BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537349, *et al.*
v.	:	
Metropolitan Edison Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537352, *et al.*
v.	:	
Pennsylvania Electric Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537355, *et. al.*
v.	:	
Pennsylvania Power Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537359, *et al.*
v.	:	
West Penn Power Company	:	

SURREBUTTAL TESTIMONY

OF

RALPH C. SMITH

ON BEHALF OF
OFFICE OF CONSUMER ADVOCATE

August 31, 2016

PUBLIC VERSION

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I. INTRODUCTION

Q. What is your name, occupation and business address?

A. My name is Ralph C. Smith. I am a Certified Public Accountant licensed in the State of Michigan and a senior regulatory consultant in the firm Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. Have you previously submitted Direct Testimony and Supplemental Direct Testimony in this proceeding?

A. Yes, I previously submitted Direct Testimony on July 22, 2016 and Supplemental Direct Testimony on behalf of the Pennsylvania Office of Consumer Advocate ("OCA") in this proceeding on August 17, 2016.

Q. What is the purpose of your Surrebuttal Testimony?

A. The purpose of my Surrebuttal Testimony is to address the rebuttal testimony of the Companies' witnesses Messrs. D'Angelo, Spanos, and Adams, and Ms. Walker.

Q. Are you presenting any exhibits with your surrebuttal testimony?

A. Yes. Exhibits LA-ME-3, LA-PN-3, LA-PP-3 and LA-WP-3 present updated Accounting Schedules with respect to certain adjustments that I recommended in my Direct Testimony for Met-Ed, Penelec, Penn Power and West Penn, respectively. Specifically and as discussed in my Surrebuttal Testimony, I have either updated or

eliminated certain adjustments that I originally presented in my Direct Testimony that was submitted on July 22, 2016. Exhibit LA-PP-3 reflects a revised cost of capital for Penn Power on Schedule D. Specifically, as discussed in the rebuttal testimony of Companies witness Joseph Dipre, on July 11, 2016, Penn Power issued $50 million of 4.24% first mortgage bonds, which had an effective rate of 4.32% after factoring in estimated debt issuance expenses. As a result of this issuance, Penn Power's weighted long-term debt cost rate was lowered to 5.66% from the 5.88% long-term debt cost rate reflected in Penn Power's April 28, 2016 filing. Applying this revised weighted long-term debt cost rate to OCA's recommended capital structure for Penn Power results in a revised rate of return of 7.41%. This issue is discussed in further detail in the surrebuttal testimony of OCA witness David Parcell.

Q. Please summarize your updated revenue requirements for each Company.

A. My recommended updated revenue requirements for each Company are as follows:

As shown on Exhibit LA-ME-3, Schedule A, page 1, Met-Ed's proposed distribution revenue increase of $134.180 million should be reduced by $74.371 million. The distribution revenue increase for Met-Ed should be no greater than $59.809 million.

As shown on Exhibit LA-PN-3, Schedule A, page 1, Penelec's proposed distribution revenue increase of $152.817 million should be reduced by $103.854 million. The distribution revenue increase for Penelec should be no greater than $48.963 million.

As shown on Exhibit LA-PP-3, Schedule A, page 1, Penn Power's proposed distribution revenue increase of $37.399 million should be reduced by $23.010 million. The distribution revenue increase for Penn Power should be no greater than $14.389 million.

As shown on Exhibit LA-WP-3, Schedule A, page 1, West Penn's proposed distribution revenue increase of $94.484 million should be reduced by $64.629 million. The distribution revenue increase for West Penn should be no greater than $29.855 million.

It should be noted that the updated revenue requirements discussed above reflect the impacts of my recommended adjustments to the Companies' annualized revenues pursuant to each Company's Phase III Energy Efficiency and Conservation ("EE&C") Plans. I addressed this issue in my supplemental direct testimony that was served on August 17, 2016.

Q. How is your Surrebuttal Testimony organized?

A. It is organized by issue group. Each section discusses a particular issue or group of issues which is being contested in FirstEnergy's rebuttal testimony.

II. CONTESTED RATE BASE ISSUES

<u>Average Rate Base</u>

Q. Did Mr. D'Angelