adjusted Depreciable Base (1)	Accrual Rate Ave Remaining Life Basis (2)	Accrual Expense Amount (3)
INTANGIBLE PLANT				
303	Miscellaneous Intangible Plant	\$ 10,044,766	10.25%	\$ 1,029,588
303	Smart Meters	3,889,274	14.29%	555,777
	TOTAL INTANGIBLE PLANT	<u>\$ 13,934,040</u>		<u>\$ 1,585,365</u>
TRANSMISSION PLANT				
350.12	Land Rights-subs	\$ 879,341	0.00%	\$ -
350.22	Land Rights-lines	7,550,676	0.00%	-
352.1	Structures	854,898	1.26%	10,772
352.2	Clearing Costs	196,171	1.26%	2,472
353	Station Equipment	6,647,966	0.92%	61,161
354	Towers and Fixtures	7,576	0.00%	-
355	Poles and Fixtures	3,054,138	1.57%	47,950
356.1	Overhead Conductors	1,870,438	1.30%	24,316
356.2	Clearing Costs	100,481	1.30%	1,306
357	Underground Conductors	64,654	1.34%	866
358	Underground Conductors	36,070	1.25%	451
359	Roads & Trails	6,324	2.84%	180
	TOTAL TRANSMISSION PLANT	<u>\$ 21,268,734</u>	0.70%	<u>\$ 149,474</u>
DISTRIBUTION PLANT				
360.12	Land Rights-subs	\$ 10,964	0.00%	\$ -
360.22	Land Rights-lines	5,786,805	0.00%	-
361.1	Structures	1,143,120	2.05%	23,434
361.2	Clearing Costs	451,497	2.05%	9,256
362	Station Equipment	46,262,687	1.96%	906,749
364	Poles, Towers and Fixtures	94,910,388	1.87%	1,774,824
365	Overhead Conductors	94,122,216	1.72%	1,618,902
365.1	Clearing Costs	41,196,197	1.72%	708,575
366	Underground Conduit	7,012,991	1.74%	122,026
367	Underground Conductors	55,361,879	2.40%	1,328,685
368	Line Transformers	138,117,480	2.00%	2,762,350
369	Overhead Services	36,086,064	2.02%	728,938
369.1	Underground Services	-	0.00%	-
370	Meters	0	2.27%	0
370.1	Smart Meters	23,746,461	6.67%	1,583,889
371	Installed on Customer Premises	3,744,945	2.42%	90,628
373.1	Street Lighting & Signal Systems	7,291,975	2.94%	214,384
373.2	Street light- ESIP	28,502	2.94%	838
	TOTAL DISTRIBUTION PLANT	<u>\$ 555,274,170</u>	2.05%	<u>\$ 11,872,640</u>

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 At Fully Future Year from May 2015 to April 2016

GENERAL PLANT				
389.1	Land Rights	\$ 311	0.00%	\$ -
390.1	Structures	5,318,674	1.46%	77,653
390.2	Clearing	41,241	1.46%	602
390.3	Structure LH	407,069	1.46%	5,943
391.1	Office Furniture & Equipment	823,951	1.78%	14,666
391.2	Data processing Equip	2,414,745	25.84%	623,970
391.25	Data Processing Smart Meters	2,830,074	20.00%	566,015
392	Transportation	341,819	8.82%	30,148
393	Stores Equipment	182,266	2.16%	3,937
394	Tools, Shop, & Garage Equipment	2,449,505	2.46%	60,258
395	Laboratory Equipment	84,583	2.18%	1,844
396	Power Operated Equipment	460,387	5.68%	26,150
397	Communications Equipment	3,413,190	3.17%	108,198
398	Miscellaneous Equipment	70,284	3.93%	2,762
TOTAL GENERAL PLANT		\$ 18,838,097	7.51%	\$ 1,522,146
TOTAL		\$ 609,315,041	2.31%	\$ 15,129,625

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 At Future Year from April 2014 to March 2015

Acct No	Description	Adjusted Depreciable Base	Accrual Rate Ave Remaining Life Basis	Accrual Expense Amount
		(1)	(2)	(3)
<u>INTANGIBLE PLANT</u>				
303	Miscellaneous Intangible Plant	\$ 9,935,599	10.25%	\$ 1,018,399
303	Smart Meters	652,881	14.29%	93,297
	TOTAL INTANGIBLE PLANT	\$ 10,588,481		\$ 1,111,696
<u>TRANSMISSION PLANT</u>				
350.12	Land Rights-subs	\$ 879,341	0.00%	\$ -
350.22	Land Rights-lines	7,550,676	0.00%	-
352.1	Structures	854,898	1.26%	10,772
352.2	Clearing Costs	196,171	1.26%	2,472
353	Station Equipment	6,565,038	0.92%	60,398
354	Towers and Fixtures	7,576	0.00%	-
355	Poles and Fixtures	3,004,516	1.57%	47,171
356.1	Overhead Conductors	1,870,438	1.30%	24,316
356.2	Clearing Costs	100,481	1.30%	1,306
357	Underground Conductors	64,654	1.34%	866
358	Underground Conductors	36,070	1.25%	451
359	Roads & Trails	6,324	2.84%	180
	TOTAL TRANSMISSION PLANT	\$ 21,136,184	0.70%	\$ 147,932
<u>DISTRIBUTION PLANT</u>				
360.12	Land Rights-subs	\$ 10,964	0.00%	\$ -
360.22	Land Rights-lines	5,786,805	0.00%	0
361.1	Structures	1,143,120	2.05%	23,434
361.2	Clearing Costs	451,497	2.05%	9,256
362	Station Equipment	44,919,335	1.96%	880,419
364	Poles, Towers and Fixtures	94,910,388	1.87%	1,774,824
365	Overhead Conductors	94,122,216	1.72%	1,618,902
365.1	Clearing Costs	41,196,197	1.72%	708,575
366	Underground Conduit	7,012,991	1.74%	122,026
367	Underground Conductors	55,361,879	2.40%	1,328,685
368	Line Transformers	122,066,615	2.00%	2,441,332
369	Overhead Services	36,086,064	2.02%	728,938
369.1	Underground Services	-	0.00%	-
370	Meters	0	2.27%	-
370.1	Smart Meters	11,332,672	6.67%	755,889
371	Installed on Customer Premises	3,744,945	2.42%	90,628
373.1	Street Lighting & Signal Systems	7,291,975	2.94%	214,384
373.2	Street light- ESIP	28,502	2.94%	838
	TOTAL DISTRIBUTION PLANT	\$ 525,466,165	2.04%	\$ 10,697,292

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 At Future Year from April 2014 to March 2015

<u>GENERAL PLANT</u>						
389.1	Land Rights	\$	311	0.00%	\$	-
390.1	Structures		5,318,674	1.46%		77,653
390.2	Clearing		41,241	1.46%		602
390.3	Structure LH		407,069	1.46%		5,943
391.1	Office Furniture & Equipment		823,951	1.78%		14,666
391.2	Data processing Equip		2,414,745	25.84%		623,970
391.25	Data Processing Smart Meters		1,933,535	20.00%		386,707
392	Transportation		341,819	8.82%		30,148
393	Stores Equipment		182,266	2.16%		3,937
394	Tools, Shop, & Garage Equipment		2,449,505	2.46%		60,258
395	Laboratory Equipment		84,583	2.18%		1,844
396	Power Operated Equipment		460,387	5.68%		26,150
397	Communications Equipment		3,318,572	3.17%		105,199
398	Miscellaneous Equipment		70,284	3.93%		2,762
	TOTAL GENERAL PLANT	\$	17,846,940	7.51%	\$	1,339,839
	TOTAL	\$	575,037,769	2.31%	\$	13,296,759

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 At Future Year from April 2013 to March 2014

Acct No	Description	Adjusted Depreciable Base	Accrual Rate Ave Remaining Life Basis	Accrual Expense Amount
		(1)	(2)	(3)
INTANGIBLE PLANT				
303	Miscellaneous Intangible Plant	\$ 9,506,440	14.20%	\$ 1,349,915
303	Smart Meters	-	14.29%	-
	TOTAL INTANGIBLE PLANT	<u>\$ 9,506,440</u>	14.20%	<u>\$ 1,349,915</u>
TRANSMISSION PLANT				
350.12	Land Rights-subs	\$ 879,341	0.00%	\$ -
350.22	Land Rights-lines	7,550,676	0.00%	-
352.1	Structures	854,898	1.20%	10,259
352.2	Clearing Costs	196,171	1.20%	2,354
353	Station Equipment	6,511,785	0.91%	59,257
354	Towers and Fixtures	7,576	0.00%	-
355	Poles and Fixtures	2,294,979	2.34%	53,702
356.1	Overhead Conductors	1,870,438	1.40%	26,186
356.2	Clearing Costs	100,481	1.40%	1,407
357	Underground Conductors	64,654	1.39%	899
358	Underground Conductors	36,070	1.29%	465
359	Roads & Trails	6,324	4.11%	260
	TOTAL TRANSMISSION PLANT	<u>\$ 20,373,392</u>		<u>\$ 154,789</u>
DISTRIBUTION PLANT				
360.12	Land Rights-subs	\$ 10,964	0.00%	\$ -
360.22	Land Rights-lines	5,786,805	0.00%	-
361.1	Structures	1,143,120	2.13%	24,348
361.2	Clearing Costs	451,497	2.13%	9,617
362	Station Equipment	41,535,467	1.95%	809,942
364	Poles, Towers and Fixtures	94,910,388	2.09%	1,983,627
365	Overhead Conductors	94,122,216	2.26%	2,127,162
365.1	Clearing Costs	41,196,197	2.26%	931,034
366	Underground Conduit	7,012,991	1.74%	122,026
367	Underground Conductors	55,361,879	2.43%	1,345,294
368	Line Transformers	98,109,592	1.90%	1,864,082
369	Overhead Services	36,086,064	2.41%	869,674
369.1	Underground Services	-	0.00%	-
370	Meters	0	2.24%	-
370.1	Smart Meters	561,562	6.67%	37,456
371	Installed on Customer Premises	3,744,945	2.52%	94,373
373.1	Street Lighting & Signal Systems	7,291,975	3.32%	242,094
373.2	Street light- ESIP	28,502	3.32%	946
	TOTAL DISTRIBUTION PLANT	<u>\$ 487,354,162</u>	2.15%	<u>\$ 10,460,729</u>

Pennsylvania Power Company
 Accrual Expense after Adjustment-Claim Basis
 At Future Year from April 2013 to March 2014

<u>GENERAL PLANT</u>					
389.1	Land Rights	\$	311	0.00%	\$ -
390.1	Structures		5,318,735	1.67%	88,823
390.2	Clearing		41,241	1.67%	689
390.3	Structure LH		407,069	1.67%	6,798
391.1	Office Furniture & Equipment		823,951	1.61%	13,266
391.2	Data processing Equip		2,414,745	19.72%	476,188
391.25	Data Processing Smart Meters		272,553	20.00%	54,511
392	Transportation		341,819	8.89%	30,388
393	Stores Equipment		182,266	2.16%	3,937
394	Tools, Shop, & Garage Equipment		2,449,505	2.48%	60,748
395	Laboratory Equipment		84,583	2.14%	1,810
396	Power Operated Equipment		460,387	5.71%	26,288
397	Communications Equipment		2,830,603	3.18%	90,013
398	Miscellaneous Equipment		70,284	3.97%	2,790
TOTAL GENERAL PLANT		\$	15,698,050	5.45%	\$ 856,249
TOTAL		\$	532,932,045	2.41%	\$ 12,821,682

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT VI-A:

“Provide the following unadjusted detailed schedules by function and by FERC account for the claimed test year and for each of the 3 preceding comparable years:

A. Balance sheet in the form available.”

RESPONSE:

See Penn Power Exhibit RAD-54 Attachment A.

**Pennsylvania Power Company
Balance Sheet**

FERC Account	Assets and Other Debits	December 31,			
		2017	2016	2015	2014
		<i>(In thousands)</i>			
	Utility Plant				
101-107	Total electric utility plant at original cost	\$ 724,323	\$ 682,790	\$ 644,833	\$ 614,996
108-110	Less: Accum. Provision for depreciation	200,554	189,283	178,125	184,916
120.1-120.4	Nuclear plant	-	-	-	-
120.5	Less: accum. provision for amortization of nuclear fuel	-	-	-	-
	Net utility plant	<u>523,769</u>	<u>493,508</u>	<u>466,708</u>	<u>430,080</u>
	Other Property and Investments				
121	Non-utility property	296	296	296	296
122	Prov. for depreciation of non-utility prop.	74	72	70	69
123.1	Investments in subsidiary companies	-	-	-	-
124	Other investments	-	-	-	-
125-8	Special funds	9,561	9,561	9,561	9,720
	Total other property and investments	<u>9,783</u>	<u>9,785</u>	<u>9,787</u>	<u>9,947</u>
	Current and Accrued Assets				
131	Cash	-	-	-	-
132-134	Special deposits	-	-	-	-
135	Working funds	2	2	2	2
136	Temporary cash investments	-	-	-	-
142	Customer accounts receivable	21,582	22,682	24,229	23,104
143	Other accounts receivable	3,519	3,520	3,532	926
144	Accum. provision for uncollectible accts	(1,331)	(1,331)	(1,331)	(1,092)
145	Notes receivable from associated companies	-	-	-	-
146	Receivables from associated companies	14,580	14,580	14,580	6,351
151	Fuel stock	-	-	-	-
154-163	Plant materials and operating supplies-electric	3	3	3	-
165	Prepayments	2,297	2,297	2,297	1,090
171	Interest and dividends receivable	-	-	-	-
172	Rents receivable	1,568	1,568	1,568	1,714
173	Accrued utility revenues	16,724	16,724	16,724	11,421
174	Misc. current and accrued assets	-	-	-	-
	Total current and accrued assets	<u>58,944</u>	<u>60,045</u>	<u>61,604</u>	<u>43,516</u>
	Deferred Debits				
181	Unamortized debt expense	782	930	718	830
182	Other regulatory assets	12,108	13,278	16,304	6,817
183	Preliminary survey and investigation charges	-	-	-	-
184	Clearing accounts	5	5	5	6
185	Temporary facilities	376	331	285	502
186	Miscellaneous deferred debits	(94)	410	254	946
188	Research and development expenditures	4	4	4	3
189	Unamortized loss on reacquired debt	2,400	2,786	3,218	3,650
190	Accumulated deferred income taxes	61,891	61,971	68,088	51,247
	Total deferred debits	<u>77,472</u>	<u>79,714</u>	<u>88,876</u>	<u>64,001</u>
	Total assets and other debits	<u>\$ 669,968</u>	<u>\$ 643,051</u>	<u>\$ 626,975</u>	<u>\$ 547,544</u>

**Pennsylvania Power Company
 Balance Sheet**

FERC Account	Liabilities and Other Credits	December 31,			
		2017	2016	2015	2014
		(In thousands)			
	Proprietary Capital				
201	Common stock issued	\$ 77,325	\$ 85,325	\$ 93,325	\$ 93,325
204	Preferred stock issued	-	-	-	-
207	Premium on capital stock	-	-	-	-
208	Other paid in capital	14,816	14,282	13,743	3,172
210	Gain on resale or cancellation of reacquired capital stock	-	-	-	-
214	Capital stock expense	-	-	-	-
216	Retained earnings	40,627	37,801	34,920	15,381
216.1	Unappropriated Undistributed Subsidiary Earnings	-	-	-	-
219	Accumulated other comprehensive income	622	1,554	2,485	4,290
	Total proprietary capital	133,390	138,962	144,473	116,168
	Long-Term Debt				
221	Bonds	137,955	137,955	103,929	104,903
224	Other long-term debt	-	-	-	-
225	Unamortized premium on long-term debt	-	-	-	-
226	Less: Unamortized discount on long-term debt	-	-	-	-
	Total long-term debt	137,955	137,955	103,929	104,903
227-230	Other Non-Current Liabilities	43,756	45,095	60,864	49,611
	Current and Accrued Liabilities				
231	Notes payable	19,623	-	-	-
232	Accounts payable	15,206	12,042	14,367	8,863
233	Notes payable to associated companies	51,630	44,888	43,133	37,313
234	Accounts payable to associated companies	3,312	5,512	7,407	9,802
235	Customer deposits	5,239	5,239	5,239	4,940
236	Taxes accrued	3,863	5,946	3,769	1,831
237	Interest accrued	3,160	1,410	118	129
238	Dividends declared	-	-	-	-
241	Tax collections payable	-	-	-	-
242	Misc. current and accrued liabilities	9,316	9,316	9,699	9,576
243	Oblig. under capital leases-current	572	572	572	561
	Total current and accrued liabilities	111,921	84,926	84,304	73,015
	Deferred Credits				
252	Customer advances for construction	33	33	33	33
253	Other deferred credits	28,435	28,435	28,435	26,157
254	Other regulatory liabilities	16,423	16,443	16,462	14,871
255	Accum. deferred investment tax credits	(318)	(129)	60	249
256	Deferred gains on disposition of plant	-	-	-	-
257	Unamortized gain on reacquired debt	110	130	150	169
	Total deferred credits	44,684	44,913	45,140	41,479
	Accumulated Deferred Income Taxes				
282	Other property	164,866	157,749	153,282	129,714
283	Other	33,397	33,452	34,983	32,654
	Total accum. deferred income taxes	198,263	191,200	188,265	162,368
	Total liabilities and other credits	\$ 669,968	\$ 643,051	\$ 626,975	\$ 547,544

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT VI-B:

“Provide the following unadjusted detailed schedules by function and by FERC account for the claimed test year and for each of the 3 preceding comparable years:

B. Statement of income.”

RESPONSE:

See Penn Power Exhibit RAD-55 Attachment A.

**Pennsylvania Power Company
Comparative Income Statements**

FERC Account	December 31,				
	2017	2016	2015	2014	
<i>(In thousands)</i>					
Operating Revenues					
Electric Service Revenues					
440	Residential sales	\$ 183,245	\$ 186,639	\$ 177,115	\$ 135,525
442	Commercial sales	79,849	80,720	63,765	55,971
442	Industrial sales	10,720	10,779	8,606	5,053
444	Public street and highway lighting	1,472	1,509	1,349	1,059
445	Other sales to public authorities	-	-	-	-
447	Sale for resale	76	144	160	54
	Total electric service revenues	<u>\$ 275,362</u>	<u>\$ 279,791</u>	<u>\$ 250,995</u>	<u>\$ 197,662</u>
Other Electric Revenue					
450	Forfeited discounts	\$ 1,291	\$ 1,291	\$ 882	\$ 748
451	Miscellaneous service revenues	194	194	1	988
454	Rent from electric property	1,636	1,942	2,098	1,899
456	Other electric revenues	1,498	1,498	1,526	1,485
	Total other electric revenues	<u>\$ 4,620</u>	<u>\$ 4,926</u>	<u>\$ 4,507</u>	<u>\$ 5,120</u>
	Total operating revenues	<u>\$ 279,981</u>	<u>\$ 284,717</u>	<u>\$ 255,502</u>	<u>\$ 202,782</u>
Operating Expenses					
401-2	Operation and maintenance expense				
	Power production expenses	\$ 151,782	\$ 157,613	\$ 131,944	\$ 96,791
	Transmission expenses	4,327	4,412	5,024	7,200
	Regional market expenses	-	-	12	19
	Distribution expenses	16,234	14,510	12,443	12,063
	Customer accounts expense	6,923	6,410	6,639	4,833
	Customer service & information expense	12,288	11,350	9,557	10,693
	Sales expenses	25	24	11	9
	Administrative & general expenses	13,937	13,796	13,033	20,237
	Subtotal	<u>\$ 205,517</u>	<u>\$ 208,117</u>	<u>\$ 178,663</u>	<u>\$ 151,845</u>
403	Depreciation expense	\$ 16,413	\$ 16,222	\$ 17,750	\$ 15,357
404-5	Amortization and depletion of utility plant	1,939	1,311	690	292
406	Amortization and utility plant acq. adjustment	-	-	-	-
407	Amortization of property losses	-	-	-	-
407.3	Regulatory debits	2,549	2,985	2,914	(2,925)
407.4	Regulatory credits	(2,320)	(900)	(2,513)	(3,697)
408.1	Taxes other than income taxes	17,082	17,292	16,523	13,810
411.1	Accretion expense	-	-	-	-
411.8	Gains from disposition allowance	-	-	-	-
	Total operating expenses before federal and state income taxes	<u>\$ 241,180</u>	<u>\$ 245,028</u>	<u>\$ 214,027</u>	<u>\$ 174,682</u>
	Net operating income before income taxes	<u>\$ 38,801</u>	<u>\$ 39,688</u>	<u>\$ 41,475</u>	<u>\$ 28,100</u>
Income taxes					
409.1	Income taxes-federal	\$ 3,274	\$ 1,589	\$ 1,479	\$ 750
409.1	Income taxes-state	1,981	2,044	1,582	(421)
410.1	Provision for deferred income taxes-federal	6,469	8,374	53,056	30,688
410.1	Provision for deferred income taxes-state	1,144	1,150	12,393	4,899
411.1	Income taxes deferred in prior years-cr.	-	-	(55,012)	(29,860)
411.4	Investment tax credit adjustments-net	-	-	(189)	(189)
	Total income taxes	<u>\$ 12,868</u>	<u>\$ 13,158</u>	<u>\$ 13,309</u>	<u>\$ 5,867</u>
	Net operating income	<u>\$ 25,933</u>	<u>\$ 26,530</u>	<u>\$ 28,166</u>	<u>\$ 22,233</u>

**Pennsylvania Power Company
Comparative Income Statements**

FERC Account		December 31,			
		2017	2016	2015	2014
		<i>(In thousands)</i>			
Other income					
415-16	Revenues from merchandising, jobbing and contract work	\$ 3,140	\$ 764	\$ (156)	\$ 1,221
417	Revenues from non-utility operations			-	-
417.1	Expenses from non-utility operations			-	-
418	Nonoperating rental income	(2)	(2)	(2)	(2)
418.1	Equity in earnings of subsidiary companies	-	-	-	-
419	Interest and dividend income	763	763	3	1
419.1	Allowance for funds used during construction	-	-	(61)	(185)
421	Miscellaneous non-operating income	394	1,443	892	518
421.1	Gain on disposition of property	-	-	-	-
	Total other income	\$ 4,296	\$ 2,968	\$ 676	\$ 1,553
	Gross income	\$ 30,228	\$ 29,499	\$ 28,842	\$ 23,786
Other Income Deductions					
421.2	Loss on disposition of property	\$ -	\$ -	\$ -	\$ -
425	Miscellaneous amortization	-	-	-	-
426	Other income deductions	(59)	(55)	78	(123)
	Total other income deductions	\$ (59)	\$ (55)	\$ 78	\$ (123)
Taxes Applicable to Other Income and Deductions					
408.2	Taxes other than income taxes	\$ -	\$ -	\$ -	\$ -
409.2	Income taxes - federal	-	-	192	393
409.2	Income taxes - state	-	-	61	125
410.2	Provision for deferred income taxes	-	-	1	-
411.2	Provision for deferred income taxes-cr.	-	-	(9)	-
	Total taxes on other income and deductions	\$ -	\$ -	\$ 245	\$ 518
Interest Charges					
427	Interest on long term debt	\$ 8,246	\$ 7,853	\$ 6,356	\$ 6,427
428	Amortization of debt discount and expense	147	138	112	112
428.1	Amortization of loss on reacquired debt	386	432	432	432
429	Amortization of premium on debt credit	-	-	-	-
429.1	Amortization of gain on reacquired debt	(20)	(20)	(20)	(20)
430	Interest on debt to associated companies	1,411	784	1,283	1,285
431	Other interest expense	1,344	1,216	922	638
432	Allowance for borrowed funds used during construction - credit	(79)	(72)	(104)	(82)
	Total interest charges	\$ 11,436	\$ 10,331	\$ 8,981	\$ 8,792
	Income before extraordinary items	\$ 18,851	\$ 19,223	\$ 19,538	\$ 14,599
Extraordinary Items & Related Taxes					
434	Extraordinary income	\$ -	\$ -	\$ -	\$ -
435	Extraordinary deductions	-	-	-	-
409.3	Income taxes - Federal & other	-	-	-	-
	Extraordinary items after taxes	\$ -	\$ -	\$ -	\$ -
	Net income	\$ 18,851	\$ 19,223	\$ 19,538	\$ 14,599

**Pennsylvania Power Company
Comparative Income Statements**

FERC Account	December 31,				
	2017	2016	2015	2014	
<i>(In thousands)</i>					
Power Production Expenses					
Steam Power Generation					
Operation					
501	Fuel	\$ -	\$ -	\$ -	\$ -
514	Maintenance of miscellaneous steam plant	-	-	-	-
	Total operation	\$ -	\$ -	\$ -	\$ -
	Total steam power generation	\$ -	\$ -	\$ -	\$ -
Nuclear Power Generation					
Operation					
518	Fuel	\$ -	\$ -	\$ -	\$ -
	Miscellaneous nuclear power expenses	-	-	-	-
	Total operation	\$ -	\$ -	\$ -	\$ -
	Total nuclear power generation	\$ -	\$ -	\$ -	\$ -
Other Power Generation					
Operation					
549	Miscellaneous other power generation expenses	-	-	\$ -	\$ -
	Total operation	\$ -	\$ -	\$ -	\$ -
	Total other power generation	\$ -	\$ -	\$ -	\$ -
Other Power Supply Expenses					
555	Purchased Power	\$ 151,735	\$ 157,568	\$ 131,917	\$ 96,764
556	System control and load dispatching	-	-	-	-
557	Other expenses	47	46	27	27
	Total other power supply expenses	\$ 151,782	\$ 157,613	\$ 131,944	\$ 96,791
	Total power production expenses	\$ 151,782	\$ 157,613	\$ 131,944	\$ 96,791
Transmission Expenses					
Operation					
560	Operation supervision and engineering	\$ 2	\$ 2	\$ -	\$ -
561	Load dispatching	7	9	91	114
562	Station expenses	-	-	2	-
563	Overhead lines expense	-	-	3	-
564	Underground lines expenses	-	-	-	-
565	Transmission of electricity by others	4,380	4,158	4,739	6,965
566	Miscellaneous transmission expenses	73	12	31	42
567	Rents	-	-	-	-
	Total operation	\$ 4,462	\$ 4,181	\$ 4,866	\$ 7,121
Maintenance					
568	Maintenance supervision and engineering	\$ 21	\$ 23	\$ 9	\$ 5
569	Maintenance of structures	14	115	36	27
570	Maintenance of station equipment	3	3	-	8
571	Maintenance of overhead lines	(174)	91	79	42
572	Maintenance of underground lines	-	-	35	-
573	Maintenance of miscellaneous transmission plant	-	-	(1)	(3)
	Total maintenance	\$ (135)	\$ 231	\$ 158	\$ 79
	Total transmission expenses	\$ 4,327	\$ 4,412	\$ 5,024	\$ 7,200
Regional Market Expenses					
Operation					
575	Operation-regional market expense	\$ -	\$ -	\$ 12	\$ 19
	Total operation	\$ -	\$ -	\$ 12	\$ 19

**Pennsylvania Power Company
 Comparative Income Statements**

FERC Account	December 31,				
	2017	2016	2015	2014	
	(In thousands)				
Maintenance					
576	Maintenance-regional market expense	\$ -	\$ -	\$ -	\$ -
	Total maintenance	\$ -	\$ -	\$ -	\$ -
	Total regional market expenses	\$ -	\$ -	\$ 12	\$ 19
Distribution Expenses					
Operation					
580	Operation supervision and engineering	\$ -	\$ -	\$ 7	\$ -
581	Load dispatching	-	-	-	-
582	Station expenses	-	-	29	7
583	Overhead lines expense	-	-	84	99
584	Underground lines expenses	533	559	181	224
585	Street lighting and signal system expenses	-	-	-	-
586	Meter expenses	60	58	71	89
587	Customer installation expenses	-	-	-	-
588	Miscellaneous expenses	1,138	1,436	(679)	1,376
589	Rents	319	319	355	375
	Total operation	\$ 2,050	\$ 2,372	\$ 48	\$ 2,170
Maintenance					
590	Maintenance supervision and engineering	\$ 83	\$ 79	\$ 120	\$ 71
591	Maintenance of structures	-	-	-	-
592	Maintenance of station equipment	1,101	247	852	591
593	Maintenance of overhead lines	12,570	10,807	9,790	7,732
594	Maintenance of underground lines	48	48	458	369
595	Maintenance of line transformers	49	48	15	-
596	Maintenance of street lighting and signal systems	-	-	244	280
597	Maintenance of meters	258	302	555	582
598	Maintenance of miscellaneous distribution plant	76	608	361	266
	Total maintenance	\$ 14,185	\$ 12,138	\$ 12,395	\$ 9,893
	Total distribution expenses	\$ 16,234	\$ 14,510	\$ 12,443	\$ 12,063
Customer Account Expenses					
Operation					
901	Supervision	\$ -	\$ -	\$ -	\$ -
902	Meter reading expenses	1,244	1,250	1,519	1,274
903	Customer records and collection expenses	1,509	1,628	1,914	1,753
904	Uncollectible accounts	3,697	3,365	3,074	1,757
905	Miscellaneous customer accounts expense	473	168	132	49
	Total customer accounts expense	\$ 6,923	\$ 6,410	\$ 6,639	\$ 4,833
Customer Service and Informational Expenses					
Operation					
907	Supervision	\$ -	\$ -	\$ -	\$ -
908	Customer assistance expenses	10,701	9,750	8,149	9,278
909	Informational and instructional expenses	129	129	42	44
910	Miscellaneous customer service and informational expenses	1,459	1,471	1,366	1,371
	Total customer service and informational expense	\$ 12,288	\$ 11,350	\$ 9,557	\$ 10,693
Sales Expenses					
Operation					
911	Supervision	\$ 18	\$ 18	\$ 3	\$ -
912	Demonstrating and selling expenses	-	-	-	-
913	Advertising expenses	7	7	8	9
916	Miscellaneous sales expenses	-	-	-	-
	Total sales expenses	\$ 25	\$ 24	\$ 11	\$ 9

**Pennsylvania Power Company
 Comparative Income Statements**

FERC Account	December 31,				
	2017	2016	2015	2014	
	<i>(In thousands)</i>				
Administrative and general expenses					
Operation					
920	Administrative and general salaries	\$ (218)	\$ (73)	\$ 55	\$ 472
921	Office supplies and expense	1,034	823	519	689
922	Administrative expenses transferred-credit	-	-	(2,865)	(2,363)
923	Outside services employed	10,314	10,613	9,353	9,522
924	Property insurance	29	30	25	21
925	Injuries and damages	312	350	229	272
926	Employee pensions and benefits	998	595	4,421	9,839
927	Franchise requirements	-	-	-	-
928	Regulatory commission expenses	742	822	724	631
929	Duplicate charges - credit	-	-	-	-
930.1	General advertising expenses	55	51	17	9
930.2	Miscellaneous general expenses	207	208	188	446
931	Rents	17	17	139	397
	Total administrative and general expenses	<u>\$ 13,491</u>	<u>\$ 13,436</u>	<u>\$ 12,805</u>	<u>\$ 19,935</u>
Maintenance					
935	Maintenance and general plant	\$ 446	\$ 360	\$ 228	\$ 302
	Total maintenance	<u>\$ 446</u>	<u>\$ 360</u>	<u>\$ 228</u>	<u>\$ 302</u>
	Total administrative and general expenses	<u>\$ 13,937</u>	<u>\$ 13,796</u>	<u>\$ 13,033</u>	<u>\$ 20,237</u>
	Total electric operation and maintenance expenses	<u>\$ 205,517</u>	<u>\$ 208,117</u>	<u>\$ 178,663</u>	<u>\$ 151,845</u>

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT VI-C:

“Provide the following unadjusted detailed schedules by function and by FERC account for the claimed test year and for each of the 3 preceding comparable years:

C. Plant in service.”

RESPONSE:

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-13.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT VI-D:

“Provide the following unadjusted detailed schedules by function and by FERC account for the claimed test year and for each of the 3 preceding comparable years:

D. Accumulated depreciation.”

RESPONSE:

See the direct testimony and exhibits of John J. Spanos in Penn Power Statement No. 7, Exhibit JJS-14.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT I-A-4:

“Whenever a major generating plant is placed in operating service or removed from operating service the utility shall separately indicate the effect of the plant addition or removal from service upon rate base, revenue, expense, tax, income and revenue requirement as it affects the test year.”

RESPONSE:

This base rate case filing requirement is not applicable to the Company's filing.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT I-B-2:

“Provide a description of the property of the utility and an explanation of the system’s operation, and supply the following, using available projections if actual data is unavailable

- a. A schedule of generating capability showing for the test year, and for the two consecutive 12-month periods prior to the test year, net dependable capacity in KW by unit, plant capacity factor by unit, and total fuel consumption by type and cost for each unit, if available, or for each station, and operation and maintenance expenses by station.
- b. A schedule showing for the test year and for the 12-month period immediately prior to the test year the scheduled and unscheduled outages—in excess of 48 hours—for each station, the equipment or unit involved, the date the outage occurred, duration of the outage, maintenance expenses incurred for each outage, if available, and amounts reimbursable from suppliers or insurance companies.
- c. A schedule for each unit retired during the test year or subsequent to the end of the test year, which shows the unit’s KW capacity, hours of operation during the test year, net output generated, cents/KWH of maintenance and fuel expenses, and date of retirement
- d. A schedule showing latest projections of capacity additions and retirements—costs and KW—and reserve capacity at the time of peak for at least 10 years beyond the test year, including the in-service dates—actual or expected—and AFDC cutoff dates—if different from in-service dates—for all new generating units coming on line during or subsequent to the test year, if claimed.”

RESPONSE:

This base rate case filing requirement is not applicable to the Company’s filing.

PENNSYLVANIA POWER COMPANY

FILING REQUIREMENT III-B-5:

“Describe long-term debt reacquisition by issue by Company and Parent as follows:

- a. Reacquisition by issue by year.
- b. Total gain or loss on reacquisitions by issue by year.
- c. Accounting for gain or loss for income tax and book purposes.
- d. Proposed treatment of gain or loss on such reacquisition for ratemaking purposes.”

RESPONSE:

- a. Please see Penn Power Exhibit RAD-60 Attachment A.
- b. Please see Penn Power Exhibit RAD-60 Attachment A.

c. Tax Accounting:

Gains attributable to the reacquisition of long-term debt are recognized currently for income tax purposes in the year of reacquisition, which creates book-tax temporary differences. As a result of these temporary differences, the Company records deferred income taxes by means of debits to Account 190, Accumulated Deferred Income Tax Asset and credits to Account 411.1, Provision for Deferred Income Tax, Cr.- Utility Operating Income. Amounts recorded to Account 190 are reversed over the remaining life of the respective security issue consistent with book amortization of the gain by means of debits to Account 410.1 Provision for Deferred Income Taxes – Debit, Utility Operating Income

Gains and Losses on the reacquisition of long-term debt are deducted currently for income tax purposes in the year of reacquisition, which creates book-tax temporary differences. As a result of these temporary differences, the Company records deferred income taxes by means of debits to Account 410.1, Provision for Deferred Income Taxes, Utility Operating Income, with corresponding credits to Account 283, Accumulated Deferred Income Tax Liability. Amounts recorded in Account 283 are reversed over the remaining life of the respective security issue consistent with book amortization of the loss by means of credits to Account 411.1, Provision for Deferred Income Taxes – Credit, Utility Operating Income.

Book Accounting:

In accordance with General Instruction 17 of the Uniform System on Accounts, gains on reacquired debt are placed in Account No. 257 “Unamortized Gain on Reacquired Debt”. The gains are then amortized to Account No. 429.1 “Amortization of Gain on Reacquired Debt-Credit” over the remaining lives of the respective issues (old original debt).

In accordance with General Instruction 17 of the Uniform System of Accounts, losses on reacquired debt are placed in Account No. 189 “Unamortized Loss on Reacquired Debt”. The losses are then amortized to Account No 428.1 Amortization

of Loss on Reacquired Debt” over the remaining lives of the respective issues (old original debt).

- d. The gain on long-term debt reacquisitions are amortized to ratepayers over the remaining lives of the respective issues in accordance with the current accounting treatment as directed in General Instruction 17 of the Uniform System of Accounts, Penn Power Exhibit RAD-2 reflects the appropriate adjustment for the fully projected test year, the twelve months ending December 31, 2017.

PENNSYLVANIA POWER COMPANY

“Filing of information and materials – Whenever a public utility proposes a change in rates under section 1308 (relating to voluntary changes in rates), the public utility shall file with the commission a listing of each type of advertising prepared, distributed or presented by the public utility or to be prepared, distributed or presented during the test year utilized by the public utility in discharging its burden of proof, and a listing of each type of advertising prepared, distributed or presented by the utility during the year immediately preceding the test year, as well as an accounting of the expenditures by the public utility for such advertising, to the extent such advertising is proposed to be included as operating expense for ratemaking purposes. The filing requirements imposed by this subsection shall not be construed to limit the right of any party to discovery under this or any other provision of law.”

Summary of Advertising Expenses

Section 1316 of Title 66, Pa. Consolidated Statutes, addresses recovery of advertising expenses. In accordance with the filing requirements specified in § 1316(c), following is a listing of the types of advertising comprising the total advertising expenses for the fully future test year and the immediately preceding 2 years.

