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October 10, 2016

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission

v.

**Metropolitan Edison Company
Pennsylvania Electric Company
Pennsylvania Power Company
West Penn Power Company**

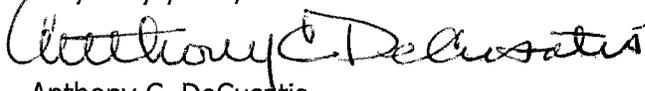
Docket Nos. R-2016-2537349, et al.

Dear Secretary Chiavetta:

On September 30, 2016, **Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company** (the "Companies") filed their Initial Brief in the above-referenced consolidated proceedings on the single issue that had been reserved for briefing in the settlements in this case. Upon further review, a minor error was discovered on page 10 of the Initial Brief – the sentence appearing immediately before the heading of Section III should appear below that heading. We are filing the enclosed revised page 10 to reflect that correction.

As evidenced by the enclosed Certificate of Service, copies of this letter and the revised page 10 are being served on the Administrative Law Judge and counsel for the parties in this case.

Very truly yours,



Anthony C. DeCusatis

c: Per Certificate of Service (w/encls.)

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achieved rate of return on equity used to determine whether it may charge a DSIC or, alternatively, must reduce the charge to zero if its “earnings cap” is exceeded. The DSIC formula does not ignore the impact on the DSIC of ADIT and, therefore, does not violate Section 1301.1(a) as the OCA contends. To the contrary, the Commission’s Model Tariff accounts for ADIT – just not in the manner the OCA prefers. Simply stated, Act 40 did not strip the Commission of its discretion to choose the method for reflecting ADIT in the DSIC adjustment mechanism – a method that the Commonwealth Court has determined is just and reasonable.

III. THE RESERVED ISSUE PERTAINS TO THE TERMS OF AN ADJUSTMENT CLAUSE AND AS SUCH IS NOT WITHIN THE SCOPE OF THIS BASE RATE PROCEEDING

The DSIC in its current form was embodied in the Model Tariff that was approved in the Final Implementation Order, pursuant to the authority conferred by Section 1357(c).³³ Section 1357(c), like Section 1307, authorizes an automatic adjustment clause, which is a rate mechanism that is legally separate from, and operates differently from, base rates, as explained in detail in Section IV.C.2, *infra*. Moreover, adjustment clauses, by their nature employ a process for establishing the charges billed to customers that differs markedly from the process used to establish base rates, which is delineated in Section 1308.

The Companies initiated this proceeding by filing proposed increases in base rates under Section 1308(d), and they did not propose any revisions to the terms of their DSIC Riders which were then pending approval by the Commission. Moreover, the Commission's Order initiating its investigation does not mention the DSIC. Notably, the Commission approved the DSIC Riders and initiated its investigation of the Companies' base rate filings at the same public meeting.

³³ 66 Pa.C.S. § 1357(c).

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
: :
: :
v. : **Docket Nos. R-2016-2537349, et al.**
: :
METROPOLITAN EDISON COMPANY :
PENNSYLVANIA ELECTRIC COMPANY :
PENNSYLVANIA POWER COMPANY :
WEST PENN POWER COMPANY :

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served copies of the **Revised Initial Brief on behalf of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company** on the following persons, in the manner specified below, in accordance with the requirements of 52 Pa. Code § 1.54.

VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

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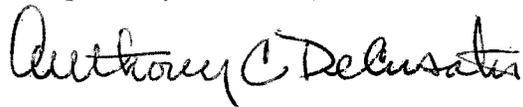
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Dated: October 10, 2016