



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

June 16, 2016

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v.
Pennsylvania Electric Company
Docket No. R-2016-2537352

Dear Secretary Chiavetta:

Enclosed please find the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above-captioned proceeding.

Copies are being served on parties as identified in the attached certificate of service. If you have any questions, please contact me at (717) 783-7998.

Sincerely,

Allison C. Kaster
Senior Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #93176

Gina L. Lauffer
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313863

ACK/sea
Enclosure

cc: Certificate of Service
ALJ Mary D. Long

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : Docket No. R-2016-2537352
 :
 Pennsylvania Electric Company :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated June 16, 2016, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

Served via Electronic and First Class Mail

Thomas P. Gadsden, Esquire
Anthony C. DeCusatis, Esquire
Catherine G. Vasudevan, Esquire
Brooke E. McGlenn, Esquire
Morgan Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921

Darryl A. Lawrence, Esquire
Lauren M. Burge, Esquire
David T. Evrard, Esquire
Candis A. Tunilo, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, PA 17101-1923

Joline Price, Esquire
Elizabeth R. Marx, Esquire
Patrick M. Cicero, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101

Joseph Otis Minott, Esq.
Ernest Logan Welde
Clean Air Council
135 S. 19th Street
Suite 300
Philadelphia, PA 19103

Daniel G. Asmus, Esquire
Office of Small Business Advocate
300 North Second Street
Suite 202
Harrisburg, PA 17101

Tori L. Giesler, Esquire
FirstEnergy Service Company
2800 Pottsville Pike
Reading, PA 19612

Scott J. Rubin, Esquire
Counsel for the International Brotherhood
Electrical Workers, Local 459
333 Oak Lane
Bloomsburg, PA 17815

George Jugovic, Jr.
Chief Counsel
Citizens for Pennsylvania's Future
200 First Avenue, Suite 200
Pittsburgh, PA 15222

Charis Mincavage, Esquire
Vasiliki Karandrikas, Esquire
Kenneth Stark, Esquire
Alessandra L. Hylander, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166



Allison C. Kaster
Senior Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #93176

Gina L. Lauffer
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. #313863

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
 :
 v. : R-2016- 2537352
 :
 Pennsylvania Electric Company :

PREHEARING MEMORANDUM
OF THE
BUREAU OF INVESTIGATION AND ENFORCEMENT

TO ADMINISTRATIVE LAW JUDGE MARY D. LONG:

Pursuant to the Prehearing Order dated June 9, 2016, the Bureau of Investigation and Enforcement (“I&E”) of the Pennsylvania Public Utility Commission (“Commission”) respectfully submits the following Prehearing Memorandum in the above-captioned proceeding.

I. BACKGROUND

On April 28, 2016, Pennsylvania Electric Company (“Penelec” or “Company”) filed Supplement No. 23 to Penelec’s Tariff Electric – Pa. P.U.C. No. 81 proposing an annual increase in rates of \$158.8 million (10.94%).

By Order entered June 9, 2016, the Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the Company’s existing and proposed rates, rules and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filing will be

suspended by operation of law on June 27, 2016, until January 27, 2017, unless permitted by Commission Order to become effective at an earlier date.

I&E filed its Notice of Appearance on May 12, 2016.

A telephonic Prehearing Conference is scheduled at 10:00 am on Friday, June 17, 2016, with Administrative Law Judge Mary D. Long presiding.

II. SERVICE ON I&E

The Bureau of Investigation and Enforcement Prosecutors in these proceedings are Allison C. Kaster and Gina L. Lauffer. Contact information is as follows:

By mail: Allison C. Kaster, Esquire
Gina L. Lauffer, Esquire
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

By e-mail: akaster@pa.gov
ginlauffer@pa.gov

By telephone: (717) 783-7998
(717) 787-8754

By fax: (717) 772-2677

I&E requests that electronic transmittal of materials, followed by hard copy delivery via first-class mail, satisfy the service requirement.

III. ISSUES

The following list represents I&E's preliminary determination of potential issues in this proceeding. The listing is as complete as can be made at this time; however, I&E reserves the right to address other issues if any such relevant issues arise:

Rate of Return

- Overall Rate of Return
- Capital Structure
- Cost of Debt
- Cost of Common Equity

O&M

- Salaries/Wages
- Administrative & General Expenses
- Rate Case Expense
- Taxes
- Pension Expense
- Affiliate Charges
- Cash Working Capital
- Advertising Expenses
- Outside Services
- Uncollectible Expense

Rate Structure/Rate Design

- Cost of Service
- Customer Charges and Customer Cost Analysis
- Customer/Usage Projections
- Normalized Sales and Revenues
- Revenue Allocation

Rate Base

- Plant Additions/Retirements
- Adjustments to Budgeted Rate Base Data
- Legacy Meters
- Customer Deposits
- Depreciation Reserve
- Materials & Supplies
- Smart Meter Service Lives

IV. WITNESSES

The witness list provided below is without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed:

Kokou Apetoh, Fixed Utility Valuation Engineer: Rate Base

Lisa Gumby, Fixed Utility Valuation Engineer: O&M Expenses

Jeremy Hubert, Fixed Utility Valuation Engineer: Rate Structure/Rate Design

Rachel Maurer, Fixed Utility Financial Analyst: Rate of Return

V. DISCOVERY

Pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing. I&E does not recommend any modifications to the Commission's discovery rules.

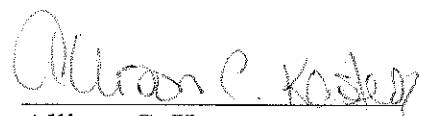
VI. SCHEDULE

I&E is currently working with the other parties to develop a mutually agreeable procedural schedule.

VII. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Allison C. Kaster
Senior Prosecutor
PA Attorney I.D. # 93176

Gina L. Lauffer
Prosecutor
PA Attorney I.D. # 313863

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, Pennsylvania 17105-3265
(717) 787-1976

Dated: June 16, 2016