Pennsylvania Power Company
 Summary of Advertising Expenses
 (000's)

Line No	Description	12 months ended		
		December 31. 2017 Budget	December 31. 2016 Budget	December 31. 2015 Actual
	Customer Service			
	Informational &			
1	Instructional Advertising	\$ 129	\$ 129	\$ 42
2	Sales Advertising	7	7	8
3	A&G Advertising - General	-	-	-
4	Agency Support	50	47	6
5	Public relations	-	-	5
6	Printing	4	4	5
7	Miscellaneous	1	-	1
8	Total advertising	<u>\$ 191</u>	<u>\$ 187</u>	<u>\$ 67</u>

PENNSYLVANIA POWER COMPANY

PUC STATEMENT OF POLICY TITLE 52, SECTION 69.36

“The Pennsylvania Public Utility Commission intends to examine specific factors in rate proceedings of electric and gas utilities regarding the action or failure to act to encourage development of cost effective energy supply alternatives. Specifically, the Commission will review utilities’ efforts to meet the criteria in this section when determining just and reasonable rates in future rate proceedings and may consider those efforts in other proceedings instituted by the Commission

(1) *Information.* At least twice annually utilities should provide customers with information on specific means of utilizing their energy services more effectively and efficiently. Topic areas should include insulation, lighting efficiencies, appliance efficiencies, conservation practices, load management techniques or other relevant information that informs the customer of the efficient use of energy.

(2) *Energy surveys.* Class A utilities should offer onsite energy surveys to the residential, commercial and industrial classes on an ongoing basis. Surveys should be conducted by trained personnel and the results of the survey, upon written request of the customer, be delivered in writing with a clear explanation of the resulting components.

(3) *Cogeneration and small power production.* Electric utilities for which a need for capacity is projected should establish effective programs to explore and encourage the development of additional cogeneration and small power production facilities within their respective service territories.

(4) *Least cost planning.* Gas and electric utilities should actively pursue a least-cost strategy by acquiring and developing the resources necessary to effectively meet their customers’ future energy needs, consistent with established availability and reliability criteria. Utilities should make a reasonable effort to promote the utilization of practical and economical energy conservation and demand management through cost effective programs.

(5) *Evaluation.* Class A utilities should demonstrate progressive work regarding development of a reliable customer data base, including, but not limited to:

- (i) End-use applications for each class of customer in terms of energy and demand.
- (ii) Customer behavior with regard to the decision-making process.
- (iii) The impact of program decisions or strategies and how they effect the overall planning process.

6) *Natural gas co-firing.* Electric utilities should explore the potential for increasing capacity and output at coal-fired generating stations through gas co-firing”

RESPONSE:

- 1) Customer service representatives discuss these “Energy Efficient” topics with customers by referring to the “100 Ways to Improve Your Electric Bill” and “Understanding Electric Usage & Costs” brochures which provides energy saving information for most household electrical appliances and equipment. Representatives offer to either email or mail a copy of the brochures to customers. These “Energy Efficient” topics are also fully described and available 24/7 on the FirstEnergy website under the “Saving Energy” section at the following location:

http://www.firstenergycorp.com/help/saving_energy.html

In addition, on October 15, 2008, Governor Rendell signed HB 2200 into law as Act 129 of 2008¹, with an effective date of November 14, 2008. The Act imposes requirements on electric distribution companies (EDCs), with the overall goal of reducing energy consumption and demand. Act 129 directed all EDCs with at least 100,000 customers to develop and file an energy efficiency and conservation plan. The Company has filed and obtained approval for an Energy Efficiency and Conservation (“EE&C”) Plan that complies with Commission Orders². The EE&C plan contains numerous programs that are designed to promote, educate and achieve energy efficiency and conservation across all customer segments. Essential to the success of these are marketing and educational campaigns and outreach activities specific to each program that: (i) builds awareness and interest in the programs; (ii) communicates ways that customers may participate; and (iii) explains expected benefits and reasons for participating. Information about the EE&C programs available to customers is provided using a number of marketing channels such as, but not limited to, bill inserts, advertisements and the Company’s website at:

http://www.firstenergycorp.com/save_energy/save_energy_pennsylvania.html

- 2) Residential home energy surveys are conducted at no additional cost for income-eligible customers as part of the Low Income Usage Reduction Program known as “WARM” (Chapter 58). Income eligible customers who have lived at their residence at least 6 months are eligible for WARM. The WARM program home energy survey addresses ways to save electricity for customers who have electric heat, electric water heat, air conditioning or base load use. These surveys are conducted by Building Performance Institute Certified contractors hired by the Company. The program is

¹ 66 Pa.C.S. §§ 2806.1 and 2806.2

² Docket Nos. M-2009-2112956 and M-2012-2334395

open to both homeowners and renters with landlord agreement. As part of the home energy survey, contractors may perform pressure diagnostic testing using a blower door and manometers to determine where there is air leakage in the home. They also test ducts, conduct combustion safety testing and monitor electricity use of various appliances such as refrigerators and freezers for possible replacement. A personalized partnership agreement and energy-saving strategy for the home and occupants are provided as part of the program.

In addition, residential customers may also participate in the Company's Act 129 energy audit program. Under this program, comprehensive home energy audits are conducted by trained local contractors hired by the Company's Conservation Service Provider for a fee up to \$350. Customers who participate in this program receive a comprehensive home energy audit which is designed to provide information on how to reduce their energy usage and increase their home's comfort and energy efficiency. Participating customer's qualify for up to \$250 in rebates towards the cost of a comprehensive residential energy audit and qualified retrofits.

Residential customers can also complete the Company's Home Energy Analyzer online tool at http://www.firstenergycorp.com/content/customer/save_energy/save_energy_pennsylvania/for_your_home/pa_home_energy_analyzer.html to save energy and money. The tool enables customers to gain a better understanding of their household energy use and identify ways to improve their efficiency.

Similar to residential customers, business customers can complete the Business Energy Analyzers online tool at https://www.firstenergycorp.com/content/customer/save_energy/save_energy_pennsylvania/for_your_business/pennsylvania_businessenergyanalyzer.html. The tool will enable business customers to gain a better understanding of their energy use and identify ways to improve their efficiency.

The Company also promotes detailed energy audits for commercial and industrial customers under the Company's Act 129 programs. Customers who implement recommended building and/or system improvements are eligible for incentives towards the cost of the third party audit and qualifying audit recommended improvements.

- 3) All capacity requirements are secured through Commission approved default service plans.
- 4) Penn Power's least-cost strategy is detailed in its Annual Resource Planning Report filed with the Commission pursuant to the requirements of 52 Pa Code §§ 57.141 – 57.153. Penn Power's most recent filing, dated April 30, 2015, will be provided upon request to interested parties.

- 5) See the direct testimony of Kevin M. Siedt, Penn Power Statement No. 3.
- 6) This filing requirement is not applicable to the Company's filing.

PENNSYLVANIA POWER COMPANY
Distribution Storm Costs
2011 - 2017

<u>Line No.</u>	<u>Year</u>	<u>Storm Costs</u>
1	2011	807,975
2	2012	887,519
3	2013	1,529,754
4	2014	2,707,079
5	2015	2,520,597
6	2016 - Budget	936,000
7	2017 - Budget	936,000

Pennsylvania Power Company
Updated Legacy Meters and Associated Cost of Removal to be Recovered

<u>Line No.</u>		<u>Penn Power</u>
1	Legacy Meters currently in Base Rates	\$ 9,704
2	Cost of Removal of Legacy Meters currently in Base Rates	<u>1,093</u>
3	Total Legacy Meters and Cost of Removal in Base Rates (Line 1 + Line 2)	\$ 10,797
4	Total Legacy Meters currently in Regulatory Assets	\$ 8,373
5	Legacy Meters costs to be included in these Base Rate Cases (Line 4 - Line 1)	\$ (1,332)
6	Additional Cost of Removal of Legacy Meters to be included in these Base Rate Cases	<u>(179)</u>
7	Additional Legacy Meters and Cost of Removal in these Base Rate Cases (Line 5 + Line 6)	\$ (1,510)
8	Total Legacy Meters and Cost of Removal to be recovered in rates by April 2020 (Line 3 + Line 7)	\$ 9,287
9	Amount Amortized by January 2017*	<u>3,779</u>
10	Total Unrecovered Legacy Meters and Cost of Removal at December 2016 to be recovered in these Base Rate Cases by April 2020 (Line 8 - Line 9)	<u>\$ 5,508</u>
11	Annual Amortization of Legacy Meters and Cost of Removal in Regulatory Assets (Line 10 / 39 X 12)	<u>\$ 1,695</u>
12	Less: Amortization of Legacy Meters in Budget	\$ 2,159
13	Normalized Amortization for Legacy Meters and COR	<u>\$ (464)</u>

* when proposed rates are expected to be implemented

Penn Power Company
Bonus Depreciation Tax Adjustments
Year 2015, 2016, 2017

The Pennsylvania adjustment decreases state taxable income on prior bonus depreciation vintages and increases state taxable income on the current vintage bonus depreciation amount taken on the federal return. In the prior rate case bonus depreciation was not projected in the outer years since bonus depreciation rules were not extended at the time. In 2015 bonus depreciation rules were extended through 2019 and is reflected in the budget. The bonus amount projected for the current year vintage in tax years 2015, 2016, and 2017 is greater than the additional Pennsylvania tax depreciation being calculated on the prior year bonus vintages creating a net increase to state taxable income. The prior case only had additional Pennsylvania tax depreciation being calculated on the prior year bonus vintages creating a decrease to state taxable income.

Line No.	Year (1)	Addition to State Taxable Income			Subtraction to State Taxable Income			Additional PA Depreciation plus Adj for Sale (8) = (5) + (6) + (7)
		Federal Depreciation 168(K) Property (2)	Current Year Bonus Depreciation (3)	Total Bonus Depreciation (4) = (2) - (3)	Additional PA Depreciation (5) = (4) X (3/7)	Other Adj (6)	Adj for Sale of 168(k) Property (7)	
1	2015	\$ 29,301,911	\$ 21,600,399	\$ 7,701,512	\$ 3,300,648	\$ -	\$ -	\$ 3,300,648
2	2016	29,991,305	19,930,532	10,060,773	4,311,760	-	-	4,311,760
3	2017	26,368,100	16,249,637	10,118,463	4,336,484	-	-	4,336,484

**Pennsylvania Power Company
 Comparative Income Statements
 Budget to Actuals
 (In thousands)**

FERC Account	Budget Filed in 2014 General Base Rate Case for 12 months ending	Actuals for 10 months ending	Current Budget for 2 months ending	Total 12 months ending	Difference for 12 months ending	
	April 30, 2016 (1)	February 29, 2016 (2)	April 30, 2016 (3)	April 30, 2016 (4) = (2) + (3)	April 30, 2016 (5) = (4) - (1)	
Operating Expenses						
401-2	Operation and maintenance expense	\$ 75,522	\$ 116,827	\$ 25,681	\$ 142,508	\$ 66,987
	Power production expenses	5,974	2,802	690	3,492	(2,482)
	Transmission expenses	22	3	-	3	(18)
	Regional market expenses	14,242	10,982	2,611	13,593	(649)
	Distribution expenses	4,823	5,549	1,257	6,806	1,984
	Customer accounts expense	11,585	7,873	1,856	9,729	(1,855)
	Customer service & information expense	7	10	4	14	8
	Sales expenses	11,385	12,768	2,385	15,153	3,769
	Administrative & general expenses	123,558	156,815	34,485	191,300	67,741
	Subtotal	\$ 14,523	\$ 60,696	\$ 2,486	\$ 63,182	\$ 48,659
403	Depreciation expense	841	3,837	218	4,054	3,214
404-5	Amortization and depletion of utility plant	-	-	-	-	-
406	Amortization and utility plant acq. adjustment	-	-	-	-	-
407	Amortization of property losses	-	-	-	-	-
407.3	Regulatory debits	(2,715)	53,604	654	54,258	56,973
407.4	Regulatory credits	583	(7,722)	(301)	(8,023)	(8,607)
408.1	Taxes other than income taxes	12,216	51,690	2,772	54,462	42,246
411.1	Accretion expense	18	(433)	-	(433)	(451)
411.8	Gains from disposition allowance	-	-	-	-	-
	Total operating expenses before federal and state income taxes	\$ 149,023	\$ 318,486	\$ 40,313	\$ 358,799	\$ 209,776
	Net operating income before income taxes	\$ 32,097	\$ (26,756)	\$ 5,636	\$ (21,120)	\$ (53,217)
Power Production Expenses						
Steam Power Generation						
Operation						
501	Fuel	\$ -	\$ -	\$ -	\$ -	\$ -
514	Maintenance of miscellaneous steam plant	-	-	-	-	-
	Total operation	\$ -	\$ -	\$ -	\$ -	\$ -
	Total steam power generation	\$ -	\$ -	\$ -	\$ -	\$ -
Nuclear Power Generation						
Operation						
518	Fuel	\$ -	\$ -	\$ -	\$ -	\$ -
	Miscellaneous nuclear power expenses	-	-	-	-	-
	Total operation	\$ -	\$ -	\$ -	\$ -	\$ -
	Total nuclear power generation	\$ -	\$ -	\$ -	\$ -	\$ -
Other Power Generation						
Operation						
549	Miscellaneous other power generation expenses	\$ -	\$ -	\$ -	\$ -	\$ -
	Total operation	\$ -	\$ -	\$ -	\$ -	\$ -
	Total other power generation	\$ -	\$ -	\$ -	\$ -	\$ -
Other Power Supply Expenses						
555	Purchased Power	\$ 75,519	\$ 116,807	\$ 25,674	\$ 142,481	\$ 66,962
556	System control and load dispatching	-	-	-	-	-
557	Other expenses	3	20	8	27	24
	Total other power supply expenses	\$ 75,522	\$ 116,827	\$ 25,681	\$ 142,508	\$ 66,987
	Total power production expenses	\$ 75,522	\$ 116,827	\$ 25,681	\$ 142,508	\$ 66,987
Transmission Expenses						
Operation						
560	Operation supervision and engineering	\$ -	\$ 1	\$ 0	\$ 1	\$ 1
561	Load dispatching	122	(2,186)	1	(2,185)	(2,307)
562	Station expenses	-	3	-	3	3
563	Overhead lines expense	-	6	-	6	6
564	Underground lines expenses	-	-	-	-	-
565	Transmission of electricity by others	5,715	4,784	650	5,434	(280)
566	Miscellaneous transmission expenses	83	33	2	35	(48)
567	Rents	-	-	-	-	-
	Total operation	\$ 5,920	\$ 2,641	\$ 653	\$ 3,295	\$ (2,625)
Maintenance						
568	Maintenance supervision and engineering	\$ 4	\$ 9	\$ 3	\$ 12	\$ 9
569	Maintenance of structures	53	30	18	49	(4)
570	Maintenance of station equipment	3	1	1	1	(2)
571	Maintenance of overhead lines	(11)	88	14	103	114
572	Maintenance of underground lines	-	33	-	33	33
573	Maintenance of miscellaneous transmission plant	5	(1)	-	(1)	(6)
	Total maintenance	\$ 54	\$ 161	\$ 37	\$ 197	\$ 143
	Total transmission expenses	\$ 5,974	\$ 2,802	\$ 690	\$ 3,492	\$ (2,482)

**Pennsylvania Power Company
 Comparative Income Statements
 Budget to Actuals
 (In thousands)**

FERC Account	Budget Filed in 2014 General Base Rate Case for 12 months ending	Actuals for 10 months ending	Current Budget for 2 months ending	Total 12 months ending	Difference for 12 months ending	
	April 30, 2016 (1)	February 29, 2016 (2)	April 30, 2016 (3)	April 30, 2016 (4) = (2) + (3)	April 30, 2016 (5) = (4) - (1)	
Regional Market Expenses						
Operation						
575	Operation-regional market expense	\$ 22	\$ 3	\$ -	\$ 3	\$ (18)
	Total operation	\$ 22	\$ 3	\$ -	\$ 3	\$ (18)
Maintenance						
576	Maintenance-regional market expense	\$ -	\$ -	\$ -	\$ -	\$ -
	Total maintenance	\$ -	\$ -	\$ -	\$ -	\$ -
	Total regional market expenses	\$ 22	\$ 3	\$ -	\$ 3	\$ (18)
Distribution Expenses						
Operation						
580	Operation supervision and engineering	\$ -	\$ 7	\$ -	\$ 7	\$ 7
581	Load dispatching	-	-	-	-	-
582	Station expenses	-	31	-	31	31
583	Overhead lines expense	-	108	-	108	108
584	Underground lines expenses	555	54	93	148	(407)
585	Street lighting and signal system expenses	-	-	-	-	-
586	Meter expenses	86	55	9	64	(22)
587	Customer installation expenses	-	-	-	-	-
588	Miscellaneous expenses	958	(1,239)	238	(1,001)	(1,959)
589	Rents	321	298	53	351	30
	Total operation	\$ 1,920	\$ (686)	\$ 394	\$ (292)	\$ (2,212)
Maintenance						
590	Maintenance supervision and engineering	\$ 95	\$ 95	\$ 12	\$ 107	\$ 12
591	Maintenance of structures	-	-	-	-	-
592	Maintenance of station equipment	514	788	(39)	749	235
593	Maintenance of overhead lines	11,004	9,415	2,086	11,500	496
594	Maintenance of underground lines	(15)	362	8	370	385
595	Maintenance of line transformers	-	22	8	30	30
596	Maintenance of street lighting and signal systems	1	244	-	244	243
597	Maintenance of meters	379	470	47	516	138
598	Maintenance of miscellaneous distribution plant	345	362	96	457	113
	Total maintenance	\$ 12,322	\$ 11,668	\$ 2,217	\$ 13,885	\$ 1,563
	Total distribution expenses	\$ 14,242	\$ 10,982	\$ 2,611	\$ 13,593	\$ (649)
Customer Account Expenses						
Operation						
901	Supervision	\$ -	\$ 0	\$ -	\$ 0	\$ 0
902	Meter reading expenses	1,547	1,299	208	1,506	(41)
903	Customer records and collection expenses	1,626	1,587	266	1,853	227
904	Uncollectible accounts	1,610	2,531	756	3,287	1,676
905	Miscellaneous customer accounts expense	39	133	27	160	121
	Total customer accounts expense	\$ 4,823	\$ 5,549	\$ 1,257	\$ 6,806	\$ 1,984
Customer Service and Informational Expenses						
Operation						
907	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -
908	Customer assistance expenses	9,957	6,723	1,595	8,317	(1,640)
909	Informational and instructional expenses	129	35	20	55	(74)
910	Miscellaneous customer service and informational expenses	1,498	1,365	241	1,607	108
	Total customer service and informational expense	\$ 11,585	\$ 7,873	\$ 1,856	\$ 9,729	\$ (1,855)
Sales Expenses						
Operation						
911	Supervision	\$ -	\$ 4	\$ 3	\$ 7	\$ 7
912	Demonstrating and selling expenses	-	-	-	-	-
913	Advertising expenses	7	7	1	8	1
916	Miscellaneous sales expenses	-	-	-	-	-
	Total sales expenses	\$ 7	\$ 10	\$ 4	\$ 14	\$ 8
Administrative and general expenses						
Operation						
920	Administrative and general salaries	\$ 101	\$ (311)	\$ 7	\$ (304)	\$ (405)
921	Office supplies and expense	489	478	65	543	54
922	Administrative expenses transferred-credit	(900)	(1,533)	-	(1,533)	(633)
923	Outside services employed	9,935	7,505	1,859	9,364	(571)
924	Property insurance	26	23	5	28	2
925	Injuries and damages	186	241	51	292	106
926	Employee pensions and benefits	94	5,059	172	5,230	5,137
927	Franchise requirements	-	-	-	-	-
928	Regulatory commission expenses	583	583	135	718	135
929	Duplicate charges - credit	-	-	-	-	-
930.1	General advertising expenses	1	21	1	22	21
930.2	Miscellaneous general expenses	191	408	30	438	247
931	Rents	347	100	0	101	(247)
	Total administrative and general expenses	\$ 11,054	\$ 12,574	\$ 2,324	\$ 14,899	\$ 3,845

Pennsylvania Power Company
 Comparative Income Statements
 Budget to Actuals
(In thousands)

FERC Account	Budget Filed in 2014	Actuals for	Current	Total	Difference for
	General Base Rate Case for 12 months ending April 30, 2016	10 months ending February 29, 2016	Budget for 2 months ending April 30, 2016	12 months ending April 30, 2016	12 months ending April 30, 2016
	(1)	(2)	(3)	(4) = (2) + (3)	(5) = (4) - (1)
Maintenance					
935 Maintenance and general plant	\$ 331	\$ 194	\$ 61	\$ 255	\$ (76)
Total maintenance	\$ 331	\$ 194	\$ 61	\$ 255	\$ (76)
Total administrative and general expenses	\$ 11,385	\$ 12,768	\$ 2,385	\$ 15,153	\$ 3,769
Total electric operation and maintenance expenses	\$ 123,558	\$ 156,815	\$ 34,485	\$ 191,300	\$ 67,741

Pennsylvania Power Company
Comparison of Plant Additions from Base Rate Case West Penn Exhibit RAD-46
vs. Actuals for May 2015 - February 2016 plus Updated Budget for March-April 2016 (10 +2)
At April 30, 2016

<u>Line No.</u>	<u>FERC Account</u>	<u>Description</u>	<u>10 months Actual plus 2 months Budget</u> (1)	<u>12 months 2014 Rate Case Budget</u> (2)	<u>Differences</u> (3) = (1) - (2)
NONDEPRECIABLE PLANT					
Intangible Plant					
1	301	Organization	\$ -	\$ -	\$ -
2	302	Franchise And Consents	-	-	-
3		Total Intangible Plant	\$ -	\$ -	\$ -
Land					
4	350.11	Transmission Substations	\$ -	\$ -	\$ -
5	350.21	Transmission Lines	-	-	-
6	360.11	Distribution Substations.	(160)	-	(160)
7	360.21	Distribution Lines	-	-	-
8	389.1	General	-	-	-
9		Total Land	\$ (160)	\$ -	\$ (160)
10		TOTAL NON-DEPRECIABLE PLANT	\$ (160)	\$ -	\$ (160)
INTANGIBLE PLANT					
11	303	Misc. Intangible Plant	\$ 1,042,617	\$ 106,322	\$ 936,295
12	303	Smart Meter Software	2,116,280	3,209,111	(1,092,831)
13		TOTAL INTANGIBLE PLANT	\$ 3,158,897	\$ 3,315,433	\$ (156,536)
NUCLEAR PRODUCTION					
14	326	Nuclear Production	\$ -	\$ -	\$ -
15		Asset Retirement Costs Nuclear	-	-	-
15		TOTAL NUCLEAR PRODUCTION	\$ -	\$ -	\$ -
TRANSMISSION PLANT					
TRANSMISSION PLANT					
16	350.12	Easements - Trans. Subs.	\$ -	\$ -	\$ -
17	350.22	Easements - Trans. Lines	-	-	-
18	352.1	Structures, Improvements	(62)	-	(62)
19	352.2	Clearing, Grading Of Land	-	-	-
20	353	Station Equipment	24,097	84,844	(60,747)
21	354	Towers And Fixtures	-	-	-
22	355	Poles And Fixtures	234,813	55,136	179,678
23	356.1	Overhd Conductr, Devices	262,613	-	262,613
24	356.2	Clearing, Grading of Land	-	-	-
25	357	Underground Conduit	-	-	-
26	358	Undergrnd Conductr, Devices	-	-	-
27	359	Roads And Trails	-	-	-
28		TOTAL TRANSMISSION PLANT	\$ 521,460	\$ 139,979	\$ 381,481
DISTRIBUTION PLANT					
29	360.12	Easements - Dist. Subs.	\$ -	\$ -	\$ -
30	360.22	Easements - Dist. Lines	-	-	-
31	361.1	Structures, Improvements	133,243	-	133,243
32	361.2	Clearing, Grading of Land	-	1,415,183	(1,415,183)
33	362	Station Equipment	10,313,665	-	10,313,665
34	364	Poles, Towers And Fixtures	5,174,374	-	5,174,374
35	365	Overhd Conductr, Devices	7,145,268	-	7,145,268
36	365.1	Clearing, Grading of Land	2,670,752	-	2,670,752
37	366	Underground Conduit	111,323	-	111,323
38	367	Undergrnd Conductr, Devices	3,892,911	16,516,919	(12,624,008)
39	368	Line Transformers	4,265,158	-	4,265,158
40	369	Services	913,689	-	913,689
41	370	Meters	530,407	-	530,407
42	370	Smart Meters 10 yr	298	12,290,882	(12,290,583)
43	370	Smart Meters 15 yr	18,010,975	-	18,010,975
44	371	Inst. On Cust. Prem.	39,806	-	39,806
45	373.1	Street Light - Oh, Ug Lines	191,607	-	191,607
46	373.2	Street Light - ESIP	441,348	-	441,348
47	374	ARC Distribution	-	-	-
48		TOTAL DISTRIBUTION PLANT	\$ 53,834,825	\$ 30,222,984	\$ 23,611,841
GENERAL PLANT					
49	389.2	Easements	\$ -	\$ -	\$ -
50	390.1	Structures, Improvements	(308)	-	(308)
51	390.2	Clearing, Grading of Land	-	-	-
52	390.3	Struct Imprv, Leasehold Imp	-	-	-
53	391.1	Office Fum., Mech. Equip.	(3)	-	(3)
54	391.2	Data Processing Equipment	126,415	-	126,415
55	391.25	Data Proc Smart Meters	1,038,285	946,226	92,059
56	392	Transportation Equipment	380,692	-	380,692
57	393	Stores Equipment	-	-	-
58	394	Tools, Shop, Garage Equip.	33,873	-	33,873
59	395	Laboratory Equipment	(13)	-	(13)
60	396	Power Operated Equipment	(268)	-	(268)
61	397	Communication Equipment	370,727	103,422	267,305
62	398	Misc. Equipment	(5)	-	(5)
63	399.1	ARC General Plant	-	-	-
64		TOTAL GENERAL PLANT	\$ 1,949,395	\$ 1,049,648	\$ 899,748
65		TOTAL	\$ 59,464,418	\$ 34,728,044	\$ 24,736,374

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA POWER COMPANY
DOCKET NO. R-2016-2537355**

**Direct Testimony
of
Kevin M. Siedt**

List of Topics Addressed

**Sales and Revenue Normalization
Rate Design
Customer Impact Analysis
Proof of Revenue Analysis and Bill Comparisons
Tariff Revisions**

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**DIRECT TESTIMONY
OF
KEVIN M. SIEDT**

4 **I. INTRODUCTION AND BACKGROUND**

5 **Q. Please state your name and business address.**

6 A. My name is Kevin M. Siedt. My business address is 2800 Pottsville Pike, Reading,
7 Pennsylvania 19612.

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by FirstEnergy Service Company as a Consultant in the Rates and
10 Regulatory Affairs Department – Pennsylvania.

11 **Q. What are your responsibilities as a Consultant?**

12 A. Generally, the Rates and Regulatory Affairs Department - Pennsylvania provides
13 regulatory support for the Pennsylvania electric utility subsidiaries of FirstEnergy Corp.
14 (“FirstEnergy”), which include Pennsylvania Power Company (“Penn Power” or the
15 “Company”). As a Consultant in the Rates and Regulatory Affairs Department, my
16 responsibilities with respect to Penn Power are to support the development, preparation,
17 and presentation of the Company’s retail electric rate design and related rules and
18 regulations, and ensure the uniform administration and interpretation in all the
19 Company’s rate-related matters before the Pennsylvania Public Utility Commission
20 (“Commission”). I also am responsible for, among other things, default service plan
21 development and implementation, recovery of non-utility generation costs, regulatory
22 program cost recovery and other financial matters.

1 **Q. What is your educational background and work experience?**

2 A. I obtained a Master's Degree in Business Administration from Moravian College in 1994.
3 I am also a graduate of Rowan University where I received a Bachelor of Science Degree
4 with a major in Accounting and Finance in 1984. My work experience is more fully
5 described in Appendix A to this testimony.

6 **Q. On whose behalf are you testifying in this proceeding?**

7 A. I am testifying on behalf of Penn Power.

8 **Q. What is the purpose of your direct testimony?**

9 A. My testimony addresses: (i) the annualization and normalization of sales and revenues
10 used in the Company's cost of service studies; (ii) the rate design methodology used to
11 develop the distribution rates proposed in this proceeding; (iii) a customer impact
12 analysis, which compares bills at current and proposed rates; (iv) a proof of revenue
13 analysis; and (v) changes to Penn Power's Electric Service tariff.

14 **Q. Have you prepared and are you sponsoring exhibits to accompany your testimony?**

15 A. Yes. As discussed in more detail later in my testimony, I am sponsoring Exhibits KMS-1
16 through KMS-8 for the Company, which were prepared by me or under my supervision.

17 The subjects addressed in each of these exhibits are summarized below:

18 **KMS-1** This exhibit consists of Attachments A, B and C, reflecting normalized
19 sales and revenues for the test years ending December 31, 2017,
20 December 31, 2016, and December 31, 2015, respectively

21 **KMS-2** Summary of Present and Proposed Distribution Revenues

22 **KMS-3** Customer Charge Analysis

- 1 **KMS-4** Proof of Revenues Analyses
- 2 **KMS-5** Customer Impact Analyses
- 3 **KMS-6** Cost and Proposed Base Rate Revenue Curves
- 4 **KMS-7** Matrix of Tariff changes
- 5 **KMS-8** Responses to the certain Commission filing requirements as specified
- 6 by 52 Pa. Code §§ 53.52 and 53.53.

7 In addition, I am sponsoring modifications to the rate schedules and to certain of the
8 riders in the Company’s proposed tariff, which are discussed further in this testimony.

9 **II. ENERGY SALES AND REVENUE NORMALIZATIONS**

10 **Q. What was the basis for developing the Company’s claims for energy sales, demand**
11 **and base rate revenue for the fully projected future test year (“FPFTY”)?**

12 A. The starting point for the Company’s claims was the budget forecast of energy sales,
13 demand and base rate revenue for the twelve months ending December 31, 2017. The
14 budget forecast was developed by reviewing current customer consumption data,
15 conducting appliance saturation surveys and analyzing actual historical customer usage
16 for the past several years to identify patterns and trends. That information was used to
17 develop detailed projections of the actual billing determinants (number of customers,
18 demand (in kilowatts (“kW”)) and energy (in kilowatt hours (“kWh”)) for each rate
19 schedule. The actual charges for each component of each rate schedule were applied to
20 the applicable billing determinants (customers, kW or kWh) to project the revenue to be
21 billed under each rate schedule by month for the FPFTY. This detailed process assures
22 that revenue under proposed rates can be directly tied in to the billing determinants
23 underlying the Company’s revenues under existing rates that are used to calculate its
24 revenue deficiency in this case.

1 **Q. In developing the Company’s revenue claims in this case, were the budget**
2 **projections and, specifically, the application of rates to the projected billing**
3 **determinants reviewed for computational accuracy?**

4 A. Yes. The budget forecasts were found to be very accurate. Penn Power only made
5 normalization adjustments that were consistent with the Commission’s filing
6 requirements.

7 **Q. Did you make any other adjustment to reflect normalized sales?**

8 A. Yes, I made an adjustment to reflect the impact of the expanding use of light-emitting
9 diode (“LED”) street lighting. In its last base rate case, the Company proposed and the
10 Commission approved a new service offering and rate schedule for the installation of
11 LED street lighting. As I previously explained, the 2017 budget, which formed the basis
12 for the FPFTY level of energy sales, demand and base rate revenue, reflects the effects of
13 the current level of LED street lighting installations. Nonetheless, based on the current
14 pace at which LED installations are taking place, it is anticipated that there will be a
15 materially larger number of LED fixtures installed by the end of the FPFTY than is
16 reflected in the 2017 budget forecast. To a very large extent, the LED fixtures are
17 replacing existing sodium vapor and mercury vapor street lighting fixtures. Because
18 LED lighting distribution rates were set at a price lower than the distribution rates for the
19 lights that are being replaced, it is necessary to make a normalization adjustment to
20 reflect the lower level of revenue that will result from the expanded use of LED street
21 lighting.

1 **Q. Were any adjustments made to the budget forecast data to present energy sales,**
2 **demand and base rate revenue on a ratemaking basis?**

3 A. Yes. Adjustments for ratemaking purposes were made to annualize and normalize the
4 budget data. Annualization is the process of adjusting budgeted sales and revenues
5 projected to be billed over a full test year to reflect the level of sales and revenues as of
6 the end of the test year. In that way, pro forma sales and revenues are stated on a basis
7 that properly reflects sales and revenues to be experienced going forward. Normalization
8 is the process of adjusting budgeted sales and revenues to remove outliers and anomalies
9 from the test year data. Thus, unusual events and one-time effects are “normalized” to
10 reflect ongoing conditions.

11 **Q. Have you prepared an exhibit setting forth annualized and normalized sales and**
12 **revenues?**

13 A. Yes, I have. Annualized and normalized sales and revenues are presented in Attachments
14 A through C of Exhibit KMS-1 for the twelve months ending December 31, 2017,
15 December 31, 2016, and December 31, 2015, respectively. Summaries of the Company’s
16 distribution revenues under existing and proposed rates are provided in Exhibit KMS-2.
17 The principal adjustments to the budget forecast data were made to annualize the sales
18 and revenue effect of customers added during the test year and to normalize and
19 annualize sales levels to reflect reductions attributable to measures that have been or will
20 be implemented under the Company’s Commission-approved Phase III Energy

1 Efficiency and Conservation (“EE&C”) Plans, which were adopted pursuant to Section
2 2806.1 of the Pennsylvania Public Utility Code¹.

3 **Q. Please describe the adjustment made to budget forecast data for the twelve months**
4 **ending December 31, 2017 to annualize revenues for changes in the number of**
5 **customers.**

6 A. In accordance with the Commission’s filing requirements, an adjustment was made to
7 annualize energy usage and demand for the difference between the monthly average
8 number of customers forecasted for the FPFTY and the number of customers forecasted
9 for the end of the FPFTY. Usage (kWh) and demand (kW) forecasted for the FPFTY
10 were divided by the monthly average number of customers at mid-month (for each
11 month) to calculate the average usage and average billed demand per customer. The
12 average usage (in kWh) and average demand (in kW) per customer were multiplied by
13 the difference between the monthly average number of customers and the number of
14 customers forecasted for the end of the test year to determine the additional kWh and kW
15 to be added to the budget forecast to annualize sales and revenue.

16 The additional revenues attributable to the customer annualization were calculated by
17 multiplying the additional billing determinants (customers, kW or kWh) derived from the
18 customer annualization by the applicable customer, demand or energy charges. This
19 calculation is shown in Exhibit KMS-1, Attachment A, page 3, column 12.

20 **Q. Please describe the adjustments made to budget forecast data for the twelve months**
21 **ending December 31, 2017 to normalize and annualize revenues for conservation**

¹ 66 Pa.C.S. § 101, et seq.

1 **measures implemented or to be implemented pursuant to the Company's EE&C**
2 **Phase III Plan.**

3 A. The energy sales that were forecasted by rate schedule for the FPFTY reflect anticipated
4 usage reductions from energy efficiency measures implemented in accordance with the
5 Company's Commission-approved Phase III EE&C Plan. The forecasted reductions are
6 reflected by month from January 1, 2017 through December 31, 2017. The revenue
7 reductions for the entire FPFTY were calculated by annualizing the usage reduction
8 targets that the Company must achieve by the end of its Phase III EE&C Plan (May 31,
9 2021). The annualized amount was netted against the monthly savings already included
10 in the FPFTY sales forecast to derive the additional energy efficiency normalization
11 adjustment. The same approach was used to annualize and normalize behind-the-meter
12 generation to derive a total energy efficiency normalization adjustment. The revenue
13 effect of the annualization was calculated by multiplying the annualized energy
14 efficiency sales reductions by the average rate per customer by rate schedule.

15 **III. RATE DESIGN**

16 **Q. What considerations, concepts and objectives underlie the rate designs proposed by**
17 **the Company?**

18 A. The following general principles were employed in designing the proposed rates:

- 19 • Rates must be designed to produce revenues equal to the Company's revenue
20 requirement at the appropriate billing determinants.
- 21 • Rates should be designed to properly reflect cost causation and, in that regard, the
22 results of a cost of service study are used as a guide.

- Rates generally should be designed, if practicable, to move revenues for each rate schedule (or in some instances, customer classes consisting of aggregated rate schedules) toward that schedule's cost of service, giving due regard to factors such as gradualism, economic efficiency, relative ease or difficulty of administration, and customer understandability.

In addition to the general principles I just described, the Company determined that in developing its proposed rates, it should strive to achieve the following objectives:

- There should be a unified distribution rate design for all four of the FirstEnergy electric utilities that furnish service in Pennsylvania, given that the Companies are managed on a consistent basis with a uniform set of business processes.
- The rate design should give due consideration to the fact that distribution service has now been fully unbundled for ratemaking purposes.
- All else being equal, distribution rates should reflect customer demand rather than energy usage. This is because distribution costs are driven predominantly by investment in fixed assets, which does not vary with a customer's energy usage.
- With the implementation of the Company's Commission-approved Smart Meter Deployment Plan and the significant investment in smart meter technology that the Plan requires, the Company's rate design should incorporate the functionality that smart meters provide to accurately measure demand.
- Reconcilable adjustment clauses, set forth in riders to the Company's base rates, should be used to recover certain costs that are volatile in nature and generally not

1 under the Company's control, consistent with the criteria for adjustment clauses
2 established under Section 1307 of the Public Utility Code.

