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June 16, 2016

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

VIA ELECTRONIC FILING

**RE: Pennsylvania Public Utility Commission v. Pennsylvania Electric Company
Docket No. R-2016-2537352, C-2016-2543266, C-2016-2544356, C-2016-2546231, C-
2016-2549792**

Dear Secretary Chiavetta:

Attached please find for filing with the Pennsylvania Public Utility Commission the Prehearing Memorandum of the Penelec Industrial Customer Alliance ("PICA") regarding the above-referenced proceeding.

As shown on the attached Certificate of Service, all parties to this proceeding are being duly served. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

A handwritten signature in cursive script that reads 'Alessandra L. Hylander'.

By

Alessandra L. Hylander

Counsel to the Penelec Industrial Customer Alliance

Enclosure

c: Administrative Law Judge Mary D. Long (via E-mail and First-Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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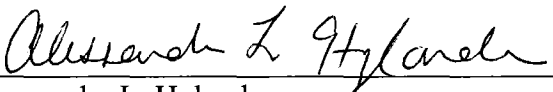
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Counsel to the Penelec Industrial Customer Alliance

Dated this 16th day of June, 2016, at Harrisburg, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission, et al	:	R-2016-2537352
	:	C-2016-2543266
v.	:	C-2016-2544356
	:	C-2016-2546231
Pennsylvania Electric Company	:	C-2016-2549792

**PREHEARING MEMORANDUM OF
THE PENELEC INDUSTRIAL CUSTOMER ALLIANCE**

Pursuant to Administrative Law Judge ("ALJ") Mary D. Long's June 9, 2016, Prehearing Conference Order, the Penelec Industrial Customer Alliance ("PICA") hereby submits this Prehearing Memorandum in the above-captioned proceeding.

I. HISTORY OF THE PROCEEDING

On April 28, 2016, Pennsylvania Electric Company ("Penelec" or "Company") filed with the Pennsylvania Public Utility Commission ("Commission" or "PUC") its Supplement No. 23 to Tariff Electric Pa. P.U.C. No. 81, proposed to become effective on June 27, 2016. Through this filing, Penelec requested a distribution rate increase of \$158.8 million and a proposed Return on Equity ("ROE") of 11.3%. In addition, the Company proposed minor changes to the rate design for Large Commercial and Industrial ("C&I") customers in its service territory.

On June 6, 2016, PICA filed a Complaint to Penelec's filing. A description of PICA is set forth in Paragraph 6 of its Complaint.

A Prehearing Conference has been scheduled in this proceeding for June 17, 2016.

II. SERVICE LIST

For purposes of service in the above-captioned proceeding, please direct all communications to:

Charis Mincavage (Pa. I.D. No. 82039)
Vasiliki Karandrikas (Pa. I.D. No. 89711)
Kenneth Stark (Pa. I.D. No. 312945)
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III. ANTICIPATED ISSUES AND SUB-ISSUES

PICA's preliminary review of Penelec's filing indicates the need for Commission investigation into at least the following issues:

- (a) whether the size of Penelec's requested rate increase is appropriate;
- (b) whether the expenses claimed by Penelec were prudently incurred;
- (c) whether the allocation of the proposed distribution rate increase between and among Penelec's customer classes is just, reasonable, and non-discriminatory;
- (d) whether Penelec's proposed rate structure and rate design is appropriate;
- (e) whether the 11.3% return on equity proposed by Penelec results in a fair rate of return;
- (f) whether Penelec's claimed costs of service are accurate, legitimate, and appropriately allocated;
- (g) whether implementation of the proposed changes to Penelec's rules and riders are appropriate and lawful;

- (h) whether Penelec's proposed tariff changes result in unjust and unreasonable service for customers;
- (i) whether Penelec's proposed change to Rider L is just, reasonable, and nondiscriminatory in light of the fact that customers on Rider L would be required to pay charges under their applicable rate schedules in addition to charges under Rider L; and
- (j) whether the backup demand and maintenance demand charges proposed in Rider L are just, reasonable, and nondiscriminatory, especially in light of the aforementioned changes to the terms and conditions of service to Rider L customers.

PICA anticipates pursuing these issues during this proceeding and also reserves the right to raise further issues and to respond to all matters raised by other parties.

IV. PROPOSED WITNESSES

PICA expects to sponsor expert testimony regarding the aforementioned issues by the following witnesses:

Mr. Jeffrey Pollock
J. Pollock, Inc.
12647 Olive Blvd, Suite 585
St. Louis, MO 63141
Phone: (314) 878-5814
JCP@jpollockinc.com

Ms. Billie LaConte
J. Pollock, Inc.
12647 Olive Blvd, Suite 585
St. Louis, MO 63141
Phone: (314) 878-5814
BSL@jpollockinc.com

PICA reserves the right to modify or supplement this witness list during the course of this proceeding. In the event that PICA decides to modify or supplement the witness list, it will inform the parties and the ALJ as soon as possible of the intended witnesses. PICA also intends to

participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses, and the submission of briefs, exceptions, and reply exceptions, if necessary.

V. PROPOSED SCHEDULE AND DISCOVERY RULES

PICA will cooperate with the ALJ and the parties at the Prehearing Conference to develop an appropriate procedural schedule and discovery rules in accordance with the Commission's regulations and any directives issued by the ALJ.

VI. STATEMENT OF EVIDENCE

PICA's witnesses plan to submit Direct Testimony, as well as Rebuttal and Surrebuttal Testimony, as necessary, in addition to providing evidence, in the form of cross-examination and exhibits, at the Hearing related to the issues and sub-issues as mentioned above.

VII. PROTECTIVE ORDER

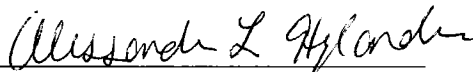
PICA will cooperate with the ALJ and the parties at the Prehearing Conference to develop a protective order in accordance with the Commission's regulations and any directives issued by the ALJ.

VIII. POSSIBILITY OF SETTLEMENT

PICA is willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 
Charis Mincavage (Pa. I.D. No. 82039)
Vasiliki Karandrikas (Pa. I.D. No. 89711)
Kenneth Stark (Pa. I.D. No. 312945)
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Counsel to the Penelec Industrial Customer Alliance

Dated: June 16, 2016