3 **Q. What role did the results of the cost of service study play in designing the proposed**
4 **distribution rates?**

5 A. The cost of service study for the Company was prepared by Thomas Dolezal and is
6 described in Penn Power Statement No. 4. The results of the cost of service study were
7 the starting point for designing the proposed distribution rates. However, the final rate
8 designs for the distribution rates that I am recommending also incorporate the rate design
9 principles and objectives that I previously described, as well as my experience in
10 designing utility rates.

11 **Q. How did you design the proposed distribution rates?**

12 A. I began by reviewing the rates of return produced by the various rate schedules under
13 current rates and the FPFTY level of revenue requirement. The rate schedules exhibit a
14 range of returns from positive to negative. The divergent class returns provide an
15 indication, based on a snapshot at a specific moment in time, of the general magnitude of
16 interclass subsidies that exist among rate classes under current rates. Based upon the
17 Company's overall retail rate of return, the cost of service study shows that certain rate
18 schedules are producing less than the Company's overall rate of return, while others are
19 producing rates of return in excess of it.

20 Next, I reviewed the revenue that each rate schedule would have to produce to achieve a
21 rate of return equal to the Company's overall rate of return under the proposed
22 distribution rates. This level of revenue shows the magnitude of the rate changes

1 necessary to move each rate schedule to its cost of service as indicated by the cost of
2 service study.

3 While movement toward cost of service is an important element in designing rates, it is
4 not the only factor that must be considered. For instance, the impact on customers' bills
5 from implementing a range of potential rate increases must be carefully evaluated.

6 Establishing rates for each rate schedule that produce a retail rate of return equal to the
7 Company's overall rate of return is the theoretical target of the rate design process.

8 However, the Company understands that bringing some of the rate schedules to their
9 indicated cost of service would impose rate decreases for some and/or potentially
10 disruptive rate increases for others. The proposed rate design, therefore, properly applies
11 the principle of gradualism to mitigate customer impact.

12 **Q. Has a table been prepared that shows the rates of return under existing and**
13 **proposed rates by rate schedule for the Company?**

14 A. Yes. Such tables are set forth in Mr. Dolezal's direct testimony. That table also shows
15 the unitized rates of return ("UROR") for each rate schedule. The UROR of a rate class
16 is the class rate of return divided by the Company's overall average rate of return. A
17 class UROR greater than 1.0 indicates that the class revenue exceeds the class cost of
18 service. A class UROR less than 1.0 indicates that the class revenue is less than the class
19 cost of service. URORs are used as a guide to measure the progress that changes in rates
20 will achieve in moving classes toward a UROR of 1.0 or "unity," which is generally
21 accepted as a desirable goal in rate design, subject to those other rate design factors that I
22 previously discussed.

1 **Q. Were any specific criteria used in determining how much progress should be made**
2 **in moving specific rate schedules toward unity, or cost of service?**

3 A. Yes. In order to implement the concept of gradualism as applied to the guidance
4 provided by the results of the Company's cost of service study, two general criteria were
5 developed. The first criterion was that no customer class would experience, on average,
6 an increase of more than 20% of total revenue assuming customers were taking default
7 service. The second criterion was a benchmark calculated by reference to total
8 distribution revenues. Specifically, for each rate schedule, the Company calculated two
9 percentages, as follows: (1) revenue equal to the rate schedule's cost of service divided
10 by total-Company distribution revenue under existing rates; and (2) revenue under the
11 rate schedule's existing rates divided by total-Company distribution revenue under
12 existing rates. The average of those two percentages became a target, such that revenue
13 produced by each rate schedule under the proposed rates, expressed as a percentage of
14 total-Company distribution revenue under proposed rates, would approximate the target
15 percentage.

16 **Q. Turning to the design of specific rates, please describe, in general, the changes the**
17 **Company proposes to its existing Residential rate schedules.**

18 A. The Residential rates were designed to recover the targeted level of revenues for that
19 class. The Company proposes that the customer charge be increased by a larger
20 percentage than the overall revenue increase for the class to better reflect actual
21 customer-related costs. The amount of the increase is based on the analysis of customer-
22 related costs that has been prepared and is provided as Penn Power Exhibit KMS-3. The
23 Company's customer-related cost analysis was performed in the same manner as the

1 comparable customer-cost analysis presented by PPL Electric Company in its 2012
2 electric base rate case, where that analysis was approved and used as the basis for the
3 increase in customer charges that the Administrative Law Judge and the Commission
4 adopted.²

5 Once the customer charge was established, customer charge revenue was deducted from
6 the total revenue target for the class to determine the revenues to be recovered in the
7 variable charge. The variable charge was then increased to recover the non-customer
8 charge revenue for the class.

9 **Q. Was the same general approach to rate design that you explained above for the**
10 **Residential class employed for the other rate classes?**

11 A. Yes, it was. Customer charges were increased to better reflect customer-related costs and
12 the non-customer charges of each rate schedule were increased to recover the remaining
13 revenue in order to reach the class revenue target. The non-residential customer charges
14 were increased by approximately the same percentage as the distribution percentage
15 increase for each non-residential rate.

16 **Q. What impact, if any, will this base rate case have on riders that are in place, or are**
17 **expected to be in place shortly, for the Company?**

18 A. There is a relationship between this case and the Company's existing Default Service
19 Support ("DSS") Rider and Hourly Pricing Default Service ("HP") Rider and its

² *Pa. P.U.C. v. PPL Elec. Util. Corp.*, Docket No. R-2012-2290597, Recommended Decision (Oct. 19, 2012), pp. 118-120, and Final Order (Dec. 28, 2012), p. 131.

1 proposed Distribution System Improvement Charge (“DSIC”), which is currently pending
2 approval from the Commission.³ I will discuss the DSIC first.

3 On February 16, 2016, the Company filed a Petition requesting Commission approval to
4 implement a DSIC rider and to begin to charge an initial DSIC rate effective July 1, 2016.
5 Pursuant to the applicable provisions of the Public Utility Code, the DSIC will recover
6 the fixed costs of eligible property (as defined in the Code) placed in service since the
7 end of the FPFTY in the Company’s last base rate case. The eligible property that will
8 form the basis for the Company’s DSIC rates in effect from July 1, 2016 through the end
9 of the future test year (“FTY”) in this case (the twelve months ending December 31,
10 2016) are part of the plant in service that is included in the proposed rate base in this
11 case. Therefore, the fixed costs of that plant will be recovered in the new base rates when
12 they become effective. Accordingly, the “C-Factor” of the DSIC will be reset to zero on
13 the effective date of new base rates, and the “E-Factor” will remain only to true-up prior
14 period DSIC costs and revenues.

15 In addition, to the impact of the DSIC, discussed above, the Company is proposing in this
16 case to update the charges imposed under its DSS and HP Riders to reflect an increase in
17 uncollectible accounts expense, as explained by Laura W. Gifford in Penn Power
18 Statement No. 6.

³ I would note that the Company’s State Tax Adjustment Charge is zero and is expected to remain at zero through to the effective date of the new base rates established in this case.

1 **IV. PROOF OF REVENUE ANALYSIS AND BILL COMPARISONS**

2 **Q. What is a proof of revenue analysis?**

3 A. A proof of revenue analysis provides the total billing units for a specified period (January
4 1, 2017 through December 31, 2017, for the FPPTY), including pro forma ratemaking
5 adjustments, summarized by rate components for each rate schedule and multiplied by
6 the applicable unit rates to derive the base rate revenues that proposed rates will produce.
7 Exhibit KMS-4 contains the Company's proof of revenue analysis.

8 **Q. Have you prepared an analysis of the rates in the Company's proposed tariff
9 supplements showing their impact upon various customer classes?**

10 A. Yes. Exhibit KMS-5 sets forth the Company's comparison of bills at current and
11 proposed rates for the Company's residential, commercial and industrial customers at
12 selected ranges of usage. The exhibit shows, among other things, the percentage impact
13 on a customer's total electric service bill based on the proposed rates. For example, as
14 shown on page 1 of Penn Power Exhibit KMS-5, a residential customer of Penn Power
15 that receives service under Rate Schedule RS and uses 1000 kWh per month would pay
16 \$159.69 under the proposed rates, which represents an increase of 13.08% in the
17 customer's total bill.

18 **Q. Please explain what is shown in Exhibit KMS-6.**

19 A. Filing Requirement IV-E-2 requires that the Company provide a comparison showing
20 costs, as defined by the cost of service study, and the proposed base rate revenues and
21 usage for all rate schedules. Exhibit KMS-6 depicts that comparison graphically for
22 representative rate schedules.

1 **V. TARIFF REVISIONS**

2 **Q. Is the Company proposing any changes to its existing tariff in addition to changing**
3 **the rates for service in the manner you previously described?**

4 A. Yes. The Company is proposing certain technical, non-substantive revisions that are
5 shown in the matrix of changes set forth in Exhibit KMS-7. Those changes are also
6 summarized below:

7 1) Description of Service Territory – The description of the Company’s service
8 territory has been revised to conform to the Company’s actual service territory.

9 2) Modification of the Definitions of Applicant and Customer(s) – The definitions
10 were modified to state that an Applicant or Customer must be at least 18 years
11 old, consistent with 52 Pa. Code § 56.2.

12 3) Rule 2 – The phrase “in the amount that is equal to one-sixth (1/6) of the
13 Applicant’s/Customer’s estimated annual bill” is being replaced with “in an
14 amount that conforms to the requirements of 52 Pa. Code § 56.51.”

15 4) Rule 7 – Currently, Rule 7 establishes standard wiring, apparatus, and installation
16 obligations for the Company and the customer. This rule is being modified to
17 adopt power factor requirements that are consistent with the Company’s resource
18 planning documents.

19 5) Rule 10 – “Kilovar” is being changed to “kilovar.”

20 6) Rule 11.b. – Rule 11.b. deals with late payment charges. The rule is being
21 modified to reflect charges of 1.5% for residential and 2.0% for non-residential

1 customers pursuant to 52 Pa. Code § 56.22. The incremental impact of this
2 change has been reflected in Exhibit KMS-2.

3 7) Rule 22 – Rule 22 deals with the transfer of customers between electric
4 generation suppliers (“EGSs”). The rule is being updated to conform to new
5 regulations⁴.

6 8) LED Street Lighting – The existing tariff requires a minimum installation of
7 twelve LED lights per customer. A modification is proposed so that this
8 requirement will not apply to new installations.

9 9) Street Lighting Schedules – The rate schedules are being revised to establish a
10 replacement/removal fee.

11 10) Rate Schedule Availability – Rate schedules GS-Medium and GS Large currently
12 require that a customer be transferred to another rate schedule if the customer
13 exceeds a specified usage or demand threshold in two consecutive months. The
14 availability section of the applicable rate schedules is being revised to provide that
15 a review for compliance will be performed once per year, and a customer will be
16 deemed out of compliance if it exceeded the specified threshold in two
17 consecutive months during the preceding twelve-month review period.

18 11) Determination of Billing Demand, Rate Schedule GS-Medium, GS Large, GP, GT
19 – Eliminate non-interval from the sentence that designates which customers the
20 on-peak and off-peak provisions apply.

⁴ 52 Pa. Code Chapter 57, Subchapter M, *Standards for Changing a Customer's Electricity Generation Supplier*.

- 1 12) Change GS Large to be part of the commercial class for the Default Service
2 Support Rider, to be billed on a kWh basis.
- 3 13) Rider L – Rider L is the Partial Service Rider. Language was added to expressly
4 state that the General Monthly charges listed in Rider L are in addition to the
5 charges included in the applicable rate schedule, which makes the tariff language
6 clearly reflect the existing manner in which those charges have been applied.
- 7 14) Definition of Primary Voltage – The definition is being revised to state that
8 Primary Voltage cannot exceed 23,000 volts.
- 9 15) Definition of Sub-Transmission Voltage – The definition is being revised to by
10 adding the following: “Sub-transmission Voltage – Voltage at 23,000 volts.”

11 **Q. Please explain the proposed changes to eliminate certain options under existing**
12 **street lighting and outdoor lighting rate schedules.**

13 A. The Company proposes to eliminate certain street lighting sizes and general provisions
14 within the lighting schedules that have become obsolete through restrictions
15 (grandfathering) to existing customers on certain lighting schedules and a result of
16 migration to newer technology. The Company proposes to eliminate those options that
17 are part of the rate schedules that are grandfathered for continued use only by existing
18 customers in the existing tariff; have been replaced by newer technologies (such as
19 replacing mercury vapor with high pressure sodium vapor lamps); and have no customers
20 currently on the specific option. A listing of all of the sizes and provisions proposed to
21 be eliminated is set forth on the last page Exhibit KMS-6.

1 **VI. MISCELLANEOUS MATTERS**

2 **Q. Please describe the provisions of 52 Pa. Code § 69.36.**

3 A. This section of the Commission’s regulations is a Statement of Policy expressing the
4 Commission’s intent to examine in electric and gas rate proceedings actions taken by
5 utilities to encourage the development of cost effective energy supply alternatives. I am
6 responding only to 52 Pa. Code § 69.36(5), which requires utilities to demonstrate
7 “progressive work regarding the development of a reliable customer data base.”

8 **Q. Please address the Company’s efforts to develop a reliable customer data base in
9 accordance with 52 Pa. Code § 69.36(5).**

10 A. The Company has completed substantial work in this area. The Company’s Customer
11 Care System currently contains data for each customer regarding billing, usage and
12 usage-related revenue, demand and demand-related revenue, rate categories and a
13 “premises” code. The premises code keeps track of all data associated with a location,
14 even if the customer at that location changes its name, moves, etc. More recently, the
15 Company has developed a “business warehouse” data base that allows the Company to
16 query customer-specific data. In addition to this data base, the Company routinely
17 completes residential customer surveys, which produce additional information
18 concerning customers’ characteristics, such as appliance usage and air conditioning
19 saturation. Also, each year the Company conducts a Large Power Customer contact
20 survey. Throughout the year, Company representatives routinely meet with large
21 customers to discuss their current and long-term needs and other factors related to their
22 electric service. These contacts provide information regarding programs, services, rates
23 and other information which might affect their businesses.

1 From these data bases, surveys and other contacts with customers, the Company has
2 amassed a substantial amount of information about customers' end-use applications and
3 their behavior and decision-making processes. This information is routinely factored into
4 the Company's planning for furnishing service and conducting their operations.

5 **VII. CONCLUSION**

6 **Q. Does this complete your direct testimony?**

7 **A. Yes, it does.**

Resume: Education and Experience of Kevin M. Siedt

Education:

1984 Bachelor of Science Degree- Accounting/Finance, Rowan University, Glassboro, New Jersey
1994 Masters of Business Administration Degree, Moravian College, Bethlehem, PA

Experience:

1984 – 1987 Commercial Credit Analyst – First Fidelity Bank
1987 – 1993 Financial Analyst, Corporate Finance Department – Foster Wheeler Corporation
1993 – 1996 Senior Financial Analyst, Corporate and Project Finance – Foster Wheeler Corporation
1996 – 1997 Manager of Financial Analysis, Corporate and Project Finance - Foster Wheeler Corporation
1997 – 1998 Director of Financial Analysis, Corporate and Project Finance – Foster Wheeler Corporation
1998 – 2001 Financial Consultant, Treasury Department – GPU Corporation
2001 – 2002 Consultant, Market Economics – GPU Corporation
2002 – 2010 Staff Business Analyst, Rates and Regulatory Affairs – FirstEnergy Service Company
2010 – 2014 Rate Analyst V, Rates and Regulatory Affairs – FirstEnergy Service Company
2014 – Present Consultant, Rates and Regulatory Affairs – FirstEnergy Corporation

Prepared and presented testimony in the following rate-related cases:

Pa. P.U.C. Cases: Docket Nos. P-00072259
P-2010-2157862
M-2011-2250561
M-2011-2259298
M-2011-2250682
P-2012-2292284
C-2012-2284617
C-2012-2295306
M-2012-2312766
M-2012-2312767
M-2012-2312769
M-2012-2312772

M-2012-2312633
M-2012-2312770
M-2012-2334387
M-2012-2334392
M-2012-2334395
M-2012-2334398
P-2013-2391368
P-2013-2391372
P-2013-2391375
P-2013-2391378
R-2014-2428745
R-2014-2428743
R-2014-2428744
R-2014-2428742
M-2015-2514768

NJ BPU Cases: Docket Nos. ER05121018
EM02030152
EM03060438
EM04010045
EM05040314
EM12040309

Assisted in development and preparation of the following rate cases:

Pa. P.U.C. Cases: Docket Nos. R-00061366
R-00061367
P-0072305
M-2008-2069887
P-2008-20066692
P-2009-2093053
P-2009-2093054
R-00974008
R-00974009
M-2009-2092222
M-2009-2112952
M-2009-2552956
P-2009-2093053
P-2009-2093054
M-A-2010-2176520

A-2010-2176732
P-2011-2273650
P-2011-2273668
P-2011-2273669
P-2011-2273670
M-2012-2289411

Pennsylvania Power Company
 Sales and Distribution Revenue Normalization
 Fully Projected Future Test Year Twelve Months Ending December 2017

Line No.	Rate Group (1)	Number of Customers End of Period (2)	Monthly Average (3)	Billed Usage (KWH) (4)	Billed Demand* Units (5)	Billed Revenues** (\$) (6)	Basic Input Factors										Specific Revenue** Adjustment (16)
							Incremental Rate** (\$/KWH) (7)	Incremental Rate** (\$/Customer) (8)	Incremental Rate** (\$/Demand*) (9)	Added Customers (10)	Added Customer Usage (KWH) (11)	Added Customer Demands* (12)	Specific Energy Adjustment (13)	Specific Demand* Adjustment (14)	Added Customer Revenue** (15)		
1	RS	143,416	143,244	1,562,572,117	29,266	67,695,592	3,135¢	\$ 10,850	\$ 2,000	172	1,876,176	0	(34,133,494)	(639)	81,213	(1,071,363)	
2	GSR	66	66	1,573,948	1,572	61,125	3,135¢	\$ 10,850	\$ 2,000	0	0	0	(34,341)	(34)	0	(1,145)	
3	GS	11,677	11,635	56,660,507	0	3,777,507	1,925¢	\$ 19,240	N/A	42	204,540	0	(1,171,360)	0	13,636	(22,560)	
4	GM	9,297	9,253	890,211,199	3,440,068	10,467,007	0.000¢	\$ 19,110	\$ 2,425	34	3,267,536	12,614	(18,404,715)	(71,122)	38,386	(172,471)	
5	GSL	169	169	363,261,006	1,196,604	3,636,136	0.000¢	\$ 74,490	\$ 2,913	0	0	0	(7,482,792)	(24,649)	0	(71,803)	
6	PNP	94	93	2,099,319	0	75,707	2,894¢	\$ 13,330	N/A	1	22,573	0	(43,709)	0	813	(1,265)	
7	OL	823	823	2,985,097	0	381,280	0.000¢	\$ 38,607	N/A	0	0	0	(61,490)	0	0	0	
8	GP	112	112	399,474,384	1,317,002	2,616,996	0.000¢	\$ 90,730	\$ 1,895	0	0	0	(6,159,927)	(20,308)	0	(38,484)	
9	GT	38	38	1,293,719,010	4,505,212	1,367,825	0.000¢	\$ 254,759	\$ 0,278	0	0	0	(19,949,252)	(69,471)	0	(19,313)	
10	OF	2	2	0	0	(1,552)	0.000¢	\$ 30,260	N/A	0	0	0	0	0	0	0	
11	STLT	86	86	6,248,360	0	1,279,944	0.000¢	\$ 1,240,256	N/A	0	0	0	(3,171,952)	0	0	0	
12	TOTAL PA	165,780	165,531	4,578,804,947	10,489,724	91,357,567				249	5,370,825	12,614	(90,613,032)	(186,223)	134,048	(1,398,404)	

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
 Sales and Distribution Revenue Normalization
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Energy Usage and Adjustments

Line No.	Rate Group (1)	Number of Customers End of Period (2)	Monthly Average (3)	Added Customers (2)-(3) (4)	Billed Usage (KWH) (5)	Billed Demand* Units (6)	KWH per Customer (5)/(3) (7)	Demand* per Customer (6)/(3) (8)	Added Customer KWH Usage (4)*(7) (9)	Added Customer Demands* (4)*(8) (10)	Specific Energy Adjust (KWH) (11)	Specific Demand* Adjustment (10)*(6)/(5) (12)	Total Energy Adjustment (9)+(11) (13)	Total Demand* Adjustment (10)+(12) (14)	Normalized Energy (KWH) (5)+(13) (15)	Normalized Demands* (6)+(14) (16)
1	RS	143,416	143,244	172	1,562,572,117	29,266	10,908	0	1,876,176	0	(34,133,494)	(639)	(32,257,318)	(639)	1,530,314,799	28,627
2	GSR	66	66	0	1,573,948	1,572	23,848	24	0	0	(34,341)	(34)	(34,341)	(34)	1,539,607	1,538
3	GS	11,677	11,635	42	56,660,507	0	4,870	0	204,540	0	(1,171,360)	0	(966,820)	0	55,693,687	0
4	GM	9,297	9,263	34	890,211,199	3,440,068	96,104	371	3,267,636	12,614	(18,404,715)	(71,122)	(15,137,179)	(58,508)	875,074,020	3,381,560
5	GSL	169	169	0	363,261,006	1,196,604	2,149,473	7,080	0	0	(7,482,792)	(24,646)	(7,482,792)	(24,646)	355,778,214	1,171,955
6	PNP	94	93	1	2,099,319	0	22,573	0	22,573	0	(43,709)	0	(21,136)	0	2,078,183	0
7	OL	823	823	0	2,965,097	0	3,627	0	0	0	(61,490)	0	(61,490)	0	2,923,607	0
8	GP	112	112	0	399,474,384	1,317,002	3,566,736	11,759	0	0	(6,159,927)	(20,308)	(6,159,927)	(20,308)	393,314,457	1,296,694
9	GT	38	38	0	1,293,719,010	4,505,212	34,045,237	118,558	0	0	(19,949,252)	(69,471)	(19,949,252)	(69,471)	1,273,769,758	4,435,741
10	QF	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0
11	STLT	86	86	0	6,248,360	0	72,655	0	0	0	(3,171,952)	0	(3,171,952)	0	3,076,408	0
12	TOTAL PA	165,760	165,531	249	4,578,804,947	10,468,724			5,370,825	12,614	(90,613,032)	(186,223)	(85,242,207)	(173,609)	4,493,562,740	10,316,115

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
 Sales and Distribution Revenue Normalization
 Fully Projected Future Test Year Twelve Months Ending December 2017

Revenues and Adjustments

Line No.	Rate Group (1)	Billed Usage (KWH) (2)	Billed Revenues** (\$) (3)	Added Customers (4)	Added Customer KWH Usage (5)	Added Customer Demands* (6)	Specific Energy Adjustment (7)	Specific Demand* Adjustment (8)	Incremental Rate** (\$/KWH) (9)	Incremental Rate** (\$/Customer) (10)	Incremental Rate** (\$/Demand*) (11)	Added Customer Use Revenue** (4)*(10)+(5)*(9) /100+(6)*(11) (12)	Specific Revenue** Adjustment (7)*(9)/(100)+(8)*(11) (13)	Other Revenue Adjustment (14)	Total Revenue** Adjustment (12)+(13)+(14) (15)	Normalized Revenues** (3)+(15) (16)	DSIC Charges (17)	Subtotal Base Dist. Rev. plus Rider Changes (18)
1	RS	1,562,572,417	67,695,592	172	1,876,176	0	(34,133,494)	(639)	3.135¢	\$ 10,850	\$ 2,000	81,213	(1,071,363)	0	(990,150)	66,705,442	1,093,772	67,799,214
2	GSR	1,573,948	61,125	0	0	0	(34,341)	(34)	3.135¢	\$ 10,850	\$ 2,000	0	(1,145)	0	(1,145)	59,980	983	60,963
3	GS	86,660,507	3,777,507	42	204,540	0	(1,171,360)	0	1.926¢	\$ 19,240	N/A	13,636	(22,560)	0	(8,924)	3,768,583	61,794	3,830,377
4	GM	890,211,199	10,467,007	34	3,267,596	12,614	(16,404,715)	(71,122)	0.000¢	\$ 19,110	\$ 2,425	38,386	(172,471)	0	(134,085)	10,332,922	169,430	10,502,352
5	GSL	363,261,006	3,636,136	0	0	0	(7,462,792)	(24,949)	0.000¢	\$ 74,490	\$ 2,913	0	(71,803)	0	(71,803)	3,564,333	58,445	3,622,778
6	PNP	2,099,319	75,707	1	22,573	0	(43,709)	0	2.894¢	\$ 13,330	N/A	813	(1,265)	0	(452)	75,255	1,234	76,489
7	OL	2,995,097	381,280	0	0	0	(61,490)	0	0.000¢	\$ 36,607	N/A	0	0	0	0	381,280	6,252	387,532
8	GP	399,474,384	2,616,996	0	0	0	(6,159,927)	(20,308)	0.000¢	\$ 90,730	\$ 1,895	0	(38,484)	0	(38,484)	2,578,512	42,280	2,620,792
9	GT	1,293,719,010	1,367,825	0	0	0	(19,949,252)	(69,471)	0.000¢	\$ 254,759	\$ 0.278	0	(19,313)	0	(19,313)	1,348,512	0	1,348,512
10	OF	0	(1,552)	0	0	0	0	0	0.000¢	\$ 30,260	N/A	0	0	0	0	(1,552)	0	(1,552)
11	STLT	6,248,360	1,279,944	0	0	0	(3,171,952)	0	0.000¢	\$ 1,240,255	N/A	0	0	(545,211)	(545,211)	734,733	12,047	746,780
12	TOTAL PA	4,578,804,947	91,357,567	249	5,370,825	12,614	(90,613,032)	(186,223)				134,048	(1,398,404)	(545,211)	(1,809,567)	89,546,000	1,446,237	90,994,237

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
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Line No.	Rate Group (1)	Number of Customers		Billed Usage (KWH) (4)	Billed Demand* Units (5)	Billed Revenues** (\$) (6)	Incremental Rate** (#/KWH) (7)	Incremental Rate** (\$/Customer) (8)	Incremental Rate** (\$/Demand*) (9)	Added Customers (10)	Added Customer Usage (KWH) (11)	Added Customer Demands* (12)	Specific Energy Adjustment (13)	Specific Demand* Adjustment (14)	Added Customer Use Revenue** (15)	Specific Revenue** Adjustment (16)
		End of Period (2)	Monthly Average (3)													
1	RS	143,044	142,874	1,597,303,732	29,881	68,737,387	3.135¢	\$ 10,850	\$ 2,000	170	1,900,600	0	(50,528,702)	(946)	81,718	(1,565,967)
2	GSR	66	66	1,608,247	1,605	62,245	3.135¢	\$ 10,850	\$ 2,000	0	0	0	(50,814)	(51)	0	(1,685)
3	GS	11,585	11,543	56,477,124	0	3,752,768	1.925¢	\$ 19,240	N/A	42	205,506	0	(1,557,137)	0	13,655	(29,890)
4	GM	9,223	9,190	887,333,270	3,428,022	10,421,022	0.000¢	\$ 19,110	\$ 2,638	33	3,186,282	12,309	(24,463,601)	(94,510)	40,039	(249,317)
5	GSL	168	167	362,065,556	1,192,442	3,622,735	0.000¢	\$ 74,490	\$ 3,382	1	2,168,057	7,140	(10,005,918)	(32,954)	25,041	(11,450)
6	PNP	93	93	2,090,864	0	75,344	2.894¢	\$ 13,330	N/A	0	0	0	(57,438)	0	0	(1,662)
7	OL	823	823	2,985,170	0	381,275	0.000¢	\$ 38,606	N/A	0	0	0	(82,006)	0	0	0
8	GP	112	112	389,811,500	1,285,180	2,557,131	0.000¢	\$ 90,730	\$ 2,683	0	0	0	(7,752,196)	(25,558)	0	(68,572)
9	GT	38	38	1,243,416,931	4,330,770	1,310,059	0.000¢	\$ 254,772	\$ 0,390	0	0	0	(24,727,885)	(86,126)	0	(33,589)
10	QF	2	2	0	0	(1,552)	0.000¢	\$ -	N/A	0	0	0	0	0	0	0
11	STLT	86	86	6,246,545	0	1,279,572	0.000¢	\$ 1,239,895	N/A	0	0	0	(3,171,952)	0	0	0
12	TOTAL PA	165,240	164,994	4,549,338,939	10,267,910	92,197,986				246	7,460,445	19,449	(122,397,651)	(240,145)	160,453	(2,082,242)

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
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 Energy Usage and Adjustments

Line No.	Rate Group (1)	Number of Customers End of Period (2)	Monthly Average (3)	Added Customers (2)-(3) (4)	Billed Usage (KWH) (5)	Billed Demand* Units (6)	KWH per Customer (5)/(3) (7)	Demand* per Customer (6)/(3) (8)	Added Customer KWH Usage (4)*(7) (9)	Added Customer Demands* (4)*(8) (10)	Specific Energy Adjust (KWH) (11)	Specific Demand* Adjustment (10)*(6)/(5) (12)	Total Energy Adjustment (9)+(11) (13)	Total Demand* Adjustment (10)+(12) (14)	Normalized Energy (KWH) (5)+(13) (15)	Normalized Demands* (6)+(14) (16)
1	RS	143,044	142,874	170	1,597,303,732	29,891	11,180	0	1,900,600	0	(50,528,702)	(946)	(48,528,102)	(946)	1,548,675,630	29,945
2	GSR	66	66	0	1,603,247	1,605	24,367	24	0	0	(50,814)	(51)	(50,814)	(51)	1,557,433	1,564
3	GS	11,585	11,543	42	56,477,124	0	4,893	0	205,506	0	(1,357,137)	0	(1,357,137)	0	55,125,493	0
4	GMI	9,223	9,190	33	887,333,270	3,428,022	96,554	373	3,186,282	12,309	(24,463,601)	(94,510)	(21,277,319)	(82,201)	866,055,951	3,345,821
5	GSL	168	167	1	362,065,556	1,192,442	2,168,057	7,140	2,168,057	7,140	(10,005,918)	(32,954)	(7,837,861)	(25,814)	354,227,695	1,166,628
6	PNP	93	93	0	2,090,864	0	22,482	0	0	0	(57,438)	0	(57,438)	0	2,033,426	0
7	OL	823	823	0	2,885,170	0	3,627	0	0	0	(62,006)	0	(62,006)	0	2,903,164	0
8	GP	112	112	0	389,811,500	1,285,180	3,480,460	11,475	0	0	(7,752,198)	(25,558)	(7,752,198)	(25,558)	382,059,302	1,259,622
9	GT	38	38	0	1,243,416,931	4,330,770	32,721,498	113,968	0	0	(24,727,885)	(86,126)	(24,727,885)	(86,126)	1,218,689,046	4,244,644
10	OF	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0
11	STLT	86	86	0	6,246,545	0	72,634	0	0	0	(3,171,952)	0	(3,171,952)	0	3,074,593	0
12	TOTAL PA	165,240	164,994	246	4,549,338,939	10,267,910	4,549,338,939	246	7,460,445	19,449	(122,397,651)	(240,145)	(114,937,206)	(220,696)	4,434,401,733	10,047,214

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
 Sales and Distribution Revenue Normalization
 Future Test Year Twelve Months Ending December 2016

Line No.	Rate Group (1)	Revenues and Adjustments											Subtotal Base Dist. Rev. plus Rider Change: (18)				
		Billed Usage (KWH) (2)	Billed Revenues** (\$) (3)	Added Customers (4)	Added Customer KWH Usage (5)	Added Customer Demands* (6)	Specific Energy Adjustment (7)	Specific Demand* Adjustment (8)	Incremental Rate* (¢/KWH) (9)	Incremental Rate** (\$/Customer) (10)	Incremental Rate*** (\$/Demand*) (11)	Added Customer Ltr Revenue** (4Y10)*12*(5Y11) /100*(6Y11) (12)		Specific Revenue** Adjustment (7Y9)/100*(8Y11) (13)	Other Revenue Adjustment (14)	Total Revenue** Adjustment (12)+(13)+(14) (15)	Normalized Revenues** (3)+(15) (16)
1	RS	1,597,303,732	68,737,387	170	1,900,600	0	(50,528,702)	(946)	3,135¢	\$ 10,850	\$ 2,000	81,718	(1,585,987)	0	67,233,138	1,083,772	68,326,910
2	GSR	1,608,247	62,245	0	0	0	(50,814)	(51)	3,135¢	\$ 10,850	\$ 2,000	0	(1,585)	0	60,550	963	61,533
3	GS	56,477,124	3,752,768	42	205,506	0	(1,557,137)	0	1,926¢	\$ 18,240	N/A	13,655	(29,990)	0	3,736,433	61,794	3,798,227
4	GM	887,333,270	10,421,022	33	3,186,282	12,309	(24,463,601)	(84,510)	0.000¢	\$ 19,110	\$ 2,538	40,039	(249,317)	0	10,211,744	169,430	10,381,174
5	GSL	362,065,556	3,622,735	1	2,188,057	7,140	(10,005,918)	(32,954)	0.000¢	\$ 74,460	\$ 3,382	25,041	(11,450)	0	3,536,326	58,445	3,594,771
6	PNP	2,090,864	75,344	0	0	0	(57,438)	0	2,894¢	\$ 13,330	N/A	0	(1,662)	0	73,682	1,234	74,916
7	OL	2,985,170	381,275	0	0	0	(82,006)	0	0.000¢	\$ 38,606	N/A	0	0	0	381,275	6,252	387,527
8	GP	389,811,500	2,557,131	0	0	0	(7,752,188)	(25,588)	0.000¢	\$ 90,730	\$ 2,883	0	(68,572)	0	2,488,559	42,280	2,530,839
9	GT	1,243,416,931	1,310,059	0	0	0	(24,727,885)	(86,126)	0.000¢	\$ 254,772	\$ 0,390	0	(33,589)	0	1,276,470	0	1,276,470
10	QF	0	(1,552)	0	0	0	0	0	0.000¢	\$ -	N/A	0	0	0	(1,552)	0	-1,552
11	STLT	6,246,545	1,279,572	0	0	0	(3,171,952)	0	0.000¢	\$ 1,239,895	N/A	0	0	0	734,361	12,047	746,408
12	TOTAL PA	4,549,338,939	92,197,986	246	7,460,445	19,449	(122,397,651)	(240,145)				160,453	(2,082,242)	(545,211)	89,730,986	1,446,237	91,177,223

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
 Sales and Distribution Revenue Normalization
 Historic Year Twelve Months Ending December 2015

Basic Input Factors

Line No.	Rate Group (1)	Number of Customers End of Period (2)	Monthly Average (3)	Billed Usage (KWH) (4)	Billed Demand* Units (5)	Billed Revenues** (\$) (6)	Incremental Rate** (\$/KWH) (7)	Incremental Rate** (\$/Customer) (8)	Incremental Rate** (\$/Demand*) (9)	Added Customers (10)	Added Customer Usage (KWH) (11)	Added Customer Demands* (12)	Specific Energy Adjustment (13)	Specific Demand* Adjustment (14)	Added Customer Use Revenue** (15)	Specific Revenue** Adjustment (16)
1	RS	144,576	144,122	1,705,119,994	38,342	72,296,902	3.135¢	\$ 10,850	\$ 2,000	454	5,369,302	0	(108,797,278)	(2,446)	227,417	(3,415,687)
2	GSS	69	69	1,651,001	1,671	64,128	3.135¢	\$ 10,850	\$ 2,000	(0)	(7,938)	(8)	(104,509)	(106)	(308)	(3,488)
3	GSS	11,372	11,386	54,514,792	0	3,678,832	1.926¢	\$ 19,240	N/A	(14)	(68,628)	0	(2,631,626)	0	(4,631)	(50,685)
4	GSM	9,423	9,313	909,391,692	3,740,556	11,206,564		\$ 19,110	\$ 2,425	110	10,715,904	44,117	(44,472,904)	(182,928)	132,180	(443,600)
5	PNP	168	168	366,665,374	1,273,567	3,859,924		\$ 74,490	\$ 2,913	0	364,116	1,265	(17,740,172)	(61,618)	3,833	(179,493)
6	OL	89	92	2,318,984	0	81,854	2.894¢	\$ 13,330	N/A	(3)	(79,677)	0	(108,236)	0	(2,812)	(3,132)
7	BORD	813	814	3,000,955	0	377,113		\$ 38,607	N/A	(1)	(3,687)	0	(144,871)	0	(463)	0
9	GP	113	115	380,530,836	1,325,697	2,636,859		\$ 90,730	\$ 1,895	(2)	(4,985,120)	(17,367)	(8,401,307)	(29,269)	(34,544)	(55,465)
10	GT	40	41	1,106,477,616	4,535,381	1,384,649		\$ 254,759	\$ 0,278	(1)	(13,660,218)	(55,993)	(24,447,341)	(100,208)	(17,084)	(27,858)
11	QF	2	2	0	0	(506)		\$ 30,260	N/A	0	0	0	0	0	0	0
12	STLT	86	86	6,243,750	0	1,279,944		\$ 1,240,256	N/A	0	0	0	(3,182,118)	0	0	0
13	TOTAL PA	166,751	166,208	4,535,914,994	10,915,214	96,866,263				543	(2,355,946)	(27,986)	(210,030,362)	(376,575)	303,548	(4,179,408)

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
 Sales and Distribution Revenue Normalization
 Historic Year Twelve Months Ending December 2015

Energy Usage and Adjustments

Line No.	Rate Group (1)	Number of Customers End of Period (2)	Monthly Average (3)	Added Customers (2)-(3) (4)	Billed Usage (KWH) (5)	Billed Demand* Units (6)	KWH per Customer (5)/(3) (7)	Demand* per Customer (6)/(3) (8)	Added Customer KWH Usage (4)*(7) (9)	Added Customer Demands* (4)*(8) (10)	Specific Energy Adjust (KWH) (11)	Specific Demand* Adjustment (10)*(6)/(5) (12)	Total Energy Adjustment (9)+(11) (13)	Total Demand* Adjustment (10)+(12) (14)	Normalized Energy (KWH) (5)+(13) (15)	Normalized Demands* (6)+(14) (16)
1	RS	144,576	144,122	454	1,705,119,994	38,342	11,831	0	5,389,302	0	(108,797,278)	(2,446)	(103,427,976)	(2,446)	1,601,692,018	35,896
2	G5V	69	69	(0)	1,651,001	1,671	23,813	24	(7,938)	(8)	(104,509)	(106)	(112,447)	(114)	1,538,554	1,557
3	G5S	11,372	11,386	(14)	54,514,792	0	4,788	0	(68,628)	0	(2,631,626)	0	(2,700,254)	0	51,814,538	0
4	G5M	9,423	9,313	110	909,391,692	3,740,556	97,645	402	10,715,904	44,117	(44,472,904)	(182,328)	(33,757,000)	(138,811)	875,634,692	3,601,745
5	PNP	168	168	0	366,665,374	1,273,567	2,184,699	7,588	364,116	1,265	(17,740,172)	(61,618)	(17,376,056)	(60,353)	349,286,318	1,213,214
6	OL	89	92	(3)	2,318,984	0	25,161	0	(79,677)	0	(108,236)	0	(187,913)	0	2,131,071	0
7	BORD	813	814	(1)	3,000,955	0	3,687	0	(3,687)	0	(144,871)	0	(148,558)	0	2,852,397	0
9	GP	113	115	(2)	380,530,836	1,325,687	3,323,413	11,578	(4,985,120)	(17,867)	(8,401,307)	(29,268)	(13,386,437)	(46,636)	367,144,409	1,279,061
10	GT	40	41	(1)	1,106,477,616	4,535,381	27,320,435	111,985	(13,660,218)	(95,993)	(24,447,341)	(100,208)	(38,107,559)	(156,201)	1,068,370,057	4,379,181
11	QF	2	2	0	0	0	0	0	0	0	0	0	0	0	0	0
12	STLT	86	86	0	6,243,750	0	72,602	0	0	0	(3,182,118)	0	(3,182,118)	0	3,061,632	0
13	TOTAL PA	166,751	166,208	543	4,535,914,994	10,915,214			(2,355,946)	(27,986)	(210,030,362)	(376,575)	(212,386,308)	(404,561)	4,323,528,686	10,510,653

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
 Sales and Distribution Revenue Normalization
 Historic Year Twelve Months Ending December 2015

Revenues and Adjustments

Line No.	Rate Group (1)	Billed Usage (KWH) (2)	Billed Revenues** (\$) (3)	Added Customers (4)	Added Customer KWH Usage (5)	Added Customer Demands* (6)	Specific Energy Adjustment (7)	Specific Demand* Adjustment (8)	Incremental Rate** (#/KWH) (9)	Incremental Rate** (\$/Customer) (10)	Incremental Rate** (\$/Demand*) (11)	Added Customer Use Revenue** (4)*(10)*12*(5)*(9)/(10)*(6)*(11) (12)	Specific Revenue** Adjustment (7)*(9)/(10)*(8)*(11) (13)	Other Revenue Adjustment (14)	Total Revenue** Adjustment (12)+(13)+(14) (15)	Normalized Revenues** (3)+(15) (16)
1	RS	1,705,119,984	72,296,902	454	5,369,302	0	(108,797,278)	(2,446)	3,135¢	\$ 10,850	\$ 2,000	227,417	(3,415,687)	0	(3,188,270)	69,108,632
2	GSSV	1,651,001	64,128	(0)	(7,938)	(8)	(104,509)	(106)	3,135¢	\$ 10,850	\$ 2,000	(308)	(3,488)	0	(3,796)	60,332
3	GSS	54,514,792	3,678,832	(14)	(88,628)	0	(2,631,626)	0	1,326¢	\$ 19,240	N/A	(4,631)	(50,685)	0	(55,316)	3,623,516
4	GSM	909,391,692	11,206,564	110	10,715,904	44,117	(44,472,904)	(182,928)	2,894¢	\$ 74,490	\$ 2,425	132,150	(443,600)	0	(311,450)	10,895,114
5	PNP	366,665,374	3,859,924	0	364,116	1,265	(17,740,172)	(61,618)	2,894¢	\$ 38,607	\$ 2,913	3,833	(179,893)	0	(175,660)	3,684,264
6	OL	2,318,984	81,854	(3)	(79,677)	0	(108,236)	0	2,894¢	\$ 13,330	N/A	(2,812)	(3,132)	0	(5,944)	75,910
7	BORD	3,000,955	377,113	(1)	(3,687)	0	(144,871)	0	2,894¢	\$ 38,607	N/A	(463)	0	0	(463)	378,650
9	GP	380,530,836	2,636,859	(2)	(4,985,120)	(17,367)	(8,401,307)	(29,269)	2,894¢	\$ 90,730	\$ 1,895	(34,544)	(55,465)	0	(90,009)	2,546,850
10	GT	1,106,477,616	1,384,649	(1)	(13,660,218)	(55,993)	(24,447,341)	(100,208)	2,894¢	\$ 254,759	\$ 0,278	(17,094)	(27,858)	0	(44,952)	1,339,897
11	CF	0	0	0	0	0	0	0	2,894¢	\$ 30,260	N/A	0	0	0	0	(606)
12	STLT	6,243,750	1,279,944	0	0	0	(3,182,118)	0	2,894¢	\$ 1,240,256	N/A	0	0	(546,944)	733,000	
13	TOTAL PA	4,535,914,984	96,866,263	543	(2,355,946)	(27,986)	(210,030,362)	(376,575)				303,548	(4,179,408)	(546,944)	(4,422,804)	92,443,459

*Includes billed kW, minimum kW, and standby kW

Pennsylvania Power Company
 Summary of Distribution of Revenues
 Tariff Pa. PUC No.36 as Compared to Tariff Pa. PUC No. 36, Supplement XX

Line No.	Rate Group (1)	End of Period Customers (2)	Normalized Sales (MWh) (3)	Normalized Demand (KW) (4)	Present Rates				Proposed Rates					Net Overall Increase (17)	
					Normalized Base Revenues (5)	Normalized Base Revenues (9)	Normalized Base Revenues (11)	Base Rev Percent Increase (10)	Base Revenue Increase (12)	DSIC Charges (13)	Base Dist. Rev. plus Rider Changes (14)	Rider Charges (15)	Total Revenue Increase (16)		
1	RS	143,416	1,530,315	28,627	\$ 66,705,442	\$ 1,093,772	\$ 67,799,214	\$ 153,683,382	\$ 221,492,586	39.98%	\$ 27,103,307	\$ 94,907,521	\$ 155,299,320	\$ 250,206,841	12.96%
2	GSR	66	1,540	1,538	\$ 59,680	\$ 1,540	\$ 60,963	\$ 158,887	\$ 219,050	40.91%	\$ 24,942	\$ 85,905	\$ 159,703	\$ 245,608	12.12%
3	GS	11,677	55,684	51,794	\$ 3,766,563	\$ 61,794	\$ 3,830,377	\$ 5,115,746	\$ 8,946,123	59.89%	\$ 2,294,084	\$ 6,124,471	\$ 5,118,629	\$ 11,243,100	25.88%
4	GM	9,297	875,074	3,381,560	\$ 10,332,322	\$ 189,430	\$ 10,502,352	\$ 80,459,246	\$ 90,961,698	46.84%	\$ 4,919,088	\$ 15,421,440	\$ 80,504,647	\$ 95,926,087	5.46%
5	GS Large	169	355,778	1,171,955	\$ 3,564,333	\$ 59,445	\$ 3,622,778	\$ 32,478,126	\$ 36,100,904	40.86%	\$ 1,480,110	\$ 5,102,888	\$ 32,496,544	\$ 37,599,432	4.15%
6	PNP	94	2,078	0	\$ 75,255	\$ 1,234	\$ 76,489	\$ 200,312	\$ 275,801	23.32%	\$ 17,839	\$ 94,328	\$ 200,420	\$ 294,748	6.48%
7	OL	823	2,924	0	\$ 381,280	\$ 1,232	\$ 382,512	\$ 268,049	\$ 655,581	42.16%	\$ 163,363	\$ 550,917	\$ 268,200	\$ 819,117	24.95%
8	GP	112	393,314	1,296,694	\$ 2,578,512	\$ 42,280	\$ 2,620,792	\$ 17,109,177	\$ 19,729,969	124.90%	\$ 3,273,276	\$ 5,894,068	\$ 17,109,474	\$ 23,003,542	16.59%
9	GT	38	1,273,770	4,435,741	\$ 1,348,512	\$ -	\$ 1,348,512	\$ 58,040,204	\$ 59,988,716	45.71%	\$ 616,424	\$ 1,964,936	\$ 58,641,166	\$ 60,606,102	1.03%
10	Rider L	2	0	0	\$ (1,552)	\$ -	\$ (1,552)	\$ -	\$ (1,552)	60.00%	\$ -	\$ (1,552)	\$ -	\$ (1,552)	0.00%
11	STLT	86	3,076	0	\$ 734,733	\$ 12,047	\$ 746,780	\$ 280,102	\$ 1,036,882	45.52%	\$ 339,914	\$ 1,086,694	\$ 280,261	\$ 1,376,955	32.80%
12	TOTAL PA	165,760	4,493,563	10,316,115	\$ 89,548,000	\$ 1,446,237	\$ 90,994,237	\$ 348,412,532	\$ 439,406,769	44.22%	\$ 40,237,379	\$ 131,231,616	\$ 350,088,365	\$ 481,319,981	9.54%
13	LATE PAYMENT CHARGE INCREASE										\$ 118,569	\$ 118,569	\$ -	\$ 118,569	
14	TOTAL										\$ 40,355,948	\$ 131,350,185	\$ 350,088,365	\$ 481,438,550	9.57%
15											\$ 1,675,833	\$ -	\$ -	\$ -	
16											\$ 443,031,781	\$ -	\$ -	\$ -	

Increase in uncollectibles in DSS & HPS riders
 Total Increase

**Pennsylvania Power Company
Customer Charge Analysis**

	Rates	Total	Demand	Customer
<i>Current Revenue</i>				
Tariff Revenue - Current Rates		\$ 67,793	\$ 45,570	\$ 22,223
Other Revenue		\$ 2,391	\$ 476	\$ 1,915
Total Revenue		\$ 70,184	\$ 46,045	\$ 24,138
<i>Deductions</i>				
O&M Expenses		\$ 23,621	\$ 10,816	\$ 12,806
Depreciation Expense		\$ 13,423	\$ 10,489	\$ 2,934
Average Net Salvage		\$ (385)	\$ (315)	\$ (70)
Amortization & Accretion		\$ 1,227	\$ 2	\$ 1,225
General Taxes Gross Receipts		\$ 4,360	\$ 2,987	\$ 1,373
General Taxes Other		\$ 505	\$ 297	\$ 209
Total Deductions		\$ 42,752	\$ 24,276	\$ 18,476
<i>Income Before Income Taxes</i>				
Operating Income Before Income Taxes		\$ 33,538	\$ 26,829	\$ 6,708
Interest Charges		\$ 6,399	\$ 5,303	\$ 1,096
Net Income before Income Taxes		\$ 27,139	\$ 21,526	\$ 5,612
<i>Income Adjustments</i>				
Book Average net salvage		\$ 1,364	\$ 1,115	\$ 249
Adj. of Book Depreciation to Tax Basis		\$ (3,136)	\$ (2,564)	\$ (572)
Tax Cost of Removal / Salvage		\$ (1,542)	\$ (1,261)	\$ (281)
Adjust Cash Pension		\$ 1,132	\$ 518	\$ 614
Net Adjustment		\$ (2,182)	\$ (2,191)	\$ 9
<i>Income Taxes</i>				
Income Subject to State Income Tax		\$ 24,957	\$ 19,336	\$ 5,622
State Income Tax	9.99%	\$ 2,493	\$ 1,932	\$ 562
Federal Taxable Income		\$ 22,464	\$ 17,404	\$ 5,060
Federal Income Tax	35.00%	\$ 7,862	\$ 6,091	\$ 1,771
<i>Proposed Revenue</i>				
Operating Expense		\$ 53,108	\$ 32,299	\$ 20,808
Net Operating Income		\$ 15,577	\$ 12,909	\$ 2,668
Rate Base		\$ 217,783	\$ 180,484	\$ 37,299
Rate of Return		7.15%	7.15%	7.15%
Debt Ratio		49.93%	49.93%	49.93%
Cost of Debt		5.88%	5.88%	5.88%
Weighted Average Cost of Capital		8.70%	8.70%	8.70%
Tariff Revenue - Proposed Rates		\$ 73,899	\$ 50,630	\$ 23,269
Number of Customers				144,576
Customer Charge				\$ 13.41

Pennsylvania Power Company

**Rate RS - Residential Service
 Revenue Effects of Proposed Rates - FTY 12/31/17**

Line No.	Tariff No. 36		Tariff No. 36, Supplement XX	
	Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)
		Revenues (3)	Proposed Revenue (6)=(4)x(5)	
<u>DISTRIBUTION CHARGES</u>				
<u>CUSTOMER CHARGE</u>				
1	\$10.85	1,720,992	\$18,672,779	\$23,078,503
<u>DEMAND CHARGES</u>				
2	\$2.00	28,627	\$57,254	\$57,254
<u>ENERGY CHARGES</u>				
3	\$0.03135	1,530,314,799	\$47,975,409	\$71,771,764
4			\$66,705,442	\$94,907,521
<u>TOTAL BASE NORMALIZED DISTRIBUTION REVENUES - RS</u>				
5	\$0	1,720,992	\$0	\$0
6	1.327%	1,530,314,799	\$1,093,772	\$0
7			\$67,799,214	\$94,907,521
<u>RIDER CHARGES</u>				
8	\$0.00186	1,530,314,799	\$2,715,312	\$4,321,250
9	\$0.00411	1,530,314,799	\$8,411,075	\$8,411,075
10	\$0.00026	1,530,314,799	\$406,269	\$406,269
11	\$0.00218	1,530,314,799	\$4,493,607	\$4,493,607
12	\$0.08996	1,530,314,799	\$137,667,119	\$137,667,119
13	0%		\$0	\$0
14		1,530,314,799	\$221,492,596	\$250,206,841
15			\$0,14474	\$0,16350
16				\$28,714,245
17				12.96%

* Total wires kWh used for illustrative purposes

Pennsylvania Power Company

**Rate GS - Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads and Non-Profit Ambulance Service
 Revenue Effects of Proposed Rates - FTY 12/31/17**

Line No.	Tariff No. 36			Tariff No. 36, Supplement XX		
	Current Rate (1)	Billing Units (2)	Revenues (3)	Proposed Rate (4)	Billing Units (5)	Proposed Revenue (6)=(4)x(5)
<u>DISTRIBUTION CHARGES</u>						
CUSTOMER CHARGES						
1	\$10.85	792	\$8,600	\$13.41	792	\$10,621
DEMAND CHARGES						
2	\$2.00	1,538	\$3,078	\$2.00	1,538	\$3,076
ENERGY CHARGES						
3	\$0.03135	1,539,607	\$48,302	\$0.04690	1,539,607	\$72,208
TOTAL BASE NORMALIZED DISTRIBUTION REVENUES						
4			\$59,980			\$85,905
5	\$0	792	\$0	\$0	792	\$0
6	1.327%	1,539,607	\$983	0.000%	1,539,607	\$0
TOTAL DISTRIBUTION INCLUDING RIDER CHARGES						
7			\$60,963			\$85,905
RIDER CHARGES						
8	\$0.00186	1,539,607	\$2,729	\$0.00287	1,539,607	\$4,345
9	\$0.00411	1,539,607	\$8,475	\$0.00411	1,539,607	\$8,475
10	\$0.00026	1,539,607	\$409	\$0.00026	1,539,607	\$409
11	\$0.02093	1,539,607	\$7,971	\$0.02093	1,539,607	\$7,971
12	\$0.08996	1,539,607	\$138,503	\$0.08996	1,539,607	\$138,503
13	0%		\$0	0%		\$0
14		1,539,607	\$219,050		1,539,607	\$245,608
15			\$0.14228			\$0.15953
16						\$26,558
17						12.12%

* Total wires kWh used for illustrative purposes

Pennsylvania Power Company
Rate GS - Small
Revenue Effects of Proposed Rates - FTY 12/31/17

Line No.	Tariff No. 36		Tariff No. 36, Supplement XX	
	Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)
		Revenues (3)	Proposed Revenue (6)=(4)x(5)	
<u>DISTRIBUTION CHARGES</u>				
<u>CUSTOMER CHARGES</u>				
1	\$19.24	140,124	\$27.67	140,124
		\$2,695,941		\$3,877,231
<u>DEMAND CHARGES</u>				
<u>ENERGY CHARGES</u>				
3	\$0.01926	55,693,687	\$0.04035	55,693,687
		\$1,072,642		\$2,247,240
4		\$3,768,583		\$6,124,471
<u>TOTAL BASE NORMALIZED DISTRIBUTION REVENUES</u>				
5	\$0	140,124	\$0	140,124
		\$0		\$0
6	1.327%	55,693,687	0.000%	55,693,687
		\$61,794		\$0
7		\$3,830,377		\$6,124,471
<u>TOTAL DISTRIBUTION INCLUDING RIDER CHARGES</u>				
<u>RIDER CHARGES</u>				
8	\$0.00178	55,693,687	\$0.00184	55,693,687
		\$101,158		\$104,041
9	\$0.00026	55,693,687	\$0.00026	55,693,687
		\$14,732		\$14,732
10	\$0.00104	55,693,687	\$0.00104	55,693,687
		\$61,497		\$61,497
11	\$0.08867	55,693,687	\$0.08867	55,693,687
		\$4,938,359		\$4,938,359
12	0%	\$0	0%	\$0
13		55,693,687		55,693,687
		\$8,946,123		\$11,243,100
14		\$0.16063		\$0.20187
15				\$2,296,977
16				25.68%

* Total wires kWh used for illustrative purposes

Pennsylvania Power Company

Rate GS - Medium

Revenue Effects of Proposed Rates - FTY 12/31/17

Line No.	Description	Tariff No. 36		Tariff No. 36, Supplement XX		
		Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)	Proposed Revenue (6)=(4)x(5)
<u>DISTRIBUTION CHARGES</u>						
<u>CUSTOMER CHARGES</u>						
1	Customer Charge	\$19.11	111,564	\$30.44	111,564	\$3,396,008
<u>DEMAND CHARGES</u>						
2	kW	\$2.62	3,109,348	\$3.85	3,109,348	\$11,970,990
	kVA	\$0.20	272,212	\$0.20	272,212	\$54,442
<u>ENERGY CHARGES</u>						
3	All kWh	\$0	875,074,020	\$0	875,074,020	\$0
4	TOTAL BASE NORMALIZED DISTRIBUTION REVENUES		\$10,332,922			\$15,421,440
5	Smart Meter Technologies Charge (Per Bill)	\$0	111,564	\$0	111,564	\$0
6	Distribution System Improvement Charge	1.327%	875,074,020	0.000%	875,074,020	\$0
7	TOTAL DISTRIBUTION INCLUDING RIDER CHARGES		\$10,502,352			\$15,421,440
<u>RIDER CHARGES</u>						
8	Default Service Support Charge	\$0.00183	875,074,020	\$0.00189	875,074,020	\$1,634,511
9	Solar Photovoltaic Requirements Charge	\$0.00026	875,074,020	\$0.00026	875,074,020	\$231,455
10	Phase II Energy Efficiency and Conservation Charge	\$0.00104	875,074,020	\$0.00104	875,074,020	\$1,045,868
11	PTC*	\$0.08867	875,074,020	\$0.08867	875,074,020	\$77,592,813
12	STAS - Rider charges	0%		0%		\$0
13	Total Energy and Revenue		875,074,020		875,074,020	\$95,926,087
14	Avg rate per kWh					\$0.10962
15	Proposed Increase					\$4,964,389
16	Percent Increase					5.46%

* Total wires kWh used for illustrative purposes

Pennsylvania Power Company

**Rate GS - Large
 Revenue Effects of Proposed Rates - FTY 12/31/17**

Line No.	Tariff No. 36		Tariff No. 36, Supplement XX				
	Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)			
		Revenues (3)	Proposed Revenue (6)=(4)X(5)				
<u>DISTRIBUTION CHARGES</u>							
<u>CUSTOMER CHARGES</u>							
1	Customer Charge	\$74.49	2,028	\$151,066	\$126.53	2,028	\$256,603
<u>DEMAND CHARGES</u>							
2	KW	\$3.35	1,009,167	\$3,380,709	\$	1,009,167	\$4,813,727
3	rKVA	\$0.20	162,788	\$32,558	\$0.20	162,788	\$32,558
4	QF Backup Secondary KW	\$2.51	0	\$0	\$3.58	0	\$0
5	QF Maint Secondary KW	\$2.01	0	\$0	\$2.86	0	\$0
<u>ENERGY CHARGES</u>							
7	All kWh	\$0	355,778,214	\$0	\$0	355,778,214	\$0
8	<u>TOTAL BASE NORMALIZED DISTRIBUTION REVENUES</u>				\$3,564,333		\$5,102,888
9	Smart Meter Technologies Charge (Per Bill)	\$0	2,028	\$0	\$0	2,028	\$0
10	Distribution System Improvement Charge	1.327%	355,778,214	\$58,445	0.000%	355,778,214	\$0
11	<u>TOTAL DISTRIBUTION INCLUDING RIDER CHARGES</u>				\$3,622,778		\$5,102,888
<u>RIDER CHARGES</u>							
12	Default Service Support Charge	\$0.557	1,009,167	\$466,814	\$0.557	1,009,167	\$466,814
13	Solar Photovoltaic Requirements Charge	\$0.00026	355,778,214	\$94,448	\$0.00026	355,778,214	\$94,448
14	Phase II Energy Efficiency and Conservation Charge	\$0.00104	355,778,214	\$370,009	\$0.00104	355,778,214	\$370,009
15	PTC*	\$0.08867	355,778,214	\$31,546,854	\$0.08867	355,778,214	\$31,565,272
16	STAS - Rider charges	0%		\$0	0%		\$0
17	Total Energy and Revenue		355,778,214	\$36,100,904		355,778,214	\$37,599,432
18	Avg rate per kWh			\$0.10147			\$0.10568
19	Proposed Increase						\$1,498,528
20	Percent Increase						4.15%

* Total wires kWh used for illustrative purposes

Pennsylvania Power Company

**Rate PNP
 Revenue Effects of Proposed Rates - FTY 12/31/17**

Line No.	Tariff No. 36		Tariff No. 36, Supplement XX				
	Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)			
		Revenues (3)	Proposed Revenue (6)=(4)x(5)				
<u>DISTRIBUTION CHARGES</u>							
<u>CUSTOMER CHARGES</u>							
1	Customer Charge	\$13.33	1,128	\$15,051	\$16.47	1,128	\$18,578
<u>DEMAND CHARGES</u>							
<u>ENERGY CHARGES</u>							
3	All kWh	\$0.02894	2,078,183	\$60,204	\$0.03645	2,078,183	\$75,750
4	<u>TOTAL BASE NORMALIZED DISTRIBUTION REVENUES</u>			\$75,255			\$94,328
5	Smart Meter Technologies Charge (Per Bill)	\$0	1,128	\$0	\$0	1,128	\$0
6	Distribution System Improvement Charge	1.327%	2,078,183	\$1,234	0.000%	2,078,183	\$0
7	<u>TOTAL DISTRIBUTION INCLUDING RIDER CHARGES</u>			\$76,489			\$94,328
<u>RIDER CHARGES</u>							
8	Default Service Support Charge	\$0.00183	2,078,183	\$3,717	\$0.00189	2,078,183	\$3,825
9	Solar Photovoltaic Requirements Charge	\$0.00026	2,078,183	\$546	\$0.00026	2,078,183	\$546
10	Phase II Energy Efficiency and Conservation Charge	\$0.02093	2,078,183	\$11,777	\$0.02093	2,078,183	\$11,777
11	PTC*	\$0.08867	2,078,183	\$184,272	\$0.08867	2,078,183	\$184,272
12	STAS - Rider charges	0%		\$0	0%		\$0
13	Total Energy and Revenue		2,078,183	\$276,801		2,078,183	\$294,748
14	Avg rate per kWh			\$0.13319			\$0.14183
15	Proposed Increase						\$17,947
16	Percent Increase						6.48%

* Total wires kWh used for illustrative purposes

Pennsylvania Power Company
Rate GP - General Service Primary
Revenue Effects of Proposed Rates - FTY 12/31/17

Line No.	Description	Tariff No. 36		Tariff No. 36, Supplement XX		
		Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)	Proposed Revenue (6)=(4)x(5)
<u>DISTRIBUTION CHARGES</u>						
<u>CUSTOMER CHARGES</u>						
1	Customer Charge	\$90.73	1,344	\$159.89	1,344	\$214,892
<u>DEMAND CHARGES</u>						
2	KW	\$2.60	915,513	\$6.12	915,513	\$5,602,940
3	kVA	\$0.20	381,181	\$0.20	381,181	\$76,236
<u>ENERGY CHARGES</u>						
4	All kWh	\$0	393,314,457	\$0	393,314,457	\$0
5	TOTAL BASE NORMALIZED DISTRIBUTION REVENUES					\$5,894,068
6	Smart Meter Technologies Charge (Per Bill)	\$0	1,344	\$0	1,344	\$0
7	Distribution System Improvement Charge	1.327%	393,314,457	0.000%	393,314,457	\$0
8	TOTAL DISTRIBUTION INCLUDING RIDER CHARGES					\$5,894,068
<u>RIDER CHARGES</u>						
9	Default Service Support Charge (Per kW NSPL)	\$0.557	756,360	\$0.557	756,360	\$388,142
10	Phase II Energy Efficiency and Conservation Charge (Per kW PLC)	\$0.40	767,490	\$0.40	767,490	\$192,360
11	Solar Photovoltaic Requirements Charge	\$0.00026	393,314,457	\$0.00026	393,314,457	\$103,863
12	Hourly Priced Generation*	\$0.04176	393,314,457	\$0.04176	393,314,457	\$16,425,109
13	STAS - Rider charges	0%		0%		\$0
14	Total Energy and Revenue		393,314,457		393,314,457	\$23,003,542
15	Avg rate per kWh					\$0.05849
16	Proposed Increase					\$3,273,573
17	Percent Increase					16.59%

* Total wires kWh used for illustrative purposes. Generation rates vary hourly based on hourly pricing, price based on Dec 2015 average.

Pennsylvania Power Company

**Rate GT - General Service Transmission
 Revenue Effects of Proposed Rates - FTY 12/31/17**

Line No.	Description	Tariff No. 36		Tariff No. 36, Supplement XX		
		Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)	Proposed Revenue (6)=(4)x(5)
<u>DISTRIBUTION CHARGES</u>						
<u>CUSTOMER CHARGES</u>						
1	Customer Charge	\$258.42	456	\$376.85	456	\$171,844
<u>DEMAND CHARGES</u>						
2	kW	\$0.39	3,134,803	\$0.60	3,134,803	\$1,881,949
3	rKVA	\$0.20	1,300,938	\$0.20	1,300,938	\$260,188
4	kW (Transmission 115 kV Credit)	(\$0.13)	1,939,138	(\$0.18)	1,939,138	(\$349,045)
<u>ENERGY CHARGES</u>						
5	All kWh	\$0	1,273,769,758	\$0	1,273,769,758	\$0
6	TOTAL BASE NORMALIZED DISTRIBUTION REVENUES					\$1,964,936
7	Smart Meter Technologies Charge (Per Bill)	\$0	456	\$0	456	\$0
8	Distribution System Improvement Charge	0.000%	1,273,769,758	0.000%	1,273,769,758	\$0
9	TOTAL DISTRIBUTION INCLUDING RIDER CHARGES					\$1,964,936
<u>RIDER CHARGES</u>						
10	Default Service Support (kW NSPL)	\$0.557	1,728,804	\$0.557	1,728,804	\$887,172
11	Phase II Energy Efficiency (Per kW PLC)	\$0.400	1,759,308	\$0.40	1,759,308	\$440,944
12	Solar Photovoltaic Requirements Charge	\$0.00026	1,273,769,758	\$0.00026	1,273,769,758	\$336,367
13	Hourly Priced Generation*	\$0.04473	1,273,769,758	\$0.04473	1,273,769,758	\$56,976,683
14	STAS - Rider charges	0%	\$0	0%		\$0
15	Total Energy and Revenue		1,273,769,758		1,273,769,758	\$60,606,102
16	Avg rate per kWh					\$0.04710
	Proposed Increase					\$617,386
	Percent Increase					1.03%

* Total wires kWh used for illustrative purposes. Generation rates vary hourly based on hourly pricing, price based on Dec 2015 average.

**Pennsylvania Power Company
 Purchase of Energy from Cogeneration and Small Power Production Facilities
 Revenue Effects of Proposed Rates - FTY 12/31/17**

Line No.	Tariff No. 36			Tariff No. 36, Supplement XX		
	Current Rate (1)	Billing Units (2)	Revenues (3)	Proposed Rate (4)	Billing Units (5)	Proposed Revenue (6)=(4)x(5)
<u>DISTRIBUTION CHARGES</u>						
<u>CUSTOMER CHARGES</u>						
1						
1						
2						
3						
4						
5						

**Pennsylvania Power Company
 Partial Service Rider
 Revenue Effects of Proposed Rates - FTY 12/31/17**

Line No.	Tariff No. 36			Tariff No. 36, Supplement XX		
	Current Rate (1)	Billing Units (2)	Revenues (3)	Proposed Rate (4)	Billing Units (5)	Proposed Revenue (6)=(4)x(5)
<u>DISTRIBUTION CHARGES</u>						
<u>CUSTOMER CHARGES</u>						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						

Pennsylvania Power Company

**Rate PLS - Private Outdoor Lighting Service
 Revenue Effects of Proposed Rates - FTY 12/31/17**

Line No.	LAMPs	Tariff No. 36		Tariff No. 36, Supplement XX		
		Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)	Proposed Revenue (6)=(4)x(5)
1	175 W MERCURY VAPOR	\$9.52	155	\$13.76	155	\$2,139
2	175 W MERCURY VAPOR - PT	\$17.33	59	\$25.04	59	\$1,489
3	400 W MERCURY VAPOR	\$8.19	262	\$11.83	262	\$3,094
4	70 W SODIUM VAPOR	\$11.89	120	\$17.18	120	\$2,062
5	100 W SODIUM VAPOR - PT	\$18.23	5,581	\$26.34	5,581	\$146,992
6	100 W SODIUM VAPOR	\$11.96	3,469	\$17.28	3,469	\$59,937
7	150 W SODIUM VAPOR	\$11.53	1,212	\$16.66	1,212	\$20,192
8	250 W SODIUM VAPOR	\$12.09	5,186	\$17.47	5,186	\$90,607
9	400 W SODIUM VAPOR	\$11.98	5,952	\$17.31	5,952	\$103,029
10	250 Metal Halide	\$14.92	588	\$21.56	588	\$12,677
11	400 Metal Halide	\$12.74	3,444	\$18.41	3,444	\$63,404
12	1,000 Metal Halide	\$5.44	1,092	\$7.86	1,092	\$8,583
	POLES					
13	30' or 35' Pole Charge	\$7.24	2,364	\$10.46	2,364	\$24,727
14	40' Pole Charge	\$8.43	984	\$12.18	984	\$11,985
15	TOTAL BASE NORMALIZED DISTRIBUTION REVENUES					\$550,917
16	Smart Meter Technologies Charge (Per Bill)	\$0.00	0	\$0.00	0	\$0
17	Distribution System Improvement Charge	1.327%	2,923,607	0%	2,923,607	\$0
18	TOTAL DISTRIBUTION INCLUDING RIDER CHARGES					\$550,917
	RIDER CHARGES					
19	Default Service Support Charge	\$0.00183	2,923,607	\$0.00189	2,923,607	\$5,269
20	Solar Photovoltaic Requirements Charge	\$0.00026	2,923,607	\$0.00026	2,923,607	\$776
21	Phase II Energy Efficiency and Conservation Charge	(\$0.00486)	2,923,607	(\$0.00486)	2,923,607	\$2,919
22	PTC*	\$0.08867	2,923,607	\$0.08867	2,923,607	\$259,236
23	STAS - Rider charges	0.00%		0%		\$0
24	Total Revenue					\$819,117
25	Proposed Increase					\$163,536
26	Percent Increase					24.95%

* Total wires kWh used for illustrative purposes

Pennsylvania Power Company
Rate Schedule SV - High Pressure Sodium Vapor
Revenue Effects of Proposed Rates - FTY 12/31/17

Line No.	Description	Tariff No. 36		Supplement XX		
		Current Rate (1)	Billing Units (2)	Proposed Rate (4)	Billing Units (5)	Revenue (3) (6)=(4)*(5)
HIGH PRESSURE SODIUM VAPOR						
1	70 WATTS	\$10.67	523	\$9.38	523	\$4,906
2	100 WATTS	\$10.74	855	\$9.34	855	\$7,886
3	150 WATTS	\$10.37	128	\$9.48	128	\$1,213
4	250 WATTS	\$10.85	179	\$9.67	179	\$1,731
5	400 WATTS	\$10.77	46	\$9.97	46	\$459

Pennsylvania Power Company
Rate Schedule SYD - High Pressure Sodium Vapor Divided Ownership
Revenue Effects of Proposed Rates - FTY 12/31/17

HIGH PRESSURE SODIUM VAPOR						
6	70 WATTS	\$4.50	7,013	\$3.96	7,013	\$27,770
7	100 WATTS	\$4.45	564	\$3.91	564	\$2,207
8	150 WATTS	\$3.95	0	\$5.58	0	\$0
9	250 WATTS	\$4.32	0	\$6.10	0	\$0
10	400 WATTS	\$3.79	12	\$3.37	12	\$40

Pennsylvania Power Company
Rate Schedule SM - Mercury Vapor
Revenue Effects of Proposed Rates - FTY 12/31/17

11	175 WATTS	\$13.94	0	\$0	0	\$0
12	400 WATTS	\$14.90	0	\$0	0	\$0

Pennsylvania Power Company
Rate Schedule LED - Light Emitting Diode
Revenue Effects of Proposed Rates - FTY 12/31/17

Carbon Head						
13	50 WATTS	\$8.25	82,191	\$431,503	82,191	\$676,432
14	90 WATTS	\$8.59	7,634	\$50,308	7,634	\$73,057
15	130 WATTS	\$7.01	11,829	\$82,921	11,829	\$120,419
16	260 WATTS	\$10.84	3,028	\$32,824	3,028	\$47,691
Castellid						
17	50 WATTS	\$8.40	9,132	\$76,709	9,132	\$111,410
18	90 WATTS	\$8.23	846	\$7,827	848	\$11,372
Accom						
19	50 WATTS	\$13.95	0	\$0	0	\$0
20	90 WATTS	\$14.75	0	\$0	0	\$0

21 TOTAL BASE NORMALIZED DISTRIBUTION REVENUES

22	Smart Meter Technologies Charge (Per Bill)	\$0.00	0	\$0	0	\$0
23	Distribution System Improvement Charge	1.327%	3,076,408	\$2,052	0%	\$0

24 TOTAL DISTRIBUTION INCLUDING RIDER CHANGES

Energy Charges						
25	Default Service Support Charge	\$0.00183	3,076,408	\$11,159	\$0.00189	3,076,408
26	Solar Photovoltaic Requirements Charge	\$0.00026	3,076,408	\$1,625	\$0.00026	3,076,408
27	Phase II Energy Efficiency and Conservation Charge	(\$0.00486)	3,076,408	(\$4,533)	(\$0.00486)	3,076,408
28	PTC*	\$0.08667	3,076,408	\$272,785	\$0.08667	3,076,408
29	STAS - Rider charges	0.00%	0	\$0	0%	\$0
30	Total Revenue			1,036,882		1,376,955
31	Proposed Increase					\$340,073
32	Percent Increase					32.80%

* Total wires kWh used for illustrative purposes

PENNSYLVANIA POWER COMPANY
 COMPARISON BETWEEN PRESENT AND PROPOSED RATES
 RATES

ENERGY USAGE	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
All kWh	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
Total Energy Usage	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000

UNBUNDLED RATES - CURRENT

Distribution	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85
Distribution Charge @ \$10.85	\$ -	\$ 1.57	\$ 3.14	\$ 7.84	\$ 15.68	\$ 23.51	\$ 28.22	\$ 31.35	\$ 47.03	\$ 62.70	\$ 78.38	\$ 94.05	\$ 109.73	\$ 125.40	\$ 141.08	\$ 156.75
All kWh @ 3.135 #/kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 10.85	\$ 12.42	\$ 13.99	\$ 18.69	\$ 26.53	\$ 34.36	\$ 39.07	\$ 42.20	\$ 57.88	\$ 73.55	\$ 89.23	\$ 104.90	\$ 120.58	\$ 136.25	\$ 151.93	\$ 167.60
Riders	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Solar Photovoltaic Requirements Charge @ 0.026 #/kWh	\$ -	\$ 0.01	\$ 0.03	\$ 0.07	\$ 0.13	\$ 0.20	\$ 0.23	\$ 0.26	\$ 0.39	\$ 0.52	\$ 0.65	\$ 0.78	\$ 0.91	\$ 1.04	\$ 1.17	\$ 1.30
Default Service Support Charge @ 0.186 #/kWh	\$ -	\$ 0.09	\$ 0.19	\$ 0.47	\$ 0.93	\$ 1.40	\$ 1.67	\$ 1.86	\$ 2.79	\$ 3.72	\$ 4.65	\$ 5.58	\$ 6.51	\$ 7.44	\$ 8.37	\$ 9.30
Universal Service Charge @ 0.411 #/kWh	\$ -	\$ 0.21	\$ 0.41	\$ 1.03	\$ 2.06	\$ 3.08	\$ 3.70	\$ 4.11	\$ 6.17	\$ 8.22	\$ 10.28	\$ 12.33	\$ 14.39	\$ 16.44	\$ 18.50	\$ 20.55
Phase II Energy Efficiency Charge @ 0.218 #/kWh	\$ -	\$ 0.11	\$ 0.22	\$ 0.55	\$ 1.09	\$ 1.64	\$ 1.96	\$ 2.18	\$ 3.27	\$ 4.36	\$ 5.45	\$ 6.54	\$ 7.63	\$ 8.72	\$ 9.81	\$ 10.90
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 0.42	\$ 0.84	\$ 2.10	\$ 4.21	\$ 6.31	\$ 7.57	\$ 8.41	\$ 12.62	\$ 16.82	\$ 21.03	\$ 25.23	\$ 29.44	\$ 33.64	\$ 37.85	\$ 42.05
DSIC Charge @ 1.327 %	\$ 0.14	\$ 0.17	\$ 0.20	\$ 0.28	\$ 0.41	\$ 0.54	\$ 0.62	\$ 0.67	\$ 0.94	\$ 1.20	\$ 1.46	\$ 1.73	\$ 1.99	\$ 2.25	\$ 2.52	\$ 2.78
PTC Charge	\$ -	\$ 4.50	\$ 9.00	\$ 22.49	\$ 44.98	\$ 67.47	\$ 80.96	\$ 89.96	\$ 134.94	\$ 179.92	\$ 224.90	\$ 269.88	\$ 314.86	\$ 359.84	\$ 404.82	\$ 449.80
All kWh @ \$ 0.08996 /kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 10.99	\$ 17.51	\$ 24.02	\$ 43.56	\$ 76.12	\$ 108.68	\$ 128.22	\$ 141.24	\$ 206.37	\$ 271.49	\$ 336.61	\$ 401.74	\$ 466.86	\$ 531.98	\$ 597.11	\$ 662.23
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 10.99	\$ 17.51	\$ 24.02	\$ 43.56	\$ 76.12	\$ 108.68	\$ 128.22	\$ 141.24	\$ 206.37	\$ 271.49	\$ 336.61	\$ 401.74	\$ 466.86	\$ 531.98	\$ 597.11	\$ 662.23

UNBUNDLED RATES - PROPOSED

Distribution	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41
Distribution Charge @ \$13.41	\$ -	\$ 2.35	\$ 4.69	\$ 11.73	\$ 23.45	\$ 35.18	\$ 42.21	\$ 46.90	\$ 70.35	\$ 93.80	\$ 117.25	\$ 140.70	\$ 164.15	\$ 187.60	\$ 211.05	\$ 234.50
All kWh @ 4.690 #/kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 13.41	\$ 15.76	\$ 18.10	\$ 25.14	\$ 36.86	\$ 48.59	\$ 55.62	\$ 60.31	\$ 83.76	\$ 107.21	\$ 130.66	\$ 154.11	\$ 177.56	\$ 201.01	\$ 224.46	\$ 247.91
Riders	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Solar Photovoltaic Requirements Charge @ 0.026 #/kWh	\$ -	\$ 0.01	\$ 0.03	\$ 0.07	\$ 0.13	\$ 0.20	\$ 0.23	\$ 0.26	\$ 0.39	\$ 0.52	\$ 0.65	\$ 0.78	\$ 0.91	\$ 1.04	\$ 1.17	\$ 1.30
Default Service Support Charge @ 0.287 #/kWh	\$ -	\$ 0.14	\$ 0.29	\$ 0.72	\$ 1.44	\$ 2.15	\$ 2.58	\$ 2.87	\$ 4.31	\$ 5.74	\$ 7.18	\$ 8.61	\$ 10.05	\$ 11.48	\$ 12.92	\$ 14.35
Universal Service Charge @ 0.411 #/kWh	\$ -	\$ 0.21	\$ 0.41	\$ 1.03	\$ 2.06	\$ 3.08	\$ 3.70	\$ 4.11	\$ 6.17	\$ 8.22	\$ 10.28	\$ 12.33	\$ 14.39	\$ 16.44	\$ 18.50	\$ 20.55
Phase II Energy Efficiency Charge @ 0.218 #/kWh	\$ -	\$ 0.11	\$ 0.22	\$ 0.55	\$ 1.09	\$ 1.64	\$ 1.96	\$ 2.18	\$ 3.27	\$ 4.36	\$ 5.45	\$ 6.54	\$ 7.63	\$ 8.72	\$ 9.81	\$ 10.90
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 0.47	\$ 0.94	\$ 2.36	\$ 4.71	\$ 7.07	\$ 8.48	\$ 9.42	\$ 14.13	\$ 18.84	\$ 23.55	\$ 28.26	\$ 32.97	\$ 37.68	\$ 42.39	\$ 47.10
DSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge	\$ -	\$ 4.50	\$ 9.00	\$ 22.49	\$ 44.98	\$ 67.47	\$ 80.96	\$ 89.96	\$ 134.94	\$ 179.92	\$ 224.90	\$ 269.88	\$ 314.86	\$ 359.84	\$ 404.82	\$ 449.80
All kWh @ \$ 0.08996 /kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub Total	\$ 13.41	\$ 20.72	\$ 28.04	\$ 49.98	\$ 86.55	\$ 123.12	\$ 145.06	\$ 159.69	\$ 232.83	\$ 305.97	\$ 379.11	\$ 452.25	\$ 525.39	\$ 598.53	\$ 671.67	\$ 744.81
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 13.41	\$ 20.72	\$ 28.04	\$ 49.98	\$ 86.55	\$ 123.12	\$ 145.06	\$ 159.69	\$ 232.83	\$ 305.97	\$ 379.11	\$ 452.25	\$ 525.39	\$ 598.53	\$ 671.67	\$ 744.81
% Increase	21.98%	18.38%	16.73%	14.75%	13.71%	13.29%	13.14%	13.06%	12.82%	12.70%	12.62%	12.57%	12.54%	12.51%	12.49%	12.47%

PENNSYLVANIA POWER COMPANY
COMPARISON BETWEEN PRESENT AND PROPOSED RATES
RATE GS - SPECIAL PROVISION FOR FIRE COMPANIES, NON-PROFIT SENIOR CITIZEN CENTERS, NON-PROFIT RESCUE SQUADS AND NON-PROFIT AMBULANCE SERVICES

ENERGY USAGE	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
All kWh																
Total Energy Usage	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000

	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
UNBUNDLED RATES - CURRENT																
Distribution																
Distribution Charge @ \$10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85	\$ 10.85
All kWh @ 3.135 /kWh	\$ -	\$ 1.57	\$ 3.14	\$ 7.84	\$ 15.68	\$ 23.51	\$ 28.22	\$ 31.35	\$ 47.03	\$ 62.70	\$ 78.38	\$ 94.05	\$ 108.73	\$ 125.40	\$ 141.08	\$ 156.75
Sub-Total	\$ 10.85	\$ 12.42	\$ 13.99	\$ 18.69	\$ 26.53	\$ 34.36	\$ 39.07	\$ 42.20	\$ 57.88	\$ 73.55	\$ 89.23	\$ 104.90	\$ 120.58	\$ 136.25	\$ 151.93	\$ 167.60
Riders																
Solar Photovoltaic Requirements Charge @ 0.026 /kWh	\$ -	\$ 0.01	\$ 0.03	\$ 0.07	\$ 0.13	\$ 0.20	\$ 0.23	\$ 0.26	\$ 0.39	\$ 0.52	\$ 0.65	\$ 0.78	\$ 0.91	\$ 1.04	\$ 1.17	\$ 1.30
Default Service Support Charge @ 0.186 /kWh	\$ -	\$ 0.09	\$ 0.19	\$ 0.47	\$ 0.93	\$ 1.40	\$ 1.67	\$ 1.86	\$ 2.79	\$ 3.72	\$ 4.65	\$ 5.58	\$ 6.51	\$ 7.44	\$ 8.37	\$ 9.30
Universal Service Charge @ 0.411 /kWh	\$ -	\$ 0.21	\$ 0.41	\$ 1.03	\$ 2.06	\$ 3.08	\$ 3.70	\$ 4.11	\$ 6.17	\$ 8.22	\$ 10.28	\$ 12.33	\$ 14.39	\$ 16.44	\$ 18.50	\$ 20.55
Phase II Energy Efficiency Charge @ 2.093 /kWh	\$ -	\$ 1.05	\$ 2.09	\$ 5.23	\$ 10.47	\$ 15.70	\$ 18.84	\$ 20.93	\$ 31.40	\$ 41.86	\$ 52.33	\$ 62.79	\$ 73.26	\$ 83.72	\$ 94.19	\$ 104.65
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 1.36	\$ 2.72	\$ 6.79	\$ 13.58	\$ 20.37	\$ 24.44	\$ 27.16	\$ 40.74	\$ 54.32	\$ 67.90	\$ 81.48	\$ 95.06	\$ 108.64	\$ 122.22	\$ 135.80
DSIC Charge @ 1.327 %	\$ 0.14	\$ 0.18	\$ 0.22	\$ 0.34	\$ 0.53	\$ 0.73	\$ 0.84	\$ 0.92	\$ 1.31	\$ 1.70	\$ 2.09	\$ 2.47	\$ 2.86	\$ 3.25	\$ 3.64	\$ 4.03
PTC Charge																
All kWh @ \$ 0.08996 /kWh	\$ -	\$ 4.50	\$ 9.00	\$ 22.49	\$ 44.98	\$ 67.47	\$ 80.96	\$ 89.96	\$ 134.94	\$ 179.92	\$ 224.90	\$ 269.88	\$ 314.86	\$ 359.84	\$ 404.82	\$ 449.80
Sub Total	\$ 10.99	\$ 18.46	\$ 25.92	\$ 48.31	\$ 85.62	\$ 122.93	\$ 145.32	\$ 160.24	\$ 234.86	\$ 309.49	\$ 384.11	\$ 458.73	\$ 533.36	\$ 607.98	\$ 682.60	\$ 757.23
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 10.99	\$ 18.46	\$ 25.92	\$ 48.31	\$ 85.62	\$ 122.93	\$ 145.32	\$ 160.24	\$ 234.86	\$ 309.49	\$ 384.11	\$ 458.73	\$ 533.36	\$ 607.98	\$ 682.60	\$ 757.23

	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
UNBUNDLED RATES - PROPOSED																
Distribution																
Distribution Charge @ \$13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41	\$ 13.41
All kWh @ 4.690 /kWh	\$ -	\$ 2.35	\$ 4.69	\$ 11.73	\$ 23.45	\$ 35.18	\$ 42.21	\$ 46.90	\$ 70.35	\$ 93.80	\$ 117.25	\$ 140.70	\$ 164.15	\$ 187.60	\$ 211.05	\$ 234.50
Sub-Total	\$ 13.41	\$ 15.76	\$ 18.10	\$ 25.14	\$ 36.86	\$ 48.59	\$ 55.62	\$ 60.31	\$ 83.76	\$ 107.21	\$ 130.66	\$ 154.11	\$ 177.56	\$ 201.01	\$ 224.46	\$ 247.91
Riders																
Solar Photovoltaic Requirements Charge @ 0.026 /kWh	\$ -	\$ 0.01	\$ 0.03	\$ 0.07	\$ 0.13	\$ 0.20	\$ 0.23	\$ 0.26	\$ 0.39	\$ 0.52	\$ 0.65	\$ 0.78	\$ 0.91	\$ 1.04	\$ 1.17	\$ 1.30
Default Service Support Charge @ 0.287 /kWh	\$ -	\$ 0.14	\$ 0.29	\$ 0.72	\$ 1.44	\$ 2.15	\$ 2.58	\$ 2.87	\$ 4.31	\$ 5.74	\$ 7.18	\$ 8.61	\$ 10.05	\$ 11.48	\$ 12.92	\$ 14.35
Universal Service Charge @ 0.411 /kWh	\$ -	\$ 0.21	\$ 0.41	\$ 1.03	\$ 2.06	\$ 3.08	\$ 3.70	\$ 4.11	\$ 6.17	\$ 8.22	\$ 10.28	\$ 12.33	\$ 14.39	\$ 16.44	\$ 18.50	\$ 20.55
Phase II Energy Efficiency Charge @ 2.093 /kWh	\$ -	\$ 1.05	\$ 2.09	\$ 5.23	\$ 10.47	\$ 15.70	\$ 18.84	\$ 20.93	\$ 31.40	\$ 41.86	\$ 52.33	\$ 62.79	\$ 73.26	\$ 83.72	\$ 94.19	\$ 104.65
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 1.41	\$ 2.82	\$ 7.04	\$ 14.09	\$ 21.13	\$ 25.35	\$ 28.17	\$ 42.26	\$ 56.34	\$ 70.43	\$ 84.51	\$ 98.60	\$ 112.68	\$ 126.77	\$ 140.85
DSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge																
All kWh @ \$ 0.08996 /kWh	\$ -	\$ 4.50	\$ 9.00	\$ 22.49	\$ 44.98	\$ 67.47	\$ 80.96	\$ 89.96	\$ 134.94	\$ 179.92	\$ 224.90	\$ 269.88	\$ 314.86	\$ 359.84	\$ 404.82	\$ 449.80
Sub Total	\$ 13.41	\$ 21.66	\$ 29.91	\$ 54.67	\$ 95.93	\$ 137.18	\$ 161.94	\$ 178.44	\$ 260.96	\$ 343.47	\$ 425.99	\$ 508.50	\$ 591.02	\$ 673.53	\$ 756.05	\$ 838.56
STAS @ 0.00 %	\$ 13.41	\$ 21.66	\$ 29.91	\$ 54.67	\$ 95.93	\$ 137.18	\$ 161.94	\$ 178.44	\$ 260.96	\$ 343.47	\$ 425.99	\$ 508.50	\$ 591.02	\$ 673.53	\$ 756.05	\$ 838.56
Total Bill	\$ 26.82	\$ 43.32	\$ 59.81	\$ 109.34	\$ 191.86	\$ 274.36	\$ 323.88	\$ 356.61	\$ 521.92	\$ 686.94	\$ 851.42	\$ 1017.01	\$ 1182.08	\$ 1346.16	\$ 1512.11	\$ 1677.16
% Increase		17.37%	15.41%	13.17%	12.04%	11.60%	11.44%	11.36%	11.11%	10.96%	10.90%	10.85%	10.81%	10.78%	10.76%	10.74%

PENNSYLVANIA POWER COMPANY
COMPARISON BETWEEN PRESENT AND PROPOSED RATES

RATE GS-SMALL
With Demands 1 - 5 KW
At Average Levels of kWh Use

DEMAND	0	1	1	1	1	1	1	1	1	3	3	3	3	3	3	3	5	5
Total kW	0	100	200	300	400	500	600	730	100	200	300	400	500	1,000	1,500	200	200	
Hrs Use	0	100	200	300	400	500	600	730	300	600	900	1,200	1,500	1,500	1,500	500	1,000	
ENERGY USAGE	0	100	200	300	400	500	600	730	300	600	900	1,200	1,500	1,500	1,500	500	1,000	
Monthly Energy Usage	0	100	200	300	400	500	600	730	300	600	900	1,200	1,500	1,500	1,500	500	1,000	
Total Energy Usage	0	100	200	300	400	500	600	730	300	600	900	1,200	1,500	1,500	1,500	500	1,000	
UNBUNDLED RATES - CURRENT																		
Distribution Charge @ \$19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24	\$ 19.24
All kWh @ 1.926 ¢/kWh	\$ -	\$ 1.93	\$ 3.85	\$ 5.78	\$ 7.70	\$ 9.63	\$ 11.56	\$ 14.06	\$ 5.78	\$ 11.56	\$ 17.33	\$ 23.11	\$ 28.89	\$ 34.67	\$ 40.45	\$ 46.23	\$ 52.01	\$ 57.79
Sub-Total	\$ 19.24	\$ 21.17	\$ 23.09	\$ 25.02	\$ 26.94	\$ 28.87	\$ 30.80	\$ 33.30	\$ 25.02	\$ 30.80	\$ 36.57	\$ 42.35	\$ 48.13	\$ 53.91	\$ 59.69	\$ 65.47	\$ 71.25	\$ 77.03
Riders																		
Solar Photovoltaic Requirements Charge @ 0.026 ¢/kWh	\$ -	\$ 0.03	\$ 0.05	\$ 0.08	\$ 0.10	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.08	\$ 0.16	\$ 0.23	\$ 0.31	\$ 0.39	\$ 0.47	\$ 0.55	\$ 0.63	\$ 0.71	\$ 0.79
Default Service Support Charge @ 0.178 ¢/kWh	\$ -	\$ 0.18	\$ 0.36	\$ 0.53	\$ 0.71	\$ 0.89	\$ 1.07	\$ 1.30	\$ 0.53	\$ 1.07	\$ 1.60	\$ 2.14	\$ 2.67	\$ 3.20	\$ 3.73	\$ 4.26	\$ 4.79	\$ 5.32
Phase II Energy Efficiency Charge @ 0.104 ¢/kWh	\$ -	\$ 0.10	\$ 0.21	\$ 0.31	\$ 0.42	\$ 0.52	\$ 0.62	\$ 0.76	\$ 0.31	\$ 0.62	\$ 0.94	\$ 1.25	\$ 1.56	\$ 1.87	\$ 2.18	\$ 2.49	\$ 2.80	\$ 3.11
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 0.31	\$ 0.62	\$ 0.92	\$ 1.23	\$ 1.54	\$ 1.85	\$ 2.25	\$ 0.92	\$ 1.85	\$ 2.77	\$ 3.70	\$ 4.62	\$ 5.54	\$ 6.46	\$ 7.38	\$ 8.30	\$ 9.22
DSIC Charge @ 1.327 %	\$ 0.26	\$ 0.28	\$ 0.31	\$ 0.34	\$ 0.37	\$ 0.40	\$ 0.43	\$ 0.47	\$ 0.34	\$ 0.43	\$ 0.52	\$ 0.61	\$ 0.70	\$ 0.79	\$ 0.88	\$ 0.97	\$ 1.06	\$ 1.15
PTC Charge																		
All kWh @ \$ 0.08867 /kWh	\$ -	\$ 8.87	\$ 17.73	\$ 26.60	\$ 35.47	\$ 44.34	\$ 53.20	\$ 64.73	\$ 26.60	\$ 53.20	\$ 79.80	\$ 106.40	\$ 133.01	\$ 159.61	\$ 186.22	\$ 212.83	\$ 239.43	\$ 266.04
Sub-Total	\$ 19.50	\$ 30.63	\$ 41.76	\$ 52.89	\$ 64.02	\$ 75.15	\$ 86.28	\$ 100.75	\$ 52.89	\$ 86.28	\$ 119.67	\$ 153.06	\$ 186.45	\$ 219.84	\$ 253.23	\$ 286.62	\$ 320.01	\$ 353.40
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 19.50	\$ 30.63	\$ 41.76	\$ 52.89	\$ 64.02	\$ 75.15	\$ 86.28	\$ 100.75	\$ 52.89	\$ 86.28	\$ 119.67	\$ 153.06	\$ 186.45	\$ 219.84	\$ 253.23	\$ 286.62	\$ 320.01	\$ 353.40

DEMAND	0	1	1	1	1	1	1	1	1	3	3	3	3	3	3	5	5	
Total kW	0	100	200	300	400	500	600	730	100	200	300	400	500	1,000	1,500	200	200	
Hrs Use	0	100	200	300	400	500	600	730	300	600	900	1,200	1,500	1,500	1,500	500	1,000	
ENERGY USAGE	0	100	200	300	400	500	600	730	300	600	900	1,200	1,500	1,500	1,500	500	1,000	
Monthly Energy Usage	0	100	200	300	400	500	600	730	300	600	900	1,200	1,500	1,500	1,500	500	1,000	
Total Energy Usage	0	100	200	300	400	500	600	730	300	600	900	1,200	1,500	1,500	1,500	500	1,000	
UNBUNDLED RATES - PROPOSED																		
Distribution Charge @ \$27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67	\$ 27.67
All kWh @ 4.035 ¢/kWh	\$ -	\$ 4.04	\$ 8.07	\$ 12.11	\$ 16.14	\$ 20.18	\$ 24.21	\$ 28.46	\$ 12.11	\$ 24.21	\$ 36.32	\$ 48.42	\$ 60.53	\$ 72.64	\$ 84.75	\$ 96.86	\$ 108.97	\$ 121.08
Sub-Total	\$ 27.67	\$ 31.71	\$ 35.74	\$ 39.78	\$ 43.81	\$ 47.85	\$ 51.88	\$ 57.13	\$ 39.78	\$ 51.88	\$ 63.99	\$ 76.09	\$ 88.20	\$ 100.31	\$ 112.42	\$ 124.53	\$ 136.64	\$ 148.75
Riders																		
Solar Photovoltaic Requirements Charge @ 0.026 ¢/kWh	\$ -	\$ 0.03	\$ 0.05	\$ 0.08	\$ 0.10	\$ 0.13	\$ 0.16	\$ 0.19	\$ 0.08	\$ 0.16	\$ 0.23	\$ 0.31	\$ 0.39	\$ 0.47	\$ 0.55	\$ 0.63	\$ 0.71	\$ 0.79
Default Service Support Charge @ 0.184 ¢/kWh	\$ -	\$ 0.18	\$ 0.37	\$ 0.55	\$ 0.74	\$ 0.92	\$ 1.10	\$ 1.34	\$ 0.55	\$ 1.10	\$ 1.66	\$ 2.21	\$ 2.76	\$ 3.31	\$ 3.86	\$ 4.41	\$ 4.96	\$ 5.51
Phase II Energy Efficiency Charge @ 0.104 ¢/kWh	\$ -	\$ 0.10	\$ 0.21	\$ 0.31	\$ 0.42	\$ 0.52	\$ 0.62	\$ 0.76	\$ 0.31	\$ 0.62	\$ 0.94	\$ 1.25	\$ 1.56	\$ 1.87	\$ 2.18	\$ 2.49	\$ 2.80	\$ 3.11
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 0.31	\$ 0.63	\$ 0.94	\$ 1.26	\$ 1.57	\$ 1.88	\$ 2.29	\$ 0.94	\$ 1.88	\$ 2.83	\$ 3.77	\$ 4.71	\$ 5.65	\$ 6.59	\$ 7.53	\$ 8.47	\$ 9.41
DSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge																		
All kWh @ \$ 0.08867 /kWh	\$ -	\$ 8.87	\$ 17.73	\$ 26.60	\$ 35.47	\$ 44.34	\$ 53.20	\$ 64.73	\$ 26.60	\$ 53.20	\$ 79.80	\$ 106.40	\$ 133.01	\$ 159.61	\$ 186.22	\$ 212.83	\$ 239.43	\$ 266.04
Sub-Total	\$ 27.67	\$ 40.89	\$ 54.10	\$ 67.32	\$ 80.53	\$ 93.75	\$ 106.97	\$ 124.15	\$ 67.32	\$ 106.97	\$ 146.61	\$ 186.26	\$ 225.91	\$ 265.56	\$ 305.21	\$ 344.86	\$ 384.51	\$ 424.16
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 27.67	\$ 40.89	\$ 54.10	\$ 67.32	\$ 80.53	\$ 93.75	\$ 106.97	\$ 124.15	\$ 67.32	\$ 106.97	\$ 146.61	\$ 186.26	\$ 225.91	\$ 265.56	\$ 305.21	\$ 344.86	\$ 384.51	\$ 424.16
% Increase	41.93%	33.50%	29.57%	27.29%	25.80%	24.75%	23.98%	23.22%	27.29%	23.98%	22.51%	21.69%	21.16%	20.64%	20.12%	19.60%	19.08%	18.56%

PENNSYLVANIA POWER COMPANY
 COMPARISON BETWEEN PRESENT AND PROPOSED RATES

RATE GS-MEDIUM
 With Demands 10 - 20 KW
 At Average Levels of kWh Use

	0	10	100	1000	10000	100000	1000000	10000000	100000000	1000000000	10000000000	100000000000	1000000000000
DEMAND													
Total kW	0	10	100	1,000	10,000	100,000	1,000,000	10,000,000	100,000,000	1,000,000,000	10,000,000,000	100,000,000,000	1,000,000,000,000
Hrs Use	0	10	100	1,000	10,000	100,000	1,000,000	10,000,000	100,000,000	1,000,000,000	10,000,000,000	100,000,000,000	1,000,000,000,000
REACTIVE DEMAND													
kVA	0	1	1	1	1	1	1	1	1	1	1	1	1
ENERGY USAGE													
Monthly Energy Usage	0	1,000	10,000	100,000	1,000,000	10,000,000	100,000,000	1,000,000,000	10,000,000,000	100,000,000,000	1,000,000,000,000	10,000,000,000,000	100,000,000,000,000
Total Energy Usage	0	1,000	10,000	100,000	1,000,000	10,000,000	100,000,000	1,000,000,000	10,000,000,000	100,000,000,000	1,000,000,000,000	10,000,000,000,000	100,000,000,000,000

UNBUNDLED RATES - CURRENT

Distribution													
Distribution Charge @ \$19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11	\$ 19.11
All kW @ \$2.62/kWh	\$ -	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20	\$ 26.20
All kVA @ \$0.20 /kVA	\$ -	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Sub-Total	\$ 19.11	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49	\$ 45.49
Riders													
Solar Photovoltaic Requirements Charge @ 0.026 \$/kWh	\$ -	\$ 0.26	\$ 0.52	\$ 0.78	\$ 1.04	\$ 1.30	\$ 1.56	\$ 1.90	\$ 2.26	\$ 2.60	\$ 2.94	\$ 3.30	\$ 3.66
Default Service Support Charge @ 0.183 \$/kWh	\$ -	\$ 1.83	\$ 3.66	\$ 5.49	\$ 7.32	\$ 9.15	\$ 10.98	\$ 13.36	\$ 15.74	\$ 18.12	\$ 20.50	\$ 22.88	\$ 25.26
Phase II Energy Efficiency Charge @ 0.104 \$/kWh	\$ -	\$ 1.04	\$ 2.08	\$ 3.12	\$ 4.16	\$ 5.20	\$ 6.24	\$ 7.28	\$ 8.32	\$ 9.36	\$ 10.40	\$ 11.44	\$ 12.48
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 3.13	\$ 6.26	\$ 9.39	\$ 12.52	\$ 15.65	\$ 18.78	\$ 22.85	\$ 26.92	\$ 31.00	\$ 35.07	\$ 39.14	\$ 43.21
DSIC Charge @ 1.327 %	\$ 0.25	\$ 0.65	\$ 0.89	\$ 0.73	\$ 0.77	\$ 0.81	\$ 0.85	\$ 0.91	\$ 1.04	\$ 1.12	\$ 1.20	\$ 1.29	\$ 1.37
PTC Charge													
All kWh @ \$ 0.08867 /kWh	\$ -	\$ 88.67	\$ 177.34	\$ 266.01	\$ 354.68	\$ 443.35	\$ 532.02	\$ 620.69	\$ 709.36	\$ 798.03	\$ 886.70	\$ 975.37	\$ 1,064.04
Sub Total	\$ 19.36	\$ 137.93	\$ 229.77	\$ 321.61	\$ 413.45	\$ 505.30	\$ 597.14	\$ 688.98	\$ 780.82	\$ 872.66	\$ 964.50	\$ 1,056.34	\$ 1,148.18
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 19.36	\$ 137.93	\$ 229.77	\$ 321.61	\$ 413.45	\$ 505.30	\$ 597.14	\$ 688.98	\$ 780.82	\$ 872.66	\$ 964.50	\$ 1,056.34	\$ 1,148.18

UNBUNDLED RATES - PROPOSED

Distribution													
Distribution Charge @ \$30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44	\$ 30.44
All kW @ \$3.85/kWh	\$ -	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50	\$ 38.50
All kVA @ \$0.20 /kVA	\$ -	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18	\$ 0.18
Sub-Total	\$ 30.44	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12	\$ 69.12
Riders													
Solar Photovoltaic Requirements Charge @ 0.026 \$/kWh	\$ -	\$ 0.26	\$ 0.52	\$ 0.78	\$ 1.04	\$ 1.30	\$ 1.56	\$ 1.90	\$ 2.26	\$ 2.60	\$ 2.94	\$ 3.30	\$ 3.66
Default Service Support Charge @ 0.188 \$/kWh	\$ -	\$ 1.89	\$ 3.78	\$ 5.67	\$ 7.56	\$ 9.45	\$ 11.34	\$ 13.80	\$ 15.74	\$ 18.12	\$ 20.50	\$ 22.88	\$ 25.26
Phase II Energy Efficiency Charge @ 0.104 \$/kWh	\$ -	\$ 1.04	\$ 2.08	\$ 3.12	\$ 4.16	\$ 5.20	\$ 6.24	\$ 7.28	\$ 8.32	\$ 9.36	\$ 10.40	\$ 11.44	\$ 12.48
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 3.19	\$ 6.38	\$ 9.57	\$ 12.76	\$ 15.95	\$ 19.14	\$ 23.29	\$ 26.92	\$ 31.00	\$ 35.07	\$ 39.14	\$ 43.21
DSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge													
All kWh @ \$ 0.08867 /kWh	\$ -	\$ 88.67	\$ 177.34	\$ 266.01	\$ 354.68	\$ 443.35	\$ 532.02	\$ 620.69	\$ 709.36	\$ 798.03	\$ 886.70	\$ 975.37	\$ 1,064.04
Sub Total	\$ 30.44	\$ 160.98	\$ 252.84	\$ 344.70	\$ 436.56	\$ 528.42	\$ 620.28	\$ 712.14	\$ 804.00	\$ 895.86	\$ 987.72	\$ 1,079.58	\$ 1,171.44
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 30.44	\$ 160.98	\$ 252.84	\$ 344.70	\$ 436.56	\$ 528.42	\$ 620.28	\$ 712.14	\$ 804.00	\$ 895.86	\$ 987.72	\$ 1,079.58	\$ 1,171.44
% Increase	57.20%	16.71%	10.04%	7.18%	5.59%	4.58%	3.87%	3.23%	2.76%	2.35%	1.95%	1.55%	1.15%

COMPARISON BETWEEN PRESENT AND PROPOSED RATES

DEMAND	PENNSYLVANIA POWER COMPANY											
	RATE GS-MEDIUM											
Total kW	With Demands 250-400 KW											
	At Average Levels of kWh Use											
	250	250	250	250	250	250	250	250	250	250	250	250
Hrs Use	0	100	200	300	400	500	600	700	800	900	1000	1100
REACTIVE DEMAND	0	22	22	22	22	22	22	22	22	22	22	22
ENERGY USAGE	0	25,000	50,000	75,000	100,000	125,000	150,000	182,500	200,000	200,000	200,000	200,000
Monthly Energy Usage	0	25,000	50,000	75,000	100,000	125,000	150,000	182,500	200,000	200,000	200,000	200,000
Total Energy Usage	0	25,000	50,000	75,000	100,000	125,000	150,000	182,500	200,000	200,000	200,000	200,000

	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11
	655.00	655.00	655.00	655.00	655.00	655.00	655.00	655.00	655.00	655.00	655.00	655.00
	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38
	674.11	674.49	678.49	678.49	678.49	678.49	678.49	678.49	678.49	678.49	678.49	678.49
UNBUNDLED RATES - CURRENT												
Distribution	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11	19.11
Distribution Charge @ \$19.11	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
All kW @ \$2.62/kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
All kVA @ \$0.20/kVA	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sub-Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rates												
Solar Photovoltaic Requirements Charge @ 0.025 /kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Default Service Support Charge @ 0.183 /kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase II Energy Efficiency Charge @ 0.104 /kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Smart Meter Charge @ \$0.00	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sub-Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
DSIC Charge @ 1.327 %	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PTC Charge												
All kWh @ \$ 0.08867 /kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sub-Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
STAS @ 0.00 %	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Bill	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44
	962.50	962.50	962.50	962.50	962.50	962.50	962.50	962.50	962.50	962.50	962.50	962.50
	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38
	992.84	997.32	997.32	997.32	997.32	997.32	997.32	997.32	997.32	997.32	997.32	997.32
UNBUNDLED RATES - PROPOSED												
Distribution	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44	30.44
Distribution Charge @ \$30.44	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
All kW @ \$3.85/kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
All kVA @ \$0.20/kVA	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sub-Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Rates												
Solar Photovoltaic Requirements Charge @ 0.025 /kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Default Service Support Charge @ 0.189 /kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Phase II Energy Efficiency Charge @ 0.104 /kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Smart Meter Charge @ \$0.00	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sub-Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
DSIC Charge @ 0.000 %	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PTC Charge												
All kWh @ \$ 0.08867 /kWh	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sub-Total	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
STAS @ 0.00 %	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total Bill	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
% Increase	45.37%	10.40%	5.89%	4.11%	3.16%	2.57%	1.75%	4.05%	3.12%	5.82%	2.53%	2.13%

PENNSYLVANIA POWER COMPANY
COMPARISON BETWEEN PRESENT AND PROPOSED RATES

DEMAND	RATE GS-LARGE At Average Levels of kWh Use											
	500	500	500	500	500	750	750	750	750	1,000	1,000	1,000
Total kW	500	500	500	500	500	750	750	750	750	1,000	1,000	1,000
Hrs Use	0	200	300	400	500	750	750	750	750	300	400	730
REACTIVE DEMAND												
rVA	0	81	81	81	81	121	121	121	121	161	161	161
ENERGY USAGE												
Monthly Energy Usage	0	100,000	150,000	200,000	250,000	365,000	365,000	365,000	365,000	300,000	400,000	730,000
Total Energy Usage	0	100,000	150,000	200,000	250,000	365,000	365,000	365,000	365,000	300,000	400,000	730,000

UNBUNDLED RATES - CURRENT

Distribution Charge @ \$74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49	\$ 74.49
All kW @ \$3.353/KWh	\$ 1,675.00	\$ 1,675.00	\$ 1,675.00	\$ 1,675.00	\$ 1,675.00	\$ 2,512.50	\$ 2,512.50	\$ 2,512.50	\$ 2,512.50	\$ 3,350.00	\$ 3,350.00	\$ 3,350.00
All rVA @ \$0.20/rVA	\$ 16.13	\$ 16.13	\$ 16.13	\$ 16.13	\$ 16.13	\$ 24.20	\$ 24.20	\$ 24.20	\$ 24.20	\$ 32.26	\$ 32.26	\$ 32.26
Sub-Total	\$ 1,748.49	\$ 1,748.62	\$ 1,748.62	\$ 1,748.62	\$ 1,748.62	\$ 2,611.19	\$ 2,611.19	\$ 2,611.19	\$ 2,611.19	\$ 3,456.75	\$ 3,456.75	\$ 3,456.75
Riders												
Solar Photovoltaic Requirements Charge @ 0.026 \$/kWh	\$ -	\$ 26.00	\$ 39.00	\$ 52.00	\$ 65.00	\$ 94.50	\$ 142.35	\$ 142.35	\$ 142.35	\$ 52.00	\$ 76.00	\$ 104.00
Default Service Support Charge @ 0.57 \$/kW	\$ 278.50	\$ 278.50	\$ 278.50	\$ 278.50	\$ 278.50	\$ 417.75	\$ 417.75	\$ 417.75	\$ 417.75	\$ 557.00	\$ 557.00	\$ 557.00
Phase II Energy Efficiency Charge @ 0.104 \$/kWh	\$ -	\$ 104.00	\$ 156.00	\$ 208.00	\$ 260.00	\$ 379.60	\$ 569.40	\$ 569.40	\$ 569.40	\$ 752.00	\$ 941.00	\$ 1,129.00
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 278.50	\$ 408.50	\$ 473.50	\$ 538.50	\$ 603.50	\$ 753.00	\$ 905.25	\$ 1,129.50	\$ 817.00	\$ 947.00	\$ 1,077.00	\$ 1,207.00
DSIC Charge @ 1.327 %	\$ 26.91	\$ 28.85	\$ 28.71	\$ 30.58	\$ 31.44	\$ 33.42	\$ 44.09	\$ 46.97	\$ 48.84	\$ 56.71	\$ 58.44	\$ 61.89
PTC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All rVA @ \$ 0.09887 /rVA	\$ -	\$ 8,867.00	\$ 13,300.50	\$ 17,734.00	\$ 22,167.50	\$ 32,364.55	\$ 33,251.25	\$ 48,546.83	\$ 17,734.00	\$ 26,601.00	\$ 35,466.00	\$ 44,335.00
Sub-Total	\$ 2,854.90	\$ 11,089.97	\$ 15,569.33	\$ 20,068.70	\$ 24,558.06	\$ 34,916.59	\$ 36,572.22	\$ 52,337.15	\$ 22,084.46	\$ 31,063.19	\$ 40,061.91	\$ 49,060.64
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 2,854.90	\$ 11,089.97	\$ 15,569.33	\$ 20,068.70	\$ 24,558.06	\$ 34,916.59	\$ 36,572.22	\$ 52,337.15	\$ 22,084.46	\$ 31,063.19	\$ 40,061.91	\$ 49,060.64

UNBUNDLED RATES - PROPOSED

Distribution Charge @ \$126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53	\$ 126.53
All kW @ \$4.77/KWh	\$ 2,385.00	\$ 2,385.00	\$ 2,385.00	\$ 2,385.00	\$ 2,385.00	\$ 3,577.50	\$ 3,577.50	\$ 3,577.50	\$ 3,577.50	\$ 4,770.00	\$ 4,770.00	\$ 4,770.00
All rVA @ \$0.20/rVA	\$ 16.13	\$ 16.13	\$ 16.13	\$ 16.13	\$ 16.13	\$ 24.20	\$ 24.20	\$ 24.20	\$ 24.20	\$ 32.26	\$ 32.26	\$ 32.26
Sub-Total	\$ 2,511.53	\$ 2,527.66	\$ 2,527.66	\$ 2,527.66	\$ 2,527.66	\$ 3,728.23	\$ 3,728.23	\$ 3,728.23	\$ 3,728.23	\$ 4,928.79	\$ 4,928.79	\$ 4,928.79
Riders												
Solar Photovoltaic Requirements Charge @ 0.026 \$/kWh	\$ -	\$ 26.00	\$ 39.00	\$ 52.00	\$ 65.00	\$ 94.50	\$ 142.35	\$ 142.35	\$ 142.35	\$ 52.00	\$ 76.00	\$ 104.00
Default Service Support Charge @ 0.57 \$/kW	\$ 189.00	\$ 189.00	\$ 189.00	\$ 189.00	\$ 189.00	\$ 283.50	\$ 425.25	\$ 425.25	\$ 425.25	\$ 567.00	\$ 708.75	\$ 850.50
Phase II Energy Efficiency Charge @ 0.104 \$/kWh	\$ -	\$ 104.00	\$ 156.00	\$ 208.00	\$ 260.00	\$ 379.60	\$ 569.40	\$ 569.40	\$ 569.40	\$ 752.00	\$ 941.00	\$ 1,129.00
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 319.00	\$ 478.50	\$ 638.00	\$ 797.50	\$ 1,164.35	\$ 1,464.35	\$ 1,717.75	\$ 1,962.25	\$ 1,746.53	\$ 2,336.00	\$ 2,786.75	\$ 3,237.50
DSIC Charge @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All rVA @ \$ 0.09887 /rVA	\$ -	\$ 8,867.00	\$ 13,300.50	\$ 17,734.00	\$ 22,167.50	\$ 32,364.55	\$ 33,251.25	\$ 48,546.83	\$ 17,734.00	\$ 26,601.00	\$ 35,466.00	\$ 44,335.00
Sub-Total	\$ 2,511.53	\$ 11,713.66	\$ 16,306.66	\$ 20,899.66	\$ 25,492.66	\$ 36,056.56	\$ 36,943.98	\$ 54,021.58	\$ 23,300.79	\$ 32,486.79	\$ 41,672.79	\$ 50,858.59
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 2,511.53	\$ 11,713.66	\$ 16,306.66	\$ 20,899.66	\$ 25,492.66	\$ 36,056.56	\$ 36,943.98	\$ 54,021.58	\$ 23,300.79	\$ 32,486.79	\$ 41,672.79	\$ 50,858.59
% Increase	22.22%	5.81%	4.74%	4.14%	3.76%	3.26%	4.63%	3.70%	5.60%	4.58%	4.02%	3.20%

COMPARISON BETWEEN PRESENT AND PROPOSED RATES
 PENNSYLVANIA POWER COMPANY

With Demands 250 - 1,000 KW
 At Average Levels of kWh Use

DEMAND	RATE GP									
	250	250	250	250	500	500	500	750	750	1,000
Total KW	250	250	250	250	500	500	500	750	750	1,000
Hrs Use	0	100	300	500	730	500	730	500	730	500
REACTIVE DEMAND										
kVA	0	104	104	104	208	208	208	312	312	416
ENERGY USAGE										
Monthly Energy Usage	0	25,000	75,000	125,000	182,500	150,000	365,000	375,000	547,500	500,000
Total Energy Usage	0	25,000	75,000	125,000	182,500	150,000	365,000	375,000	547,500	500,000

UNBUNDLED RATES - CURRENT

	90.73	90.73	90.73	90.73	90.73	90.73	90.73	90.73	90.73	90.73	90.73	90.73
Distribution	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 1,300.00	\$ 1,300.00	\$ 1,300.00	\$ 1,950.00	\$ 1,950.00	\$ 2,600.00	\$ 2,600.00	\$ 2,600.00
Sub-Total	\$ 740.73	\$ 761.55	\$ 761.55	\$ 761.55	\$ 1,432.37	\$ 1,432.37	\$ 1,432.37	\$ 2,103.18	\$ 2,103.18	\$ 2,774.00	\$ 2,774.00	\$ 2,774.00
Riders												
Solar Photovoltaic Requirements Charge @ 0.025 #/kWh	\$ -	\$ 6.50	\$ 19.50	\$ 32.50	\$ 47.45	\$ 53.00	\$ 59.50	\$ 89.00	\$ 97.50	\$ 142.35	\$ 26.00	\$ 130.00
Default Service Support Charge @ \$ 0.55700 /KW NSPL	\$ 139.25	\$ 139.25	\$ 139.25	\$ 139.25	\$ 278.50	\$ 278.50	\$ 278.50	\$ 417.75	\$ 417.75	\$ 557.00	\$ 557.00	\$ 557.00
Phase II Energy Efficiency Charge @ \$ 0.40 /KW PLC	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 300.00	\$ 300.00	\$ 400.00	\$ 400.00	\$ 400.00
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 239.25	\$ 245.75	\$ 258.75	\$ 271.75	\$ 286.70	\$ 286.70	\$ 286.70	\$ 437.25	\$ 437.25	\$ 557.00	\$ 1,035.00	\$ 1,035.00
DSIC Charge @ 1.327 %	\$ 13.00	\$ 13.37	\$ 13.54	\$ 13.71	\$ 13.91	\$ 13.91	\$ 13.91	\$ 20.62	\$ 20.62	\$ 26.62	\$ 48.86	\$ 51.24
PTC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All kWh @ \$ 0.04176 /kWh	\$ -	\$ 1,044.09	\$ 3,132.27	\$ 5,220.45	\$ 7,821.86	\$ 2,088.18	\$ 6,264.54	\$ 10,440.90	\$ 15,243.72	\$ 22,865.57	\$ 4,176.36	\$ 12,529.08
Sub-Total	\$ 992.98	\$ 2,064.75	\$ 4,166.11	\$ 6,267.46	\$ 8,684.02	\$ 4,037.58	\$ 8,240.28	\$ 12,442.99	\$ 17,276.10	\$ 25,868.18	\$ 7,983.22	\$ 16,388.63
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 992.98	\$ 2,064.75	\$ 4,166.11	\$ 6,267.46	\$ 8,684.02	\$ 4,037.58	\$ 8,240.28	\$ 12,442.99	\$ 17,276.10	\$ 25,868.18	\$ 7,983.22	\$ 16,388.63

UNBUNDLED RATES - PROPOSED

	159.89	159.89	159.89	159.89	159.89	159.89	159.89	159.89	159.89	159.89	159.89	159.89
Distribution	\$ 1,530.00	\$ 1,530.00	\$ 1,530.00	\$ 1,530.00	\$ 3,060.00	\$ 3,060.00	\$ 3,060.00	\$ 4,590.00	\$ 4,590.00	\$ 6,120.00	\$ 6,120.00	\$ 6,120.00
Sub-Total	\$ 1,889.89	\$ 1,710.71	\$ 1,710.71	\$ 1,710.71	\$ 3,261.53	\$ 3,261.53	\$ 3,261.53	\$ 4,812.34	\$ 4,812.34	\$ 6,363.16	\$ 6,363.16	\$ 6,363.16
Riders												
Solar Photovoltaic Requirements Charge @ 0.025 #/kWh	\$ -	\$ 6.50	\$ 19.50	\$ 32.50	\$ 47.45	\$ 53.00	\$ 59.50	\$ 89.00	\$ 97.50	\$ 142.35	\$ 26.00	\$ 130.00
Default Service Support Charge @ \$ 0.55700 /KW NSPL	\$ 139.25	\$ 139.25	\$ 139.25	\$ 139.25	\$ 278.50	\$ 278.50	\$ 278.50	\$ 417.75	\$ 417.75	\$ 557.00	\$ 557.00	\$ 557.00
Phase II Energy Efficiency Charge @ \$ 0.40 /KW PLC	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 300.00	\$ 300.00	\$ 400.00	\$ 400.00	\$ 400.00
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 239.25	\$ 245.75	\$ 258.75	\$ 271.75	\$ 286.70	\$ 286.70	\$ 286.70	\$ 437.25	\$ 437.25	\$ 557.00	\$ 1,035.00	\$ 1,035.00
DSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All kWh @ \$ 0.04176 /kWh	\$ -	\$ 1,044.09	\$ 3,132.27	\$ 5,220.45	\$ 7,821.86	\$ 2,088.18	\$ 6,264.54	\$ 10,440.90	\$ 15,243.72	\$ 22,865.57	\$ 4,176.36	\$ 12,529.08
Sub-Total	\$ 1,925.14	\$ 3,000.55	\$ 5,101.73	\$ 7,202.91	\$ 9,619.27	\$ 5,841.21	\$ 10,043.57	\$ 14,245.93	\$ 19,078.64	\$ 28,538.02	\$ 11,522.52	\$ 19,927.24
STAS @ 0.00 %	\$ 1,925.14	\$ 3,000.55	\$ 5,101.73	\$ 7,202.91	\$ 9,619.27	\$ 5,841.21	\$ 10,043.57	\$ 14,245.93	\$ 19,078.64	\$ 28,538.02	\$ 11,522.52	\$ 19,927.24
Total Bill	\$ 3,850.28	\$ 6,001.10	\$ 10,203.46	\$ 14,405.82	\$ 19,238.53	\$ 11,682.42	\$ 20,087.14	\$ 28,491.86	\$ 38,157.26	\$ 49,565.54	\$ 23,045.04	\$ 39,854.28
% Increase		45.32%	22.46%	14.93%	10.77%	44.67%	21.88%	14.09%	10.43%	44.45%	14.34%	21.59%

PENNSYLVANIA POWER COMPANY
COMPARISON BETWEEN PRESENT AND PROPOSED RATES

DEMAND	RATE OP											
	With Demands 1,500 - 3,000 KW At Average Levels of kWh Use											
	1,500	1,500	1,500	1,500	2,000	2,000	2,000	2,500	2,500	2,500	3,000	3,000
	0	300	625	730	833	833	1,041	1,041	1,041	1,041	1,249	1,249
REACTIVE DEMAND												
RVA	0	625	625	625	833	833	1,041	1,041	1,041	1,249	1,249	1,249
BASELIX USAGE	0	150,000	450,000	750,000	1,000,000	1,000,000	1,460,000	1,460,000	1,460,000	1,825,000	1,825,000	2,190,000
Baselix Energy Usage	0	150,000	450,000	750,000	1,000,000	1,000,000	1,460,000	1,460,000	1,460,000	1,825,000	1,825,000	2,190,000
Total Energy Usage	0	150,000	450,000	750,000	1,000,000	1,000,000	1,460,000	1,460,000	1,460,000	1,825,000	1,825,000	2,190,000

UNBUNDLED RATES - CURRENT	RATE OP											
	With Demands 1,500 - 3,000 KW At Average Levels of kWh Use											
	1,500	1,500	1,500	1,500	2,000	2,000	2,000	2,500	2,500	2,500	3,000	3,000
	0	300	625	730	833	833	1,041	1,041	1,041	1,041	1,249	1,249
Distribution												
Distribution Charge @ \$90.73	\$ 3,900.00	\$ 3,900.00	\$ 3,900.00	\$ 3,900.00	\$ 5,200.00	\$ 5,200.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 7,800.00	\$ 7,800.00
All RW @ \$2.80/KWH	\$ 26.51	\$ 26.51	\$ 26.51	\$ 26.51	\$ 33.92	\$ 33.92	\$ 42.38	\$ 42.38	\$ 42.38	\$ 42.38	\$ 50.81	\$ 50.81
All RW @ \$0.20 /KVA	\$ 3,980.73	\$ 4,115.84	\$ 4,115.84	\$ 4,115.84	\$ 5,457.27	\$ 5,457.27	\$ 6,798.91	\$ 6,798.91	\$ 6,798.91	\$ 6,798.91	\$ 8,140.54	\$ 8,140.54
Baselix												
Baselix Interpolated Requirements Charge @ 0.026 /kWh												
Default Service Support Charge @ \$ 0.55700 /KW NSPL	\$ 835.50	\$ 835.50	\$ 835.50	\$ 835.50	\$ 1,114.00	\$ 1,114.00	\$ 1,392.50	\$ 1,392.50	\$ 1,392.50	\$ 1,671.00	\$ 1,671.00	\$ 1,671.00
Phase II Energy Efficiency Charge @ \$ 0.40 /KW PLC	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 800.00	\$ 800.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
Smart Meter Charge @ \$0.00	\$ 1,435.50	\$ 1,474.50	\$ 1,552.50	\$ 1,890.50	\$ 2,070.00	\$ 2,070.00	\$ 2,457.50	\$ 2,457.50	\$ 2,457.50	\$ 2,845.00	\$ 3,232.50	\$ 3,440.00
Sub-Total	\$ 72.01	\$ 74.18	\$ 75.22	\$ 76.25	\$ 98.89	\$ 102.85	\$ 122.83	\$ 124.56	\$ 126.28	\$ 147.16	\$ 151.30	\$ 153.69
DSIC Charge @ 1.327 %												
ETC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All RW @ \$ 0.04176 /KWH	\$ 5,498.24	\$ 11,928.86	\$ 24,536.88	\$ 37,145.09	\$ 51,644.43	\$ 66,828.59	\$ 86,012.75	\$ 103,196.92	\$ 120,381.08	\$ 147,565.24	\$ 187,749.40	\$ 227,933.56
Sub-Total	\$ 5,498.24	\$ 11,928.86	\$ 24,536.88	\$ 37,145.09	\$ 51,644.43	\$ 66,828.59	\$ 86,012.75	\$ 103,196.92	\$ 120,381.08	\$ 147,565.24	\$ 187,749.40	\$ 227,933.56
TOTAL BILL												
Distribution	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89
All RW @ \$5.12/KWH	\$ 9,180.00	\$ 9,180.00	\$ 9,180.00	\$ 9,180.00	\$ 12,240.00	\$ 12,240.00	\$ 15,300.00	\$ 15,300.00	\$ 15,300.00	\$ 18,360.00	\$ 18,360.00	\$ 18,360.00
All RW @ \$0.20 /KVA	\$ 9,338.89	\$ 9,464.80	\$ 9,464.80	\$ 9,464.80	\$ 12,566.43	\$ 12,566.43	\$ 15,668.07	\$ 15,668.07	\$ 15,668.07	\$ 18,769.70	\$ 18,769.70	\$ 18,769.70
Sub-Total	\$ 18,518.78	\$ 18,804.69	\$ 18,804.69	\$ 18,804.69	\$ 24,985.32	\$ 24,985.32	\$ 31,168.96	\$ 31,168.96	\$ 31,168.96	\$ 37,350.59	\$ 37,350.59	\$ 37,350.59
Baselix												
Baselix Interpolated Requirements Charge @ 0.026 /kWh												
Default Service Support Charge @ \$ 0.55700 /KW NSPL	\$ 865.50	\$ 865.50	\$ 865.50	\$ 865.50	\$ 1,144.00	\$ 1,144.00	\$ 1,392.50	\$ 1,392.50	\$ 1,392.50	\$ 1,671.00	\$ 1,671.00	\$ 1,671.00
Phase II Energy Efficiency Charge @ \$ 0.40 /KW PLC	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 800.00	\$ 800.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
Smart Meter Charge @ \$0.00	\$ 1,435.50	\$ 1,474.50	\$ 1,552.50	\$ 1,890.50	\$ 2,070.00	\$ 2,070.00	\$ 2,457.50	\$ 2,457.50	\$ 2,457.50	\$ 2,845.00	\$ 3,232.50	\$ 3,440.00
Sub-Total	\$ 2,936.50	\$ 2,936.50	\$ 2,936.50	\$ 2,936.50	\$ 3,954.50	\$ 3,954.50	\$ 4,972.50	\$ 4,972.50	\$ 4,972.50	\$ 5,990.50	\$ 6,000.50	\$ 6,010.50
DSIC Charge @ 0.00 %												
ETC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All RW @ \$ 0.04176 /KWH	\$ 10,775.39	\$ 17,203.84	\$ 29,810.32	\$ 42,418.00	\$ 56,916.14	\$ 71,414.28	\$ 85,912.42	\$ 100,410.56	\$ 114,908.70	\$ 129,406.84	\$ 143,904.98	\$ 158,403.12
Sub-Total	\$ 10,775.39	\$ 17,203.84	\$ 29,810.32	\$ 42,418.00	\$ 56,916.14	\$ 71,414.28	\$ 85,912.42	\$ 100,410.56	\$ 114,908.70	\$ 129,406.84	\$ 143,904.98	\$ 158,403.12
TOTAL BILL												
Total Bill	\$ 29,514.17	\$ 36,028.53	\$ 48,615.01	\$ 61,203.09	\$ 78,790.57	\$ 98,242.87	\$ 122,681.42	\$ 141,641.42	\$ 161,579.54	\$ 181,517.13	\$ 201,454.72	\$ 221,392.31
% Increase	95.95%	44.22%	21.49%	14.20%	10.21%	11.44%	11.15%	10.16%	10.16%	10.16%	10.16%	10.15%

UNBUNDLED RATES - PROPOSED	RATE OP											
	With Demands 1,500 - 3,000 KW At Average Levels of kWh Use											
	1,500	1,500	1,500	1,500	2,000	2,000	2,000	2,500	2,500	2,500	3,000	3,000
	0	300	625	730	833	833	1,041	1,041	1,041	1,041	1,249	1,249
Distribution												
Distribution Charge @ \$90.73	\$ 3,900.00	\$ 3,900.00	\$ 3,900.00	\$ 3,900.00	\$ 5,200.00	\$ 5,200.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 7,800.00	\$ 7,800.00
All RW @ \$2.80/KWH	\$ 26.51	\$ 26.51	\$ 26.51	\$ 26.51	\$ 33.92	\$ 33.92	\$ 42.38	\$ 42.38	\$ 42.38	\$ 42.38	\$ 50.81	\$ 50.81
All RW @ \$0.20 /KVA	\$ 3,980.73	\$ 4,115.84	\$ 4,115.84	\$ 4,115.84	\$ 5,457.27	\$ 5,457.27	\$ 6,798.91	\$ 6,798.91	\$ 6,798.91	\$ 6,798.91	\$ 8,140.54	\$ 8,140.54
Baselix												
Baselix Interpolated Requirements Charge @ 0.026 /kWh												
Default Service Support Charge @ \$ 0.55700 /KW NSPL	\$ 835.50	\$ 835.50	\$ 835.50	\$ 835.50	\$ 1,114.00	\$ 1,114.00	\$ 1,392.50	\$ 1,392.50	\$ 1,392.50	\$ 1,671.00	\$ 1,671.00	\$ 1,671.00
Phase II Energy Efficiency Charge @ \$ 0.40 /KW PLC	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 800.00	\$ 800.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
Smart Meter Charge @ \$0.00	\$ 1,435.50	\$ 1,474.50	\$ 1,552.50	\$ 1,890.50	\$ 2,070.00	\$ 2,070.00	\$ 2,457.50	\$ 2,457.50	\$ 2,457.50	\$ 2,845.00	\$ 3,232.50	\$ 3,440.00
Sub-Total	\$ 72.01	\$ 74.18	\$ 75.22	\$ 76.25	\$ 98.89	\$ 102.85	\$ 122.83	\$ 124.56	\$ 126.28	\$ 147.16	\$ 151.30	\$ 153.69
DSIC Charge @ 1.327 %												
ETC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All RW @ \$ 0.04176 /KWH	\$ 5,498.24	\$ 11,928.86	\$ 24,536.88	\$ 37,145.09	\$ 51,644.43	\$ 66,828.59	\$ 86,012.75	\$ 103,196.92	\$ 120,381.08	\$ 147,565.24	\$ 187,749.40	\$ 227,933.56
Sub-Total	\$ 5,498.24	\$ 11,928.86	\$ 24,536.88	\$ 37,145.09	\$ 51,644.43	\$ 66,828.59	\$ 86,012.75	\$ 103,196.92	\$ 120,381.08	\$ 147,565.24	\$ 187,749.40	\$ 227,933.56
TOTAL BILL												
Distribution	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89	\$ 159.89
All RW @ \$5.12/KWH	\$ 9,180.00	\$ 9,180.00	\$ 9,180.00	\$ 9,180.00	\$ 12,240.00	\$ 12,240.00	\$ 15,300.00	\$ 15,300.00	\$ 15,300.00	\$ 18,360.00	\$ 18,360.00	\$ 18,360.00
All RW @ \$0.20 /KVA	\$ 9,338.89	\$ 9,464.80	\$ 9,464.80	\$ 9,464.80	\$ 12,566.43	\$ 12,566.43	\$ 15,668.07	\$ 15,668.07	\$ 15,668.07	\$ 18,769.70	\$ 18,769.70	\$ 18,769.70
Sub-Total	\$ 18,518.78	\$ 18,804.69	\$ 18,804.69	\$ 18,804.69	\$ 24,985.32	\$ 24,985.32	\$ 31,168.96	\$ 31,168.96	\$ 31,168.96	\$ 37,350.59	\$ 37,350.59	\$ 37,350.59
Baselix												
Baselix Interpolated Requirements Charge @ 0.026 /kWh												
Default Service Support Charge @ \$ 0.55700 /KW NSPL	\$ 865.50	\$ 865.50	\$ 865.50	\$ 865.50	\$ 1,144.00	\$ 1,144.00	\$ 1,392.50	\$ 1,392.50	\$ 1,392.50	\$ 1,671.00	\$ 1,671.00	\$ 1,671.00
Phase II Energy Efficiency Charge @ \$ 0.40 /KW PLC	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 800.00	\$ 800.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
Smart Meter Charge @ \$0.00	\$ 1,435.50	\$ 1,474.50	\$ 1,552.50	\$ 1,890.50	\$ 2,070.00	\$ 2,070.00	\$ 2,457.50	\$ 2,457.50	\$ 2,457.50	\$ 2,845.00	\$ 3,232.50	\$ 3,440.00
Sub-Total	\$ 2,936.50	\$ 2,936.50	\$ 2,936.50	\$ 2,936.50	\$ 3,954.50	\$ 3,954.50	\$ 4,972.50	\$ 4,972.50	\$ 4,972.50	\$ 5,990.50	\$ 6,000.50	\$ 6,010.50
DSIC Charge @ 0.00 %												
ETC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All RW @ \$ 0.04176 /KWH	\$ 10,775.39	\$ 17,203.84	\$ 29,810.32	\$ 42,418.00	\$ 56,916.14	\$ 71,414.28	\$ 85,912.42	\$ 100,410.56	\$ 114,908.70	\$ 129,406.84	\$ 143,904.98	\$ 158,403.12
Sub-Total	\$ 10,775.39	\$ 17,203.84	\$ 29,810.32	\$ 42,418.00	\$ 56,916.14	\$ 71,414.28	\$ 85,912.42	\$ 100,410.56	\$ 114,908.70	\$ 129,406.84	\$ 143,904.98	\$ 158,403.12
TOTAL BILL												
Total Bill	\$ 29,514.17	\$ 36,028.53	\$ 48,615.01	\$ 61,203.09	\$ 78,790.57	\$ 98,242.87	\$ 122,681.42	\$ 141,641.42	\$ 161,579.54	\$ 181,517.13	\$ 201,454.72	\$ 221,392.31
% Increase	95.95%	44.22%	21.49%	14.20%	10.21%	11.44%	11.15%	10.16%	10.16%	10.16%	10.16%	10.15%

PENNSYLVANIA POWER COMPANY
COMPARISON BETWEEN PRESENT AND PROPOSED RATES

DEMAND	With Demands Up to 20,000 KW										
	At Average Levels of kWh Use										
	5,000	5,000	5,000	5,000	10,000	10,000	10,000	15,000	15,000	20,000	20,000
Total kW	0	100	300	500	730	100	300	500	730	100	300
Hrs Use	0	2,075	2,075	2,075	2,075	4,150	4,150	4,150	6,225	6,225	6,225
REACTIVE DEMAND	0	2,075	2,075	2,075	2,075	4,150	4,150	4,150	6,225	6,225	6,225
Total kVA	0	2,075	2,075	2,075	2,075	4,150	4,150	4,150	6,225	6,225	6,225
EMERGENCY USAGE	0	500,000	1,500,000	2,500,000	3,650,000	7,300,000	10,950,000	14,600,000	21,450,000	28,300,000	35,150,000
Monthly Energy Usage	0	500,000	1,500,000	2,500,000	3,650,000	7,300,000	10,950,000	14,600,000	21,450,000	28,300,000	35,150,000
Total Energy Usage	0	500,000	1,500,000	2,500,000	3,650,000	7,300,000	10,950,000	14,600,000	21,450,000	28,300,000	35,150,000

UNRUNDLED RATES - CURRENT	With Demands Up to 20,000 KW										
	5,000	5,000	5,000	5,000	10,000	10,000	10,000	15,000	15,000	20,000	20,000
Distribution Charge @ \$258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42
Default Service Support Charge @ \$0.39/kWh	\$ 1,950.00	\$ 1,950.00	\$ 1,950.00	\$ 1,950.00	\$ 3,900.00	\$ 3,900.00	\$ 3,900.00	\$ 5,850.00	\$ 5,850.00	\$ 7,800.00	\$ 7,800.00
AI kW @ \$0.20/kVA	\$ -	\$ 415.00	\$ 415.00	\$ 830.00	\$ 830.00	\$ 830.00	\$ 1,245.00	\$ 1,245.00	\$ 1,659.99	\$ 1,659.99	\$ 1,659.99
Sub-Total	\$ 2,208.42	\$ 2,623.42	\$ 2,623.42	\$ 4,988.42	\$ 4,988.42	\$ 4,988.42	\$ 7,353.41	\$ 7,353.41	\$ 9,718.41	\$ 9,718.41	\$ 9,718.41
Bids:	\$ -	\$ 130.00	\$ 390.00	\$ 650.00	\$ 940.00	\$ 1,300.00	\$ 1,980.00	\$ 2,847.00	\$ 3,950.00	\$ 5,200.00	\$ 6,750.00
Solar Photovoltaic Requirements Charge @ 0.026 \$/kWh	\$ -	\$ 2,765.00	\$ 2,765.00	\$ 2,765.00	\$ 2,765.00	\$ 5,530.00	\$ 8,355.00	\$ 11,400.00	\$ 15,140.00	\$ 19,860.00	\$ 25,800.00
Default Service Support Charge @ \$0.39/kWh	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 4,000.00	\$ 4,000.00	\$ 6,000.00	\$ 8,000.00	\$ 10,000.00	\$ 12,000.00	\$ 14,000.00
Phase II Energy Efficiency Charge @ \$0.40/kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 4,765.00	\$ 4,915.00	\$ 5,175.00	\$ 5,435.00	\$ 5,794.00	\$ 6,350.00	\$ 7,230.00	\$ 8,350.00	\$ 9,710.00	\$ 11,140.00	\$ 12,750.00
DSIC Charge @ 0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge @ \$0.6473/kWh	\$ -	\$ 22,862.50	\$ 67,087.50	\$ 111,612.51	\$ 163,246.26	\$ 223,825.01	\$ 326,492.52	\$ 469,738.78	\$ 652,985.04	\$ 894,501.01	\$ 1,166,250.03
Sub-Total	\$ 6,993.42	\$ 23,900.92	\$ 74,865.92	\$ 119,870.93	\$ 171,603.68	\$ 239,483.43	\$ 349,985.24	\$ 499,985.24	\$ 699,985.24	\$ 949,985.24	\$ 1,249,985.24
Total Bill	\$ 6,993.42	\$ 23,900.92	\$ 74,865.92	\$ 119,870.93	\$ 171,603.68	\$ 239,483.43	\$ 349,985.24	\$ 499,985.24	\$ 699,985.24	\$ 949,985.24	\$ 1,249,985.24

UNRUNDLED RATES - PROPOSED	With Demands Up to 20,000 KW										
	5,000	5,000	5,000	5,000	10,000	10,000	10,000	15,000	15,000	20,000	20,000
Distribution Charge @ \$276.85	\$ 276.85	\$ 276.85	\$ 276.85	\$ 276.85	\$ 276.85	\$ 276.85	\$ 276.85	\$ 276.85	\$ 276.85	\$ 276.85	\$ 276.85
Default Service Support Charge @ \$0.39/kWh	\$ 1,950.00	\$ 1,950.00	\$ 1,950.00	\$ 1,950.00	\$ 3,900.00	\$ 3,900.00	\$ 3,900.00	\$ 5,850.00	\$ 5,850.00	\$ 7,800.00	\$ 7,800.00
AI kW @ \$0.20/kVA	\$ -	\$ 415.00	\$ 415.00	\$ 830.00	\$ 830.00	\$ 830.00	\$ 1,245.00	\$ 1,245.00	\$ 1,659.99	\$ 1,659.99	\$ 1,659.99
Sub-Total	\$ 3,376.85	\$ 3,791.85	\$ 3,791.85	\$ 3,791.85	\$ 7,206.85	\$ 7,206.85	\$ 7,206.85	\$ 10,627.84	\$ 10,627.84	\$ 14,038.84	\$ 14,038.84
Bids:	\$ -	\$ 130.00	\$ 390.00	\$ 650.00	\$ 940.00	\$ 1,300.00	\$ 1,980.00	\$ 2,847.00	\$ 3,950.00	\$ 5,200.00	\$ 6,750.00
Solar Photovoltaic Requirements Charge @ 0.026 \$/kWh	\$ -	\$ 2,765.00	\$ 2,765.00	\$ 2,765.00	\$ 2,765.00	\$ 5,530.00	\$ 8,355.00	\$ 11,400.00	\$ 15,140.00	\$ 19,860.00	\$ 25,800.00
Default Service Support Charge @ \$0.39/kWh	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 4,000.00	\$ 4,000.00	\$ 6,000.00	\$ 8,000.00	\$ 10,000.00	\$ 12,000.00	\$ 14,000.00
Phase II Energy Efficiency Charge @ \$0.40/kWh	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 4,765.00	\$ 4,915.00	\$ 5,175.00	\$ 5,435.00	\$ 5,794.00	\$ 6,350.00	\$ 7,230.00	\$ 8,350.00	\$ 9,710.00	\$ 11,140.00	\$ 12,750.00
DSIC Charge @ 0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge @ \$0.6473/kWh	\$ -	\$ 22,862.50	\$ 67,087.50	\$ 111,612.51	\$ 163,246.26	\$ 223,825.01	\$ 326,492.52	\$ 469,738.78	\$ 652,985.04	\$ 894,501.01	\$ 1,166,250.03
Sub-Total	\$ 6,161.85	\$ 31,069.35	\$ 76,054.35	\$ 121,039.36	\$ 172,772.11	\$ 241,701.86	\$ 345,167.37	\$ 483,236.84	\$ 659,985.24	\$ 894,501.01	\$ 1,166,250.03
Total Bill	\$ 6,161.85	\$ 31,069.35	\$ 76,054.35	\$ 121,039.36	\$ 172,772.11	\$ 241,701.86	\$ 345,167.37	\$ 483,236.84	\$ 659,985.24	\$ 894,501.01	\$ 1,166,250.03
% Increase	16.71%	3.21%	1.56%	0.97%	0.68%	0.83%	1.48%	0.65%	0.83%	0.65%	0.83%

PENNSYLVANIA POWER COMPANY
COMPARISON BETWEEN PRESENT AND PROPOSED RATES

Demand	RATE OF 20,000 KW											
	With Demand		30,000		35,000		35,000		35,000		40,000	
	25,000	25,000	30,000	30,000	35,000	35,000	35,000	35,000	35,000	40,000	40,000	40,000
	0	100	750	500	100	100	300	500	750	100	300	750
REACTIVE DEMAND	0	10,375	10,375	12,450	14,525	14,525	14,525	14,525	14,525	16,600	16,600	16,600
Peak kW Usage	0	2,500,000	7,500,000	9,000,000	15,000,000	15,000,000	17,500,000	17,500,000	17,500,000	4,000,000	15,000,000	20,000,000
Monthly Energy Usage	0	2,500,000	7,500,000	9,000,000	15,000,000	15,000,000	17,500,000	17,500,000	17,500,000	4,000,000	15,000,000	20,000,000
Sub-Total												

UNBUNDLED RATES - CURRENT

Distribution Charge @ \$268.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42
AI KW @ \$0.39/KW	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00
AI RWA @ \$0.20 /RWA	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89
Sub-Total	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41	\$ 12,083.41
Blanks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Solar Photovoltaic Requirements Charge @ 0.005 /kWh	\$ 650.00	\$ 1,950.00	\$ 3,250.00	\$ 4,745.00	\$ 780.00	\$ 3,900.00	\$ 5,694.00	\$ 6,984.00	\$ 7,770.00	\$ 8,450.00	\$ 9,100.00	\$ 9,750.00
Default Service Support Charge @ \$0.55700 /kWh NSPL	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00
Phase II Energy Efficiency Charge @ \$ 6.40 /kW PLC	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 23,925.00	\$ 24,875.00	\$ 27,175.00	\$ 28,890.00	\$ 31,050.00	\$ 32,610.00	\$ 34,474.00	\$ 36,225.00	\$ 38,046.00	\$ 40,138.00	\$ 41,400.00	\$ 43,480.00
OSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ETC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AI KW @ \$ 0.04475 /kWh	\$ 111,812.51	\$ 335,437.52	\$ 559,062.54	\$ 816,231.30	\$ 1,142,728.83	\$ 1,378,900.01	\$ 1,768,807.55	\$ 2,142,728.83	\$ 2,516,655.29	\$ 2,890,581.57	\$ 3,264,507.85	\$ 3,638,434.13
Sub Total	\$ 33,933.42	\$ 148,470.92	\$ 373,395.93	\$ 598,320.85	\$ 858,984.72	\$ 1,178,113.42	\$ 1,598,253.41	\$ 2,018,393.40	\$ 2,438,533.39	\$ 2,858,673.38	\$ 3,278,813.37	\$ 3,698,953.36
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 33,933.42	\$ 148,470.92	\$ 373,395.93	\$ 598,320.85	\$ 858,984.72	\$ 1,178,113.42	\$ 1,598,253.41	\$ 2,018,393.40	\$ 2,438,533.39	\$ 2,858,673.38	\$ 3,278,813.37	\$ 3,698,953.36

UNBUNDLED RATES - PROPOSED

Distribution Charge @ \$276.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85
AI KW @ \$0.39/KW	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00
AI RWA @ \$0.20 /RWA	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89	\$ 2,074.89
Sub-Total	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85	\$ 15,376.85
Blanks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Solar Photovoltaic Requirements Charge @ 0.005 /kWh	\$ 650.00	\$ 1,950.00	\$ 3,250.00	\$ 4,745.00	\$ 780.00	\$ 3,900.00	\$ 5,694.00	\$ 6,984.00	\$ 7,770.00	\$ 8,450.00	\$ 9,100.00	\$ 9,750.00
Default Service Support Charge @ \$0.55700 /kWh NSPL	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00	\$ 13,925.00
Phase II Energy Efficiency Charge @ \$ 6.40 /kW PLC	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 23,925.00	\$ 24,875.00	\$ 27,175.00	\$ 28,890.00	\$ 31,050.00	\$ 32,610.00	\$ 34,474.00	\$ 36,225.00	\$ 38,046.00	\$ 40,138.00	\$ 41,400.00	\$ 43,480.00
OSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ETC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AI KW @ \$ 0.04475 /kWh	\$ 111,812.51	\$ 335,437.52	\$ 559,062.54	\$ 816,231.30	\$ 1,142,728.83	\$ 1,378,900.01	\$ 1,768,807.55	\$ 2,142,728.83	\$ 2,516,655.29	\$ 2,890,581.57	\$ 3,264,507.85	\$ 3,638,434.13
Sub Total	\$ 38,301.85	\$ 153,893.35	\$ 378,794.38	\$ 603,893.38	\$ 862,353.15	\$ 1,181,813.42	\$ 1,598,253.41	\$ 2,018,393.40	\$ 2,438,533.39	\$ 2,858,673.38	\$ 3,278,813.37	\$ 3,698,953.36
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 38,301.85	\$ 153,893.35	\$ 378,794.38	\$ 603,893.38	\$ 862,353.15	\$ 1,181,813.42	\$ 1,598,253.41	\$ 2,018,393.40	\$ 2,438,533.39	\$ 2,858,673.38	\$ 3,278,813.37	\$ 3,698,953.36
% Increase	15.82%	3.82%	1.44%	0.90%	0.85%	1.45%	0.87%	0.82%	0.82%	1.45%	0.85%	0.82%

**PENNSYLVANIA POWER COMPANY
 COMPARISON BETWEEN PRESENT AND PROPOSED RATES
 RATE GT - 68KW DISCOUNT
 With Demands Up to 20,000 KW
 All Average Levels of kWh Use**

	5,000	5,000	5,000	5,000	5,000	10,000	10,000	10,000	10,000	15,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
DEMAND																				
Total KW	5,000	5,000	5,000	5,000	5,000	10,000	10,000	10,000	10,000	15,000	15,000	15,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	
Hrs Use	0	100	300	500	750	300	300	300	300	400	400	400	500	500	500	500	500	500	500	
REACTIVE DEMAND																				
Total kVA	0	2,075	2,075	2,075	2,075	4,150	4,150	4,150	4,150	6,225	6,225	6,225	8,300	8,300	8,300	8,300	8,300	8,300	8,300	
ENERGY USAGE																				
Default Service	0	500,000	1,500,000	2,500,000	3,650,000	3,000,000	3,000,000	3,000,000	3,000,000	4,500,000	4,500,000	4,500,000	7,500,000	7,500,000	7,500,000	10,950,000	10,950,000	10,950,000	14,600,000	
Smart Meter Usage	0	500,000	1,500,000	2,500,000	3,650,000	3,000,000	3,000,000	3,000,000	3,000,000	4,500,000	4,500,000	4,500,000	7,500,000	7,500,000	7,500,000	10,950,000	10,950,000	10,950,000	14,600,000	
Total Energy Usage	0	500,000	1,500,000	2,500,000	3,650,000	3,000,000	3,000,000	3,000,000	3,000,000	4,500,000	4,500,000	4,500,000	7,500,000	7,500,000	7,500,000	10,950,000	10,950,000	10,950,000	14,600,000	

UNBUNDLED RATES - CURRENT

Distribution	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42
Distribution Charge @ \$258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42	\$ 258.42
AI RW @ \$0.26/KW	\$ 1,300.00	\$ 1,300.00	\$ 1,300.00	\$ 1,300.00	\$ 1,300.00	\$ 2,600.00	\$ 2,600.00	\$ 2,600.00	\$ 2,600.00	\$ 3,900.00	\$ 3,900.00	\$ 3,900.00	\$ 5,200.00	\$ 5,200.00	\$ 5,200.00	\$ 6,500.00	\$ 6,500.00	\$ 6,500.00	\$ 8,800.00
AI RW @ \$0.20 /kVA	\$ -	\$ 415.00	\$ 415.00	\$ 415.00	\$ 415.00	\$ 830.00	\$ 830.00	\$ 830.00	\$ 830.00	\$ 1,244.99	\$ 1,244.99	\$ 1,244.99	\$ 1,659.99	\$ 1,659.99	\$ 1,659.99	\$ 2,074.99	\$ 2,074.99	\$ 2,074.99	\$ 2,489.99
Sub-Total	\$ 1,558.42	\$ 1,973.42	\$ 1,973.42	\$ 1,973.42	\$ 1,973.42	\$ 3,688.42	\$ 3,688.42	\$ 3,688.42	\$ 3,688.42	\$ 5,403.41	\$ 5,403.41	\$ 5,403.41	\$ 7,118.41	\$ 7,118.41	\$ 7,118.41	\$ 8,960.00	\$ 8,960.00	\$ 8,960.00	\$ 11,289.99
BIKES																			
Solar Photovoltaic Requirements Charge @ 0.026 #/kWh	\$ -	\$ 130.00	\$ 390.00	\$ 650.00	\$ 910.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 910.00	\$ 910.00	\$ 910.00	\$ 1,170.00	\$ 1,170.00	\$ 1,170.00	\$ 1,590.00	\$ 1,590.00	\$ 1,590.00	\$ 2,010.00
Default Service Support Charge @ \$0.5700 KW NSPL	\$ 2,785.00	\$ 2,785.00	\$ 2,785.00	\$ 2,785.00	\$ 2,785.00	\$ 5,570.00	\$ 5,570.00	\$ 5,570.00	\$ 5,570.00	\$ 8,355.00	\$ 8,355.00	\$ 8,355.00	\$ 11,140.00	\$ 11,140.00	\$ 11,140.00	\$ 14,925.00	\$ 14,925.00	\$ 14,925.00	\$ 18,710.00
Phase II Energy Efficiency Charge @ \$ 0.40 /KW PLC	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 12,000.00
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 4,785.00	\$ 4,915.00	\$ 5,175.00	\$ 5,435.00	\$ 5,740.00	\$ 9,830.00	\$ 10,360.00	\$ 10,870.00	\$ 11,468.00	\$ 14,745.00	\$ 15,925.00	\$ 16,305.00	\$ 19,660.00	\$ 20,700.00	\$ 21,740.00	\$ 22,936.00	\$ 24,132.00	\$ 25,328.00	\$ 26,524.00
DSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charges																			
AI RW @ \$0.04473 /kWh	\$ -	\$ 22,362.50	\$ 67,087.50	\$ 111,812.51	\$ 163,246.26	\$ 44,725.00	\$ 134,175.01	\$ 223,625.01	\$ 326,492.52	\$ 67,087.50	\$ 201,282.51	\$ 335,437.52	\$ 489,738.78	\$ 89,450.01	\$ 288,350.02	\$ 447,250.03	\$ 652,985.04	\$ 858,720.05	\$ 1,064,455.06
Sub-Total	\$ 6,345.42	\$ 29,250.92	\$ 74,235.92	\$ 119,220.93	\$ 170,953.68	\$ 58,245.42	\$ 148,213.43	\$ 238,183.43	\$ 341,648.94	\$ 87,235.92	\$ 222,190.93	\$ 357,145.94	\$ 512,344.20	\$ 116,228.42	\$ 296,168.43	\$ 478,108.44	\$ 660,053.45	\$ 841,998.46	\$ 1,023,943.47
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 6,345.42	\$ 29,250.92	\$ 74,235.92	\$ 119,220.93	\$ 170,953.68	\$ 58,245.42	\$ 148,213.43	\$ 238,183.43	\$ 341,648.94	\$ 87,235.92	\$ 222,190.93	\$ 357,145.94	\$ 512,344.20	\$ 116,228.42	\$ 296,168.43	\$ 478,108.44	\$ 660,053.45	\$ 841,998.46	\$ 1,023,943.47

UNBUNDLED RATES - PROPOSED

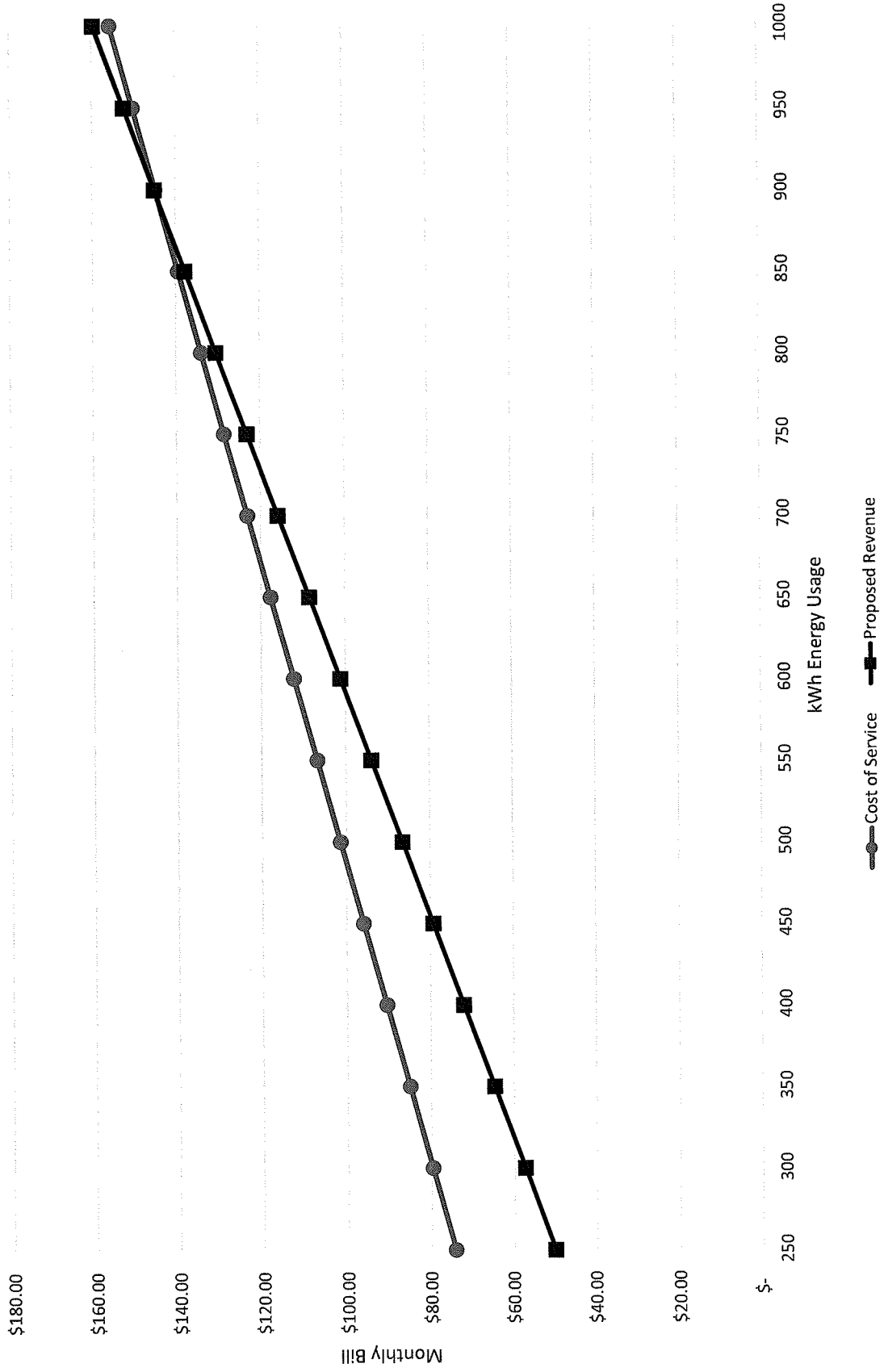
Distribution	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85
Distribution Charge @ \$376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85	\$ 376.85
AI RW @ \$0.42/KW	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 4,200.00	\$ 4,200.00	\$ 4,200.00	\$ 4,200.00	\$ 6,300.00	\$ 6,300.00	\$ 6,300.00	\$ 8,400.00	\$ 8,400.00	\$ 8,400.00	\$ 10,500.00	\$ 10,500.00	\$ 10,500.00	\$ 12,600.00
AI RW @ \$0.20 /kVA	\$ -	\$ 415.00	\$ 415.00	\$ 415.00	\$ 415.00	\$ 830.00	\$ 830.00	\$ 830.00	\$ 830.00	\$ 1,244.99	\$ 1,244.99	\$ 1,244.99	\$ 1,659.99	\$ 1,659.99	\$ 1,659.99	\$ 2,074.99	\$ 2,074.99	\$ 2,074.99	\$ 2,489.99
Sub-Total	\$ 2,476.85	\$ 2,891.85	\$ 2,891.85	\$ 2,891.85	\$ 2,891.85	\$ 5,406.85	\$ 5,406.85	\$ 5,406.85	\$ 5,406.85	\$ 7,921.84	\$ 7,921.84	\$ 7,921.84	\$ 10,436.84	\$ 10,436.84	\$ 10,436.84	\$ 12,951.84	\$ 12,951.84	\$ 12,951.84	\$ 15,466.84
BIKES																			
Solar Photovoltaic Requirements Charge @ 0.026 #/kWh	\$ -	\$ 130.00	\$ 390.00	\$ 650.00	\$ 910.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 910.00	\$ 910.00	\$ 910.00	\$ 1,170.00	\$ 1,170.00	\$ 1,170.00	\$ 1,590.00	\$ 1,590.00	\$ 1,590.00	\$ 2,010.00
Default Service Support Charge @ \$0.5700 KW NSPL	\$ 2,785.00	\$ 2,785.00	\$ 2,785.00	\$ 2,785.00	\$ 2,785.00	\$ 5,570.00	\$ 5,570.00	\$ 5,570.00	\$ 5,570.00	\$ 8,355.00	\$ 8,355.00	\$ 8,355.00	\$ 11,140.00	\$ 11,140.00	\$ 11,140.00	\$ 14,925.00	\$ 14,925.00	\$ 14,925.00	\$ 18,710.00
Phase II Energy Efficiency Charge @ \$ 0.40 /KW PLC	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 6,000.00	\$ 6,000.00	\$ 6,000.00	\$ 8,000.00	\$ 8,000.00	\$ 8,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 12,000.00
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ 4,785.00	\$ 4,915.00	\$ 5,175.00	\$ 5,435.00	\$ 5,740.00	\$ 9,830.00	\$ 10,360.00	\$ 10,870.00	\$ 11,468.00	\$ 14,745.00	\$ 15,925.00	\$ 16,305.00	\$ 19,660.00	\$ 20,700.00	\$ 21,740.00	\$ 22,936.00	\$ 24,132.00	\$ 25,328.00	\$ 26,524.00
DSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charges																			
AI RW @ \$0.04473 /kWh	\$ -	\$ 22,362.50	\$ 67,087.50	\$ 111,812.51	\$ 163,246.26	\$ 44,725.00	\$ 134,175.01	\$ 223,625.01	\$ 326,492.52	\$ 67,087.50	\$ 201,282.51	\$ 335,437.52	\$ 489,738.78	\$ 89,450.01	\$ 288,350.02	\$ 447,250.03	\$ 652,985.04	\$ 858,720.05	\$ 1,064,455.06
Sub-Total	\$ 7,261.85	\$ 30,169.35	\$ 75,154.35	\$ 120,139.36	\$ 171,872.11	\$ 59,961.85	\$ 149,931.86	\$ 239,901.86	\$ 343,367.37	\$ 89,794.35	\$ 224,709.36	\$ 359,684.37	\$ 514,862.63	\$ 119,546.85	\$ 299,486.86	\$ 479,426.87	\$ 659,366.88	\$ 839,306.89	\$ 1,019,246.90
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 7,261.85	\$ 30,169.35	\$ 75,154.35	\$ 120,139.36	\$ 171,872.11	\$ 59,961.85	\$ 149,931.86	\$ 239,901.86	\$ 343,367.37	\$ 89,794.35	\$ 224,709.36	\$ 359,684.37	\$ 514,862.63	\$ 119,546.85	\$ 299,486.86	\$ 479,426.87	\$ 659,366.88	\$ 839,306.89	\$ 1,019,246.90
% Increase	14.48%	3.14%	1.24%	0.77%	0.54%	2.95%	1.16%	0.72%	0.50%	2.87%	1.13%	0.68%	2.86%	1.12%	0.70%	0.69%	0.69%	0.69%	0.69%

PENNSYLVANIA POWER COMPANY
COMPARISON BETWEEN PRESENT AND PROPOSED RATES
RATE PNP - PUBLIC OR NON-PROFIT ORGANIZATION

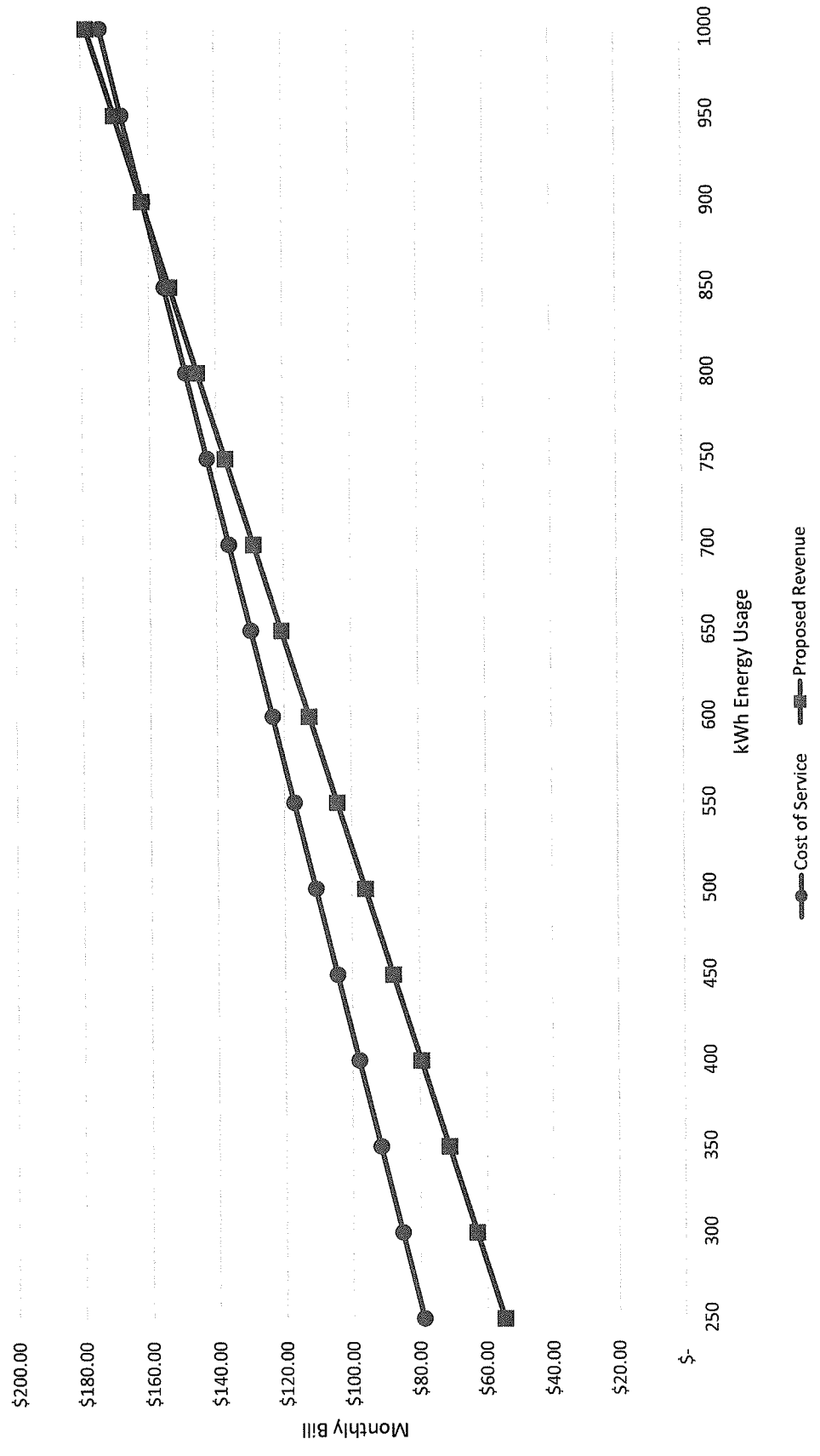
ENERGY USAGE	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
All kWh	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
Total Energy Usage	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
UNBUNDLED RATES - CURRENT																
Distribution																
Distribution Charge @ \$13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33	\$ 13.33
All kWh @ 2.894 \$/kWh	\$ -	\$ 1.45	\$ 2.89	\$ 7.24	\$ 14.47	\$ 21.71	\$ 26.05	\$ 28.94	\$ 43.41	\$ 57.88	\$ 72.35	\$ 86.82	\$ 101.29	\$ 115.76	\$ 130.23	\$ 144.70
Sub-Total	\$ 13.33	\$ 14.78	\$ 16.22	\$ 20.57	\$ 27.80	\$ 35.04	\$ 39.38	\$ 42.27	\$ 56.74	\$ 71.21	\$ 85.68	\$ 100.15	\$ 114.62	\$ 129.09	\$ 143.56	\$ 158.03
Riders																
Solar Photovoltaic Requirements Charge @ 0.026 \$/kWh	\$ -	\$ 0.01	\$ 0.03	\$ 0.07	\$ 0.13	\$ 0.20	\$ 0.23	\$ 0.26	\$ 0.39	\$ 0.52	\$ 0.65	\$ 0.78	\$ 0.91	\$ 1.04	\$ 1.17	\$ 1.30
Default Service Support Charge @ \$ 0.183 /kWh	\$ -	\$ 0.09	\$ 0.18	\$ 0.46	\$ 0.92	\$ 1.37	\$ 1.66	\$ 1.83	\$ 2.75	\$ 3.66	\$ 4.58	\$ 5.49	\$ 6.41	\$ 7.32	\$ 8.24	\$ 9.15
Phase II Energy Efficiency Charge @ 2.083 \$/kWh	\$ -	\$ 1.05	\$ 2.09	\$ 5.23	\$ 10.47	\$ 15.70	\$ 18.84	\$ 20.93	\$ 31.40	\$ 41.86	\$ 52.33	\$ 62.79	\$ 73.26	\$ 83.72	\$ 94.19	\$ 104.65
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 1.15	\$ 2.30	\$ 5.76	\$ 11.51	\$ 17.27	\$ 20.72	\$ 23.02	\$ 34.53	\$ 46.04	\$ 57.55	\$ 69.06	\$ 80.57	\$ 92.08	\$ 103.59	\$ 115.10
DSIC Charge @ 1.327 %	\$ 0.18	\$ 0.21	\$ 0.25	\$ 0.35	\$ 0.52	\$ 0.69	\$ 0.80	\$ 0.87	\$ 1.21	\$ 1.56	\$ 1.90	\$ 2.25	\$ 2.59	\$ 2.93	\$ 3.28	\$ 3.62
PTC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All kWh @ \$ 0.08867 /kWh	\$ -	\$ 4.43	\$ 8.87	\$ 22.17	\$ 44.34	\$ 66.50	\$ 79.80	\$ 88.67	\$ 133.01	\$ 177.34	\$ 221.68	\$ 266.01	\$ 310.35	\$ 354.68	\$ 399.02	\$ 443.35
Sub-Total	\$ 13.51	\$ 20.57	\$ 27.64	\$ 48.84	\$ 84.17	\$ 119.50	\$ 140.69	\$ 154.83	\$ 225.49	\$ 296.15	\$ 366.81	\$ 437.47	\$ 508.13	\$ 578.78	\$ 649.44	\$ 720.10
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 13.51	\$ 20.57	\$ 27.64	\$ 48.84	\$ 84.17	\$ 119.50	\$ 140.69	\$ 154.83	\$ 225.49	\$ 296.15	\$ 366.81	\$ 437.47	\$ 508.13	\$ 578.78	\$ 649.44	\$ 720.10

ENERGY USAGE	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
All kWh	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
Total Energy Usage	0	50	100	250	500	750	900	1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000
UNBUNDLED RATES - PROPOSED																
Distribution																
Distribution Charge @ \$16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47	\$ 16.47
All kWh @ 3.645 \$/kWh	\$ -	\$ 1.82	\$ 3.65	\$ 9.11	\$ 18.23	\$ 27.34	\$ 32.81	\$ 36.45	\$ 54.68	\$ 72.90	\$ 91.13	\$ 109.35	\$ 127.58	\$ 145.80	\$ 164.03	\$ 182.25
Sub-Total	\$ 16.47	\$ 18.29	\$ 20.12	\$ 25.58	\$ 34.70	\$ 43.81	\$ 49.28	\$ 52.92	\$ 71.15	\$ 89.37	\$ 107.60	\$ 125.82	\$ 144.05	\$ 162.27	\$ 180.50	\$ 198.72
Riders																
Solar Photovoltaic Requirements Charge @ 0.026 \$/kWh	\$ -	\$ 0.01	\$ 0.03	\$ 0.07	\$ 0.13	\$ 0.20	\$ 0.23	\$ 0.26	\$ 0.39	\$ 0.52	\$ 0.65	\$ 0.78	\$ 0.91	\$ 1.04	\$ 1.17	\$ 1.30
Default Service Support Charge @ \$ 0.189 /kWh	\$ -	\$ 0.09	\$ 0.19	\$ 0.47	\$ 0.95	\$ 1.42	\$ 1.70	\$ 1.89	\$ 2.84	\$ 3.78	\$ 4.73	\$ 5.67	\$ 6.62	\$ 7.56	\$ 8.51	\$ 9.45
Phase II Energy Efficiency Charge @ 2.083 \$/kWh	\$ -	\$ 1.05	\$ 2.09	\$ 5.23	\$ 10.47	\$ 15.70	\$ 18.84	\$ 20.93	\$ 31.40	\$ 41.86	\$ 52.33	\$ 62.79	\$ 73.26	\$ 83.72	\$ 94.19	\$ 104.65
Smart Meter Charge @ \$0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sub-Total	\$ -	\$ 1.15	\$ 2.31	\$ 5.77	\$ 11.54	\$ 17.31	\$ 20.77	\$ 23.08	\$ 34.62	\$ 46.16	\$ 57.70	\$ 69.24	\$ 80.78	\$ 92.32	\$ 103.86	\$ 115.40
DSIC Charge @ 0.000 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PTC Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All kWh @ \$ 0.08867 /kWh	\$ -	\$ 4.43	\$ 8.87	\$ 22.17	\$ 44.34	\$ 66.50	\$ 79.80	\$ 88.67	\$ 133.01	\$ 177.34	\$ 221.68	\$ 266.01	\$ 310.35	\$ 354.68	\$ 399.02	\$ 443.35
Sub-Total	\$ 16.47	\$ 23.88	\$ 31.29	\$ 53.52	\$ 90.57	\$ 127.62	\$ 149.85	\$ 164.67	\$ 238.77	\$ 312.87	\$ 386.97	\$ 461.07	\$ 535.17	\$ 609.27	\$ 683.37	\$ 757.47
STAS @ 0.00 %	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Bill	\$ 16.47	\$ 23.88	\$ 31.29	\$ 53.52	\$ 90.57	\$ 127.62	\$ 149.85	\$ 164.67	\$ 238.77	\$ 312.87	\$ 386.97	\$ 461.07	\$ 535.17	\$ 609.27	\$ 683.37	\$ 757.47
% Increase	21.94%	16.08%	13.21%	9.59%	7.61%	6.80%	6.51%	6.36%	5.89%	5.65%	5.50%	5.40%	5.32%	5.27%	5.22%	5.19%

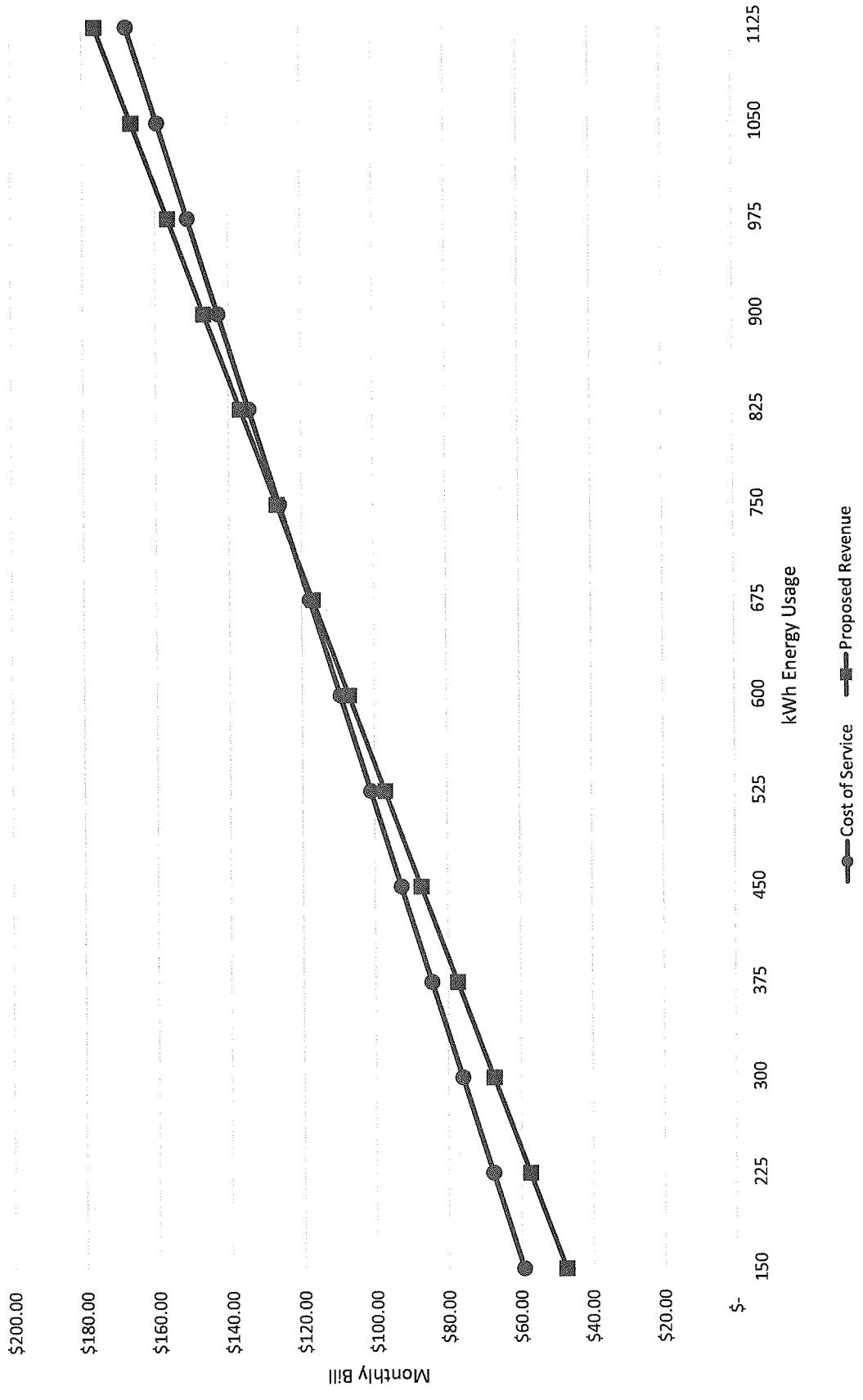
Penn Power Residential Service - RS Proposed Revenue vs Cost of Service



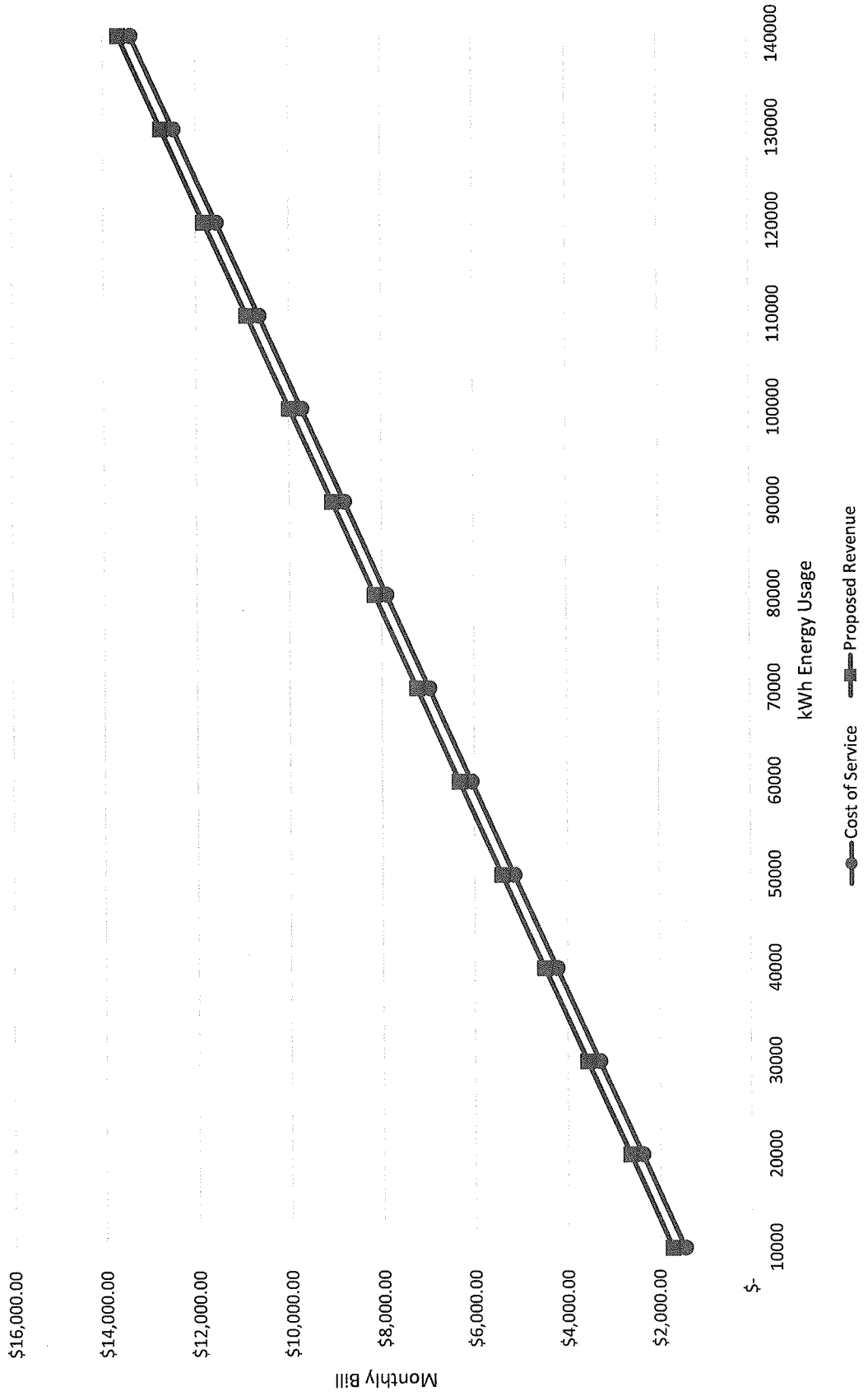
Penn Power Special Provision for Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads and Non-Profit Ambulance Services - GS-R Proposed Revenue vs Cost of Service



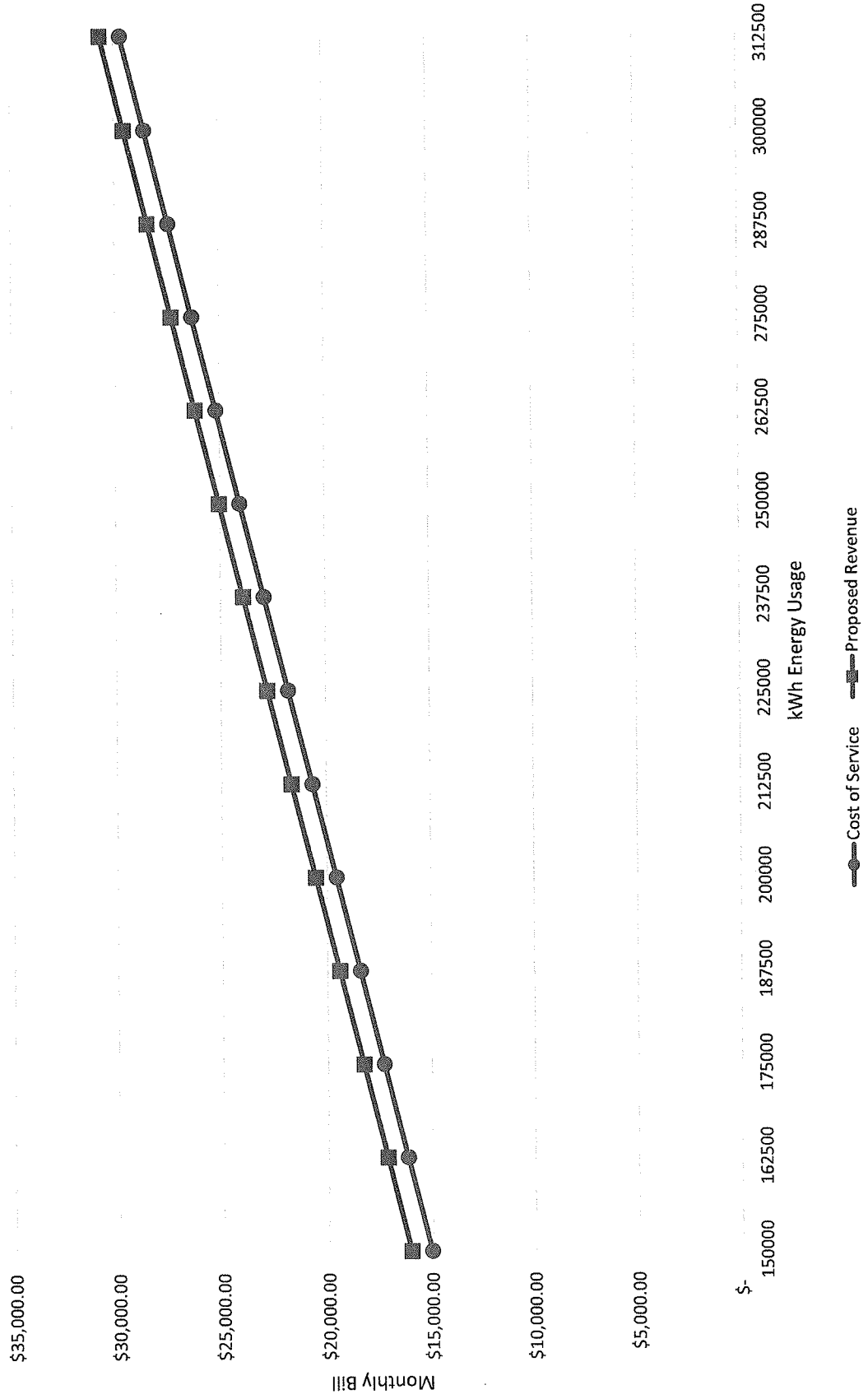
Penn Power General Service Small - GS-S Proposed Revenue vs Cost of Service Demand at 3 kW



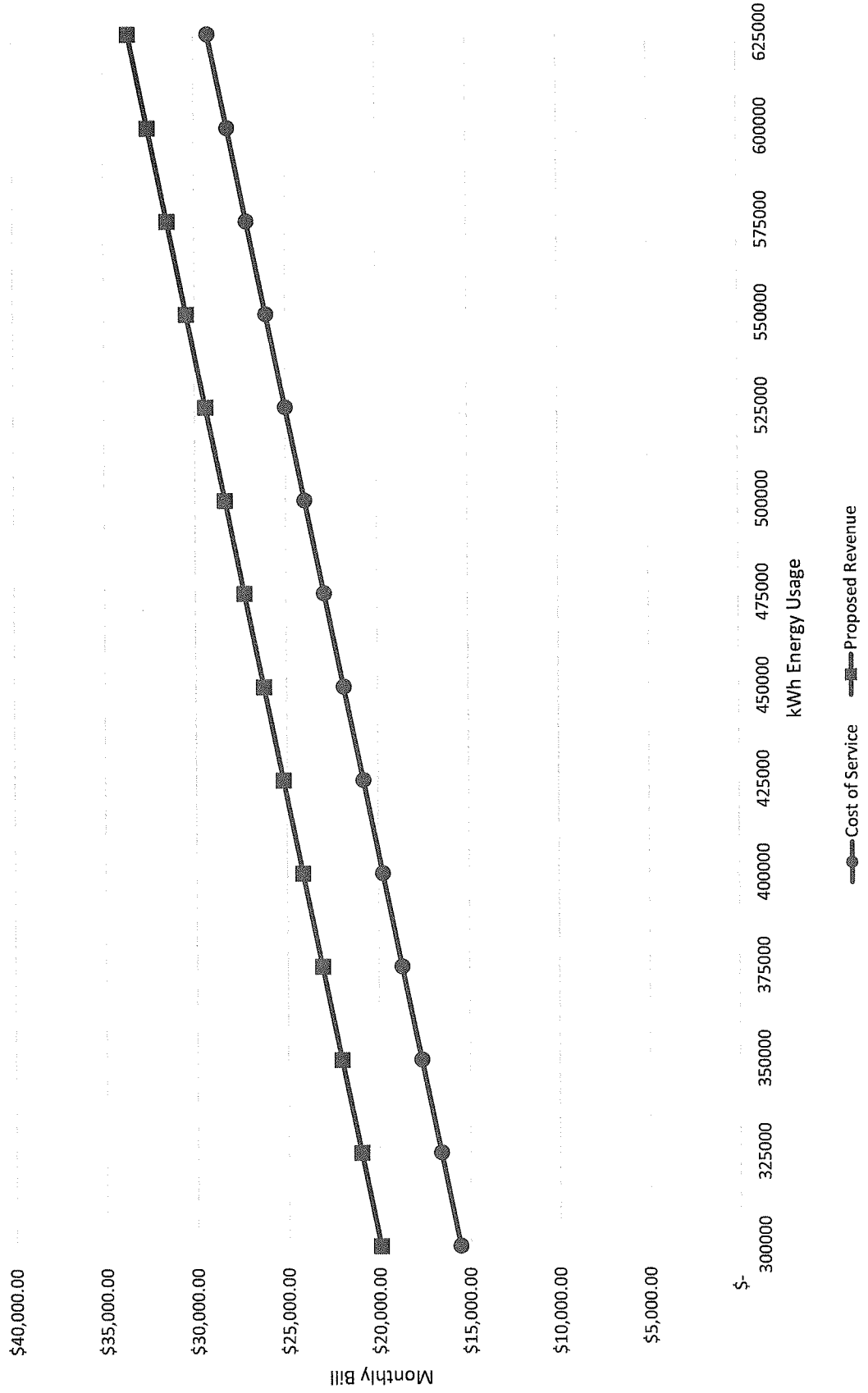
Penn Power General Service Medium - GS-M
Proposed Revenue vs Cost of Service
Demand at 200 kW



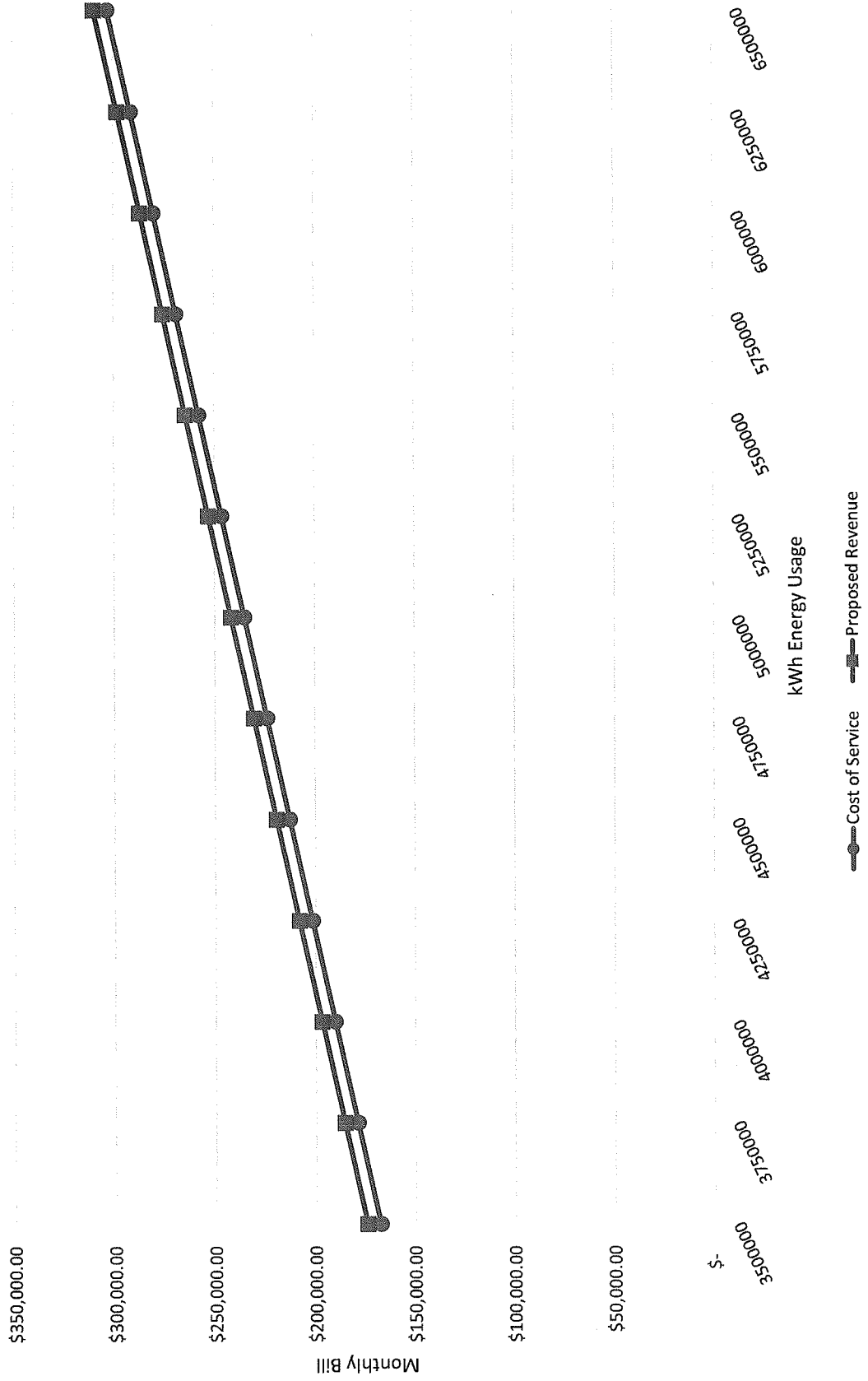
Penn Power General Service Large - GS-L
 Proposed Revenue vs Cost of Service
 Demand at 500 kW



Penn Power General Service Primary - GP Proposed Revenue vs Cost of Service Demand of 1,000 kW



Penn Power General Service Transmission - GT
 Proposed Revenue vs Cost of Service
 Demand of 10,000 kW



Penn Power Tariff Revisions - 2016 Filing
 Tariff No. 36

Revision #	Companies	Tariff Page	Topic	Current Text	Error/Change	Revised Text	Source/Comments
1	PP	2	List of Modifications	Rider I - Hourly Pricing Default Service Rider Rider J-Default Service Support Rider		Rider I - Hourly Pricing Default Service Rider Rider J-Default Service Support Rider	
2	PP	5	Table of Contents	Rate GS -Medium-Generatl Service Secondary Rate Demand Metered	Change Rate GS-Medium to Rate GM-Medium	Rate GM -Medium-Generatl Service Secondary Rate Demand Metered	Change Rate Schedule GS-Medium to Rate Schedule GM
3	PP	6	Table of Contents	Rate SM - Street Lighting Service Mercury Vapor	Remove Rate SM		Removing Rate Schedule SM-Street Lighting Service Mercury Vapor
4	PP	8	Description of Territory	BEAVER COUNTY North and Sewickley are listed individually LAWRENCE COUNTY South New and Castle are listed individually	Change North and Sewickley to North Sewickley	BEAVER COUNTY North and Swickley is North Sewickley LAWRENCE COUNTY South New and Castle is South New Castle	Formatting/Grammar
5	PP	9	Description of Territory	MERCER COUNTY South and Pymatuning are listed individually	Change South and Pymatuning to South	MERCER COUNTY South and Pymatuning is South Pymatuning	Formatting/Grammar

Penn Power Tariff Revisions - 2016 Filing						
Tariff No. 36						
Revision #	Companies	Tariff Page	Topic	Current Text	Error/Change	Revised Text
6	PP	11	Definition of Terms	<p>Applicant - Any person, corporation or other entity that (i) desires to receive from the Company electric or any other service provided for in this Tariff, (ii) complies completely with all Company requirements for obtaining electric or any other service provided for in this Tariff, (iii) has filed and is awaiting Company approval of its application for service, and (iv) is not yet actually receiving from the Company any service provided for in this Tariff. For Residential Service, an Applicant is a natural person not currently receiving service who applies for Residential Service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the Residential Service is requested unless specifically stated otherwise in this Tariff, an Applicant shall become a Customer for purposes of this Tariff only after it actually starts receiving the applicable service(s) from the Company under this Tariff.</p>	<p>Added language to specify person must be at least 18 years of age</p>	<p>Applicant - Any person, corporation or other entity that (i) desires to receive from the Company electric or any other service provided for in this Tariff, (ii) complies completely with all Company requirements for obtaining electric or any other service provided for in this Tariff, (iii) has filed and is awaiting Company approval of its application for service, and (iv) is not yet actually receiving from the Company any service provided for in this Tariff. For Residential Service, an Applicant is a natural person at least 18 years of age not currently receiving service who applies for Residential Service or any adult occupant whose name appears on the mortgage, deed or lease of the property for which the Residential Service is requested. The term does not include a person who seeks to transfer service within the service territory of the Company or to reinstate service at the same address provided that the final bill for service is not past due.</p>
						Source/Comments 52 Pa. Code § 56.2

Penn Power Tariff Revisions - 2016 Filing Tariff No. 36							
Revision #	Companies	Tariff Page	Topic	Current Text	Error/Change	Revised Text	Source/Comments
7	PP	13	Definition of Terms	<p>Customer(s) - Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the ratepayer for any premises, building, structure, etc. or (iii) is primarily responsible for payment of bills. For Residential Service, a Customer is a natural person in whose name a Residential Service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed, or lease of the property for which the Residential Service is being received. A Customer includes anyone taking Delivery Service under this Tariff.</p>	Added language to specify person must be at least 18 years of age	<p>Customer(s) - Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the ratepayer for any premises, building, structure, etc. or (iii) is primarily responsible for payment of bills. For Residential Service, a Customer is a natural person at least 18 years of age in whose name a Residential Service account is listed and who is primarily responsible for payment of bills rendered for the service or any adult occupant whose name appears on the mortgage, deed, or lease of the property for which the Residential Service is being requested. A natural person remains a Customer after discontinuance or termination until the final bill for service becomes past due.</p>	Pa. Code § 56.2
8	PP	18	Definition of Terms	<p>Primary Voltage - Voltage greater than 600 volts.</p>	Includes upper voltage limit	<p>Primary Voltage - Voltage greater than 600 volts but less than 23,000 volts.</p>	Includes upper voltage limit
9	PP	21	Definition of Terms		Added definition	<p>Sub-transmission Voltage - 23,000 volts.</p>	Addressed in Rule 7
10	PP	23	Rule 2 Deposits	<p>Deposits may be required by the Company from all other Customers, in an amount that is equal to one-sixth (1/6) of the Applicant's/Customer's estimated annual bill at the time the Company determines a deposit is required.</p>	Change language to cite 52 Pa. Code § 56.51	<p>Deposits may be required by the Company from all other Customers, in an amount that is in accordance with 52 Pa. Code §56.51 of the regulations.</p>	52 Pa. Code § 56.51

Penn Power Tariff Revisions - 2016 Filing Tariff No. 36							
Revision #	Companies	Tariff Page	Topic	Current Text	Error/Change	Revised Text	Source/Comments
11	PP	36	Rule 7 Wiring, Apparatus and Inspection	The Company will require the customer to maintain a Power Factor in the range of 90% to 100% for secondary, primary and sub transmission service and 90% to 100% for transmission service, coincident with the customers maximum monthly peak demand and to provide, at the Customer's expense, any corrective equipment necessary in order to do so.	Change transmission power factor values	The Company will require the customer to maintain a Power Factor in the range of 85% (lagging) to 100% for secondary, primary and sub transmission service and 97% (lagging) to 99% (leading) for transmission service, coincident with the customers maximum monthly peak demand and to provide, at the Customer's expense, any corrective equipment necessary in order to do so.	Ties to FirstEnergy Energy Delivery Planning and Protection Section 5 Load Power Factor Requirements (End-User)
12	PP	44	Rule 10-Meter Reading and Rendering of Bills (9) Power Factor/Kilovar Billing	(9) Power Factor/Kilovar Billing Billing for Power Factor or Kilovars	Change Kilovar to kilovar	(9) Power Factor/kilovar Billing Billing for Power Factor or kilovars	Formatting/Grammar
13	PP	46	Rule 11.b. Late Payment Charges	A Residential Customer's overdue bill shall be subject to a late payment charge of 1.35% interest per month on the overdue balance of the bill. A Non-Residential Customer's overdue bill shall be subject to a late payment charge of 2.0% interest per month on the overdue balance of the bill. Interest charges shall be calculated by the Company on the overdue portions of the bill and shall not be charged against any sum that falls due during a current billing period. At the Company's option, the interest per month associated with the late payment charge for Residential Customers may be reduced or eliminated in order to facilitate payment of bills under dispute.	Consistent amounts between all 4 PA operating companies	A Residential Customer's overdue bill shall be subject to a late payment charge of 1.5% interest per month on the overdue balance of the bill. A Non-Residential Customer's overdue bill shall be subject to a late payment charge of 2.0% interest per month on the overdue balance of the bill. Interest charges shall be calculated by the Company on the overdue portions of the bill and shall not be charged against any sum that falls due during a current billing period. At the Company's option, the interest per month associated with the late payment charge for Residential Customers may be reduced or eliminated in order to facilitate payment of bills under dispute.	52 Pa. Code § 56.22

Penn Power Tariff Revisions - 2016 Filing Tariff No. 36							
Revision #	Companies	Tariff Page	Topic	Current Text	Error/Change	Revised Text	Source/Comments
14	PP	56	Rule 22 Transfer of Electric Generation Supplier	Company shall change Customer's electric supplier only upon receipt of electric notification from the chosen electric supplier in accordance with the Pa P.U.C. Rules and Regulations as described in the Final Orders on Standards for Electronic Data Transfer and Exchange Electric Distribution Companies and Electric Generation Suppliers, Docket No. M-00960890F0015 and on Establishing Standards for Changing a Customer's Electric Supplier, Docket No. L-00970121 and 52 Pa. Code §54.123(2). Changes in Customer's electric Supplier shall only be effective with Customer's normal meter reading date, regardless of whether the meter reading is actual or estimated.	Change to three (3) business days after enrollment request is processed	Company shall change Customer's EGS in accordance with 52 Pa. Code Chapter 57, Subchapter M, "Standards for Changing a Customer's Electricity Generation Supplier". Pursuant to the Commission's Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 57 Regulations Regarding Standards for Changing a Customer's Electricity Generation Supplier, at Docket No. L-2014-2409383, changes in Customer's EGS shall be effective within three (3) business days after the enrollment request is processed, regardless of whether the meter reading is actual or estimated.	Updating for new regulations
15	PP	69	Rate GM Medium Availability	If an existing Customer's total consumption is less than 1,500 kWh per month for two (2) consecutive months, the Customer may no longer be eligible for service under this Rate Schedule GS-Medium Based upon the Company's then estimate of the Customer's usage, the Customer shall be placed on Rate Schedule GS or such other Rate Schedule for which such Customer most qualifies.	Changed two consecutive months to twelve consecutive months	If an existing Customer's total consumption is less than 1,500 kWh per month for twelve (12) consecutive months, the Customer may no longer be eligible for service under this Rate Schedule GM. Based upon the Company's then estimate of the Customer's usage, the Customer shall be placed on Rate Schedule GS or such other Rate Schedule for which such Customer most qualifies.	Addition to rate schedule availability
16	PP	69	Rate GM Medium Availability	If an existing Customer's billing demand exceeds 400 kW for more than two (2) consecutive months, then the Customer may no longer be eligible for service under this Rate Schedule GS-Medium, and shall be placed on Rate Schedule GS-Large or such other Rate Schedule for which such Customer most qualifies.	Added in any 12-month period	If an existing Customer's billing demand exceeds 400 kW for more than two (2) consecutive months in the most recent twelve month period, then the Customer may no longer be eligible for service under this Rate Schedule GM and shall be placed on Rate Schedule GS-Large or such other Rate Schedule for which such Customer most qualifies.	Addition to rate schedule availability

Penn Power Tariff Revisions - 2016 Filing
 Tariff No. 36

Revision #	Companies	Tariff Page	Topic	Current Text	Error/Change	Revised Text	Source/Comments
17	PP	71	Rate GM Medium	Determination of Billing Load: The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of non-interval Time-of-Use demand meters.	Change Billing Load to Billing Demand Remove non-interval	Determination of Billing Demand: The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.	Change Billing Load to Billing Demand Correction related to non-interval meters
18	PP	73	Rate GS Large Availability	If an existing Customer's billing demand exceeds 400 kW for more than two (2) consecutive months, then the Customer may no longer be eligible for service under this Rate Schedule GS-Medium, and shall be placed on Rate Schedule GS-Large or such other Rate Schedule for which such Customer most qualifies.	Added in any twelve month period and Change Rate Schedule GS-Large to Rate Schedule GS-Large.	If an existing Customer's billing demand exceeds 400 kW for more than two (2) consecutive months in the most recent 12-month period, then the Customer may no longer be eligible for service under this Rate Schedule GM, and shall be placed on Rate Schedule GS-Large or such other Rate Schedule for which such Customer most qualifies.	Addition to rate schedule availability
19	PP	74	Rate GS Large	Determination of Billing Demand: The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of non-interval Time-of-Use demand meters.	Remove non-interval	Determination of Billing Demand: The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.	Correction related to non-interval meters
20	PP	78	Rate GP-General Service-Primary	Determination of Billing Demand: The billing demand in the current month shall be the greatest of (i) twenty-five(25) KW,	Change 25 KW to 25 kW	Determination of Billing Demand: The billing demand in the current month shall be the greatest of (i) twenty-five(25) kW,	Formatting/Grammar
21	PP	78	Rate GP-General Service-Primary	Determination of Billing Demand: The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of non-interval Time-of-Use demand meters.	Remove non-interval	Determination of Billing Demand: The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of Time-of-Use demand meters.	Correction related to non-interval meters
22	PP	82	Rate GT-General Service-Transmission	Determination of Billing Demand: The billing demand in the current month shall be the greater of (i) 200 kVA,	Change 200 kVA to 200 kW	Determination of Billing Demand: The billing demand in the current month shall be the greater of (i) 200 kVA,	Change 200 kVA to 200 kW to align with Availability provision

Penn Power Tariff Revisions - 2016 Filing
 Tariff No. 36

Revision #	Companies	Tariff Page	Topic	Current Text	Error/Change	Revised Text	Source/Comments
23	PP	82	Rate GT-General Service-Transmission	Determination of Billing Demand: The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of non-interval Time-of-Use demand meters.	Remove non-interval	Determination of Billing Demand: The on-peak and off-peak hour provisions of this definition are only applicable for those customers who have installations of non-interval Time-of-Use demand meters.	Correction related to non-interval meters
24	PP	90	Rate SV-Street Lighting Service		Replacement language	If the customer requests the Company to remove the present high pressure sodium vapor street light system to install LED lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system.	Add replacement language
25	PP	93	Rate SVD-Street Lighting Service; High Pressure Sodium Vapor; Divided Ownership		Replacement language	If the customer requests the Company to remove the present high pressure sodium vapor street light system to install LED lights and if the present system is less than twenty years old, the customer shall pay the removal cost plus the remaining value of the system.	Add replacement language
26	PP	94-95	Rate SM-Street Lighting Service Mercury Vapor		Remove Rate Schedule SM		Removing Rate Schedule SM-Street Lighting Service Mercury Vapor
27	PP	96	Rate LED-Street Lighting Service	A minimum installation of 12 LED lights per customer per individual order is required.	Added restriction language	A minimum installation of 12 LED lights per customer per individual order is required when replacing existing lighting. This restriction does not apply to new installations.	Clarifying language
28	PP	123	Rider H Price To Compare Default Service Support Rider	Commercial Customer Class (Rate GS (excluding Special Rate GS), Rate GM, Rate PNP, PLS, SV, SVD, SM and LED)	Add GS Large to Commercial Customer Class	Commercial Customer Class consists of Rate Schedules GS (excluding GS Special Rule GS), PNP, GM, GS-Large, PLS, SV, SVD, SM and LED	Updated to include GS Large in Commercial Customer Class
29	PP	135	Rider J Default Service Support Rider		Move GS-Large out of Industrial Class and into Commercial class	Commercial Customer Class consists of Rate Schedules GS (excluding GS Special Rule GS), PNP, GM, GS-Large, PLS, SV, SVD, SM and LED	Move GS Large out of Industrial class and into Commercial Class. Also change to a cents per kWh rate

Penn Power Tariff Revisions - 2016 Filing
 Tariff No. 36

Revision #	Companies	Tariff Page	Topic	Current Text	Error/Change	Revised Text	Source/Comments
30	PP	146	Rider L Partial Services Rider- Availability/ Applicability	All of the following general monthly charges are applicable to Delivery Service Customers.	Added In addition to the charges included in the applicable rate schedule	In addition to the charges included in the applicable rate schedule, all of the following general monthly charges are applicable to Delivery Service Customers.	Clarifying charges

PENNSYLVANIA POWER COMPANY

TITLE 52, SECTION 53.52 (a) FILING REQUIREMENT:

“(a) Whenever a public utility, other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement effecting changes in the terms and conditions of service rendered or to be rendered, it shall submit to the Commission, with the tariff, revision or supplement, statements showing all of the following:

- (1) The specific reasons for each change.
- (2) The total number of customers served by the utility.
- (3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.
- (4) The effect of the change on the utility’s customers.
- (5) The direct or indirect effect of the proposed change on the utility’s revenue and expenses.
- (6) The effect of the change on the service rendered by the utility.
- (7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement about why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308 (relating to voluntary changes in rates).
- (8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of a tariff change seeking a general rate increase as defined in 66 Pa.C.S. § 1308.
- (9) Customer polls taken and other documents which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernible public opposition, an explanation of why the change is in the public interest shall be provided.
- (10) Plans the utility has for introducing or implementing the changes with respect to its ratepayers.
- (11) FCC, FERC or Commission orders or rulings applicable to the filing.”

RESPONSE:

52 Pa. Code 53.52(a)(1)

See Direct Testimony of Kevin M. Siedt, Penn Power Statement No. 3.

52 Pa. Code 53.52(a)(2)

As of December 31, 2015, the end of the historical test year, Penn Power served a total of 166,751 customers.

52 Pa. Code 53.52(a)(3)

See Penn Power Exhibit KMS-1, Attachments A, B, and C, Sales and Distribution Revenue Normalization (Fully Projected, Future, and Historical Test Years, respectively).

52 Pa. Code 53.52(a)(4)

See Penn Power Exhibit KMS-4, Comparison between Present and Proposed Rates, and Penn Power Statement No. 3, Direct Testimony of Kevin M. Siedt.

52 Pa. Code 53.52(a)(5)

See Penn Power Statement No. 2, Direct Testimony of Richard A. D'Angelo; and Exhibits RAD-1 and RAD-2.

52 Pa. Code 53.52(a)(6)

See Penn Power Statement No. 1, Direct Testimony of Charles V. Fullem.

52 Pa. Code 53.52(a)(7)

Not Applicable.

52 Pa. Code 53.52(a)(8)

Not Applicable.

52 Pa. Code 53.52(a)(9)

None

52 Pa. Code 53.52(a)(10)

At the time of filing, the Company will issue and provide to customers notice of its distribution rate increase request pursuant to the Commission's general rate case filing regulations. Customer bill messages will direct customers to more information, and a bill insert will describe the rate changes approved by the Commission and indicate the impact on customers. The Company will also inform customers about the Commission-approved rate changes in a press release and a news publication, as well as on the Company's website. After a final Commission order is entered in connection with this rate filing, the Company will file a compliance tariff to implement all of the approved changes.

52 Pa. Code 53.52(a)(11)

The following orders or rulings are applicable to the filing:

- Company's 2014 Rate Case Order, Docket No. R-2014-2428744.
- Company's Default Service Plan, Docket No. P-2013-2391375.
- Merger Settlement, Docket Nos. A-2010-2176520 and A-2010-2176732.
- Company's Smart Meter Deployment Plan, Docket No. M-2013-2341993.

TITLE 52, SECTION 53.52 (b) FILING REQUIREMENT:

“(b) Whenever a public utility other than a canal, turnpike, tunnel, bridge or wharf company files a tariff, revision or supplement which will increase or decrease the bills to its customers, it shall submit in addition to the requirements of subsection (a), to the Commission, with the tariff, revision or supplement, statements showing the following:

- (1) The specific reasons for each increase or decrease.
- (2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and wastewater utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12-month period, the end of which may not be more than 180 days prior to the filing.
- (3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.
- (4) A calculation of the total increases, in dollars, by tariff subdivision, projected to an annual basis
- (5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.
- (6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis..”

RESPONSE:

Pennsylvania Power Company (“Penn Power” or the “Company”) submits the following information in support of Tariff Electric – Pa. P.U.C. No. 36. In response to each of the applicable subsections of 52 Pa. Code § 53.52(b), Penn Power states the following:

52 Pa. Code 53.52(b)(1)

See Testimony of Charles V. Fullem, Penn Power Statement No. 1, Testimony of Richard A. D’Angelo, Penn Power Statement No. 2; and Testimony of Kevin M. Siedt, Penn Power Statement No. 3.

52 Pa. Code 53.52(b)(2)

See Penn Power Exhibit RAD-4.

52 Pa. Code 53.52(b)(3)

See Penn Power Exhibit KMS-1, Attachments A, B, and C, Sales and Distribution Revenue Normalization (Fully Projected, Future, and Historical Test Years, respectively); Penn Power Exhibit KMS-2, Summary of Distribution of Revenues; Penn Power Exhibit KMS-3, Proof of Revenues Analysis; and Penn Power Exhibit KMS-4, Bill Comparisons.

52 Pa. Code 53.52(b)(4)

See Penn Power Exhibit KMS-2, Summary of Distribution of Revenues; Penn Power Exhibit KMS-3, Proof of Revenues Analysis; and Penn Power Exhibit KMS-4, Bill Comparisons.

52 Pa. Code 53.52(b)(5)

See Penn Power Exhibit KMS-2, Summary of Distribution of Revenues; Penn Power Exhibit KMS-3, Proof of Revenues Analysis; and Penn Power Exhibit KMS-4, Bill Comparisons.

52 Pa. Code 53.52(b)(6)

See Penn Power Exhibit KMS-2, Summary of Distribution of Revenues; Penn Power Exhibit KMS-3, Proof of Revenues Analysis; and Penn Power Exhibit KMS-4, Bill Comparisons.

TITLE 52, SECTION 53.52 (c) FILING REQUIREMENT:

“(c) If a public utility files a tariff, revision or supplement which it is calculated will increase the bills of a customer or a group of customers by an amount, when projected to an annual basis, exceeding 3% of the operating revenues of the utility—subsection (b)(4) divided by the operating revenues of the utility for a 12-month period as defined in subsection (b)(2)—or which it is calculated will increase the bills of 5% or more of the number of customers served by the utility—subsection (b)(3) divided by subsection (a)(2)—it shall submit to the Commission with the tariff, revision or supplement, in addition to the statements required by subsections (a) and (b), all of the following information:

- (1) A statement showing the utility’s calculation of the rate of return or operating ratio (if the utility qualifies to use an operating ratio under § 53.54 (relating to small water and wastewater utilities) earned in the 12-month period referred to in subsection (b)(2), and the anticipated rate of return or operating ratio to be earned when the tariff, revision or supplement becomes effective. The rate base used in this calculation shall be supported by summaries of original cost for the rate of return calculation. When an operating ratio is used in this calculation, it shall be supported by studies of margin above operation and maintenance expense plus depreciation as referred to in § 53.54(b)(2)(B).
- (2) A detailed balance sheet of the utility as of the close of the period referred to in subsection (b)(2).
- (3) A summary, by detailed plant accounts, of the book value of the property of the utility at the date of the balance sheet required by paragraph (2).
- (4) A statement showing the amount of the depreciation reserve, at the date of the balance sheet required by paragraph (2), applicable to the property, summarized as required by paragraph (3).
- (5) A statement of operating income, setting forth the operating revenues and expenses by detailed accounts for the 12-month period ending on the date of the balance sheet required by paragraph (2).
- (6) A brief description of a major change in the operating or financial condition of the utility occurring between the date of the balance sheet required by paragraph (2) and the date of transmittal of the tariff, revision or supplement. As used in this paragraph, a major change is one which materially alters the operating or financial condition of the utility from that reflected in paragraphs (1)—(5).”

RESPONSE:

See Penn Power Statement No. 2, Direct Testimony of Richard A. D’Angelo; and Exhibits RAD-54 and RAD-55.

TITLE 52, SECTION 53.52 (d) FILING REQUIREMENT:

“(d) If a utility renders more than one type of public service, such as electric and gas, information required by § § 53.51—53.53 (relating to information furnished with the filing of rate changes), except subsection (c)(2), relates solely to the kind of service to which the tariff or tariff supplement is applicable. In subsection (c)(2), the book value of property used in furnishing each type of public service, as well as the depreciation reserve applicable to the property, shall be shown separately.”

RESPONSE:

See Penn Power Statement No. 2, Direct Testimony of Richard A. D’Angelo; and Exhibits RAD-54 and RAD-55.

FILING REQUIREMENTS IV-A-1:

“Provide a summary schedule of the individual rate effects. For each state jurisdictional rate, show the following information to the test period elected:

1. Rate schedule designation.”

FILING REQUIREMENT IV-A-2:

“Provide a summary schedule of the individual rate effects. For each state jurisdictional rate, show the following information to the test period elected:

2. For existing rates:
 - a. Customers served as of end of period.
 - b. Annual Kwh sales
 - c. Base rate revenues adjusted for any changes in base rate application that may have occurred during the test period.
 - d. Tax surcharge revenues.
 - e. Energy Cost adjustment clause revenues.
 - f. Revenues received from other clauses or riders separately accounted for.
 - g. Total of all revenues.”

FILING REQUIREMENT IV-A-3:

“Provide a summary schedule of the individual rate effects. For each state jurisdictional rate, show the following information to the test period elected:

3. For proposed rates:
 - (a) Estimated number of customers whose charges for electric service will be increased or decreased as a result of this filing.
 - (b) Base rate revenues:
 - (1) Annual dollar amount of increase or decrease.
 - (2) Percentage change.
 - (c) Estimated tax surcharge revenues based on the assumption that the base rate changes proposed were in place.
 - (d) Estimated Energy cost adjustment clause revenues.
 - (e) Revenues received from other clauses or riders separately accounted for.
 - (f) Total of all revenues:
 - (1) Amount of total annual dollar change.
 - (2) Percentage change.”

FILING REQUIREMENT IV-A-4:

“Provide a summary schedule of the individual rate effects. For each state jurisdictional rate, show the following information to the test period elected:

4. Supplement the revenue summary to obtain a complete revenue statement of the electric business, that is, show delayed payments, other electric revenues, FERC jurisdictional sales and revenues and all other appropriate revenue items and adjustments.”

FILING REQUIREMENT IV-A-5

“Provide a summary schedule of the individual rate effects. For each state jurisdictional rate, show the following information to the test period elected:

5. Develop the grand total showing total sales and revenues as adjusted and the various increases and decreases and percent effects as described above.”

RESPONSES:

See Penn Power Exhibit KMS-1, Attachments A, B, and C, Sales and Distribution Revenue Normalization (Fully Projected, Future, and Historical Test Years, respectively); and Penn Power Exhibit KMS-2, Summary of Distribution of Revenues.

FILING REQUIREMENT IV-B-1:

“Provide a description of changes proposed for the new tariff:

1. For each rate schedule proposed to be modified.”

FILING REQUIREMENT IV-B-2:

“Provide a description of changes proposed for the new tariff:

2. For each rate schedule proposed to be deleted.”

FILING REQUIREMENT IV-B-3:

“Provide a description of changes proposed for the new tariff:

2. For each new rate schedule proposed to be added.”

RESPONSES:

See Penn Power Exhibit KMS-6, Matrix of Tariff changes, and Penn Power Statement No. 3, Direct Testimony of Kevin M. Siedt.

FILING REQUIREMENT IV-C:

“The annual revenue effect of any proposed change to any rate must be supported by a billing analysis. This may consist of the use of bill frequency distributions or individual customer billing records for the most recent annual periods available. All billing determinants should be displayed. The blocking and corresponding prices of the existing rate and the proposed rate should be applied to the determinants to derive the base rate revenues under both present and proposed rates. The derived base rate revenues should form the basis for measuring the annual base rate effect of the rates in question for the test periods.”

RESPONSE:

See Penn Power Exhibit KMS-3, Proof of Revenues Analysis.

FILING REQUIREMENT IV-D-1:

“The effects of the proposed rates on monthly billing conditions should be provided as follows:

1. Residential Bill Comparisons

For each rate applicable to residential service provide a chart or tabulation which shows the dollar and percentage effect of the proposed base rate on monthly bills ranging from the use of zero kWh to 5,000 kWh at appropriate intervals.”

FILING REQUIREMENT IV-D-2:

“The effects of the proposed rates on monthly billing conditions should be provided as follows:

2. General Bill Comparisons

For each rate that requires both a billing demand (kW) and kWh's as the billing determinants, provide a tabulation or graphical comparison showing the percentage effect of the proposed base rate on monthly bills using several representative demand (kW) levels, the monthly kWh for each demand selected to be in load factor increments of 10% starting at 0% and ending at 100% (730H) or by hours' use increments that covers approximately 95% of the bills.”

RESPONSE:

See Penn Power Exhibit KMS-4, Comparison between Present and Proposed Rates.

FILING REQUIREMENT IV-E-2:

“Provide comparisons in either graphical or tabular form showing cost, as defined in the cost of service study, and proposed base rate revenues and usage for all residential and demand/energy rate schedules. Demand shall be for representative loads for each demand/energy rate schedule.”

RESPONSE:

See Penn Power Exhibit KMS-5, Cost Curves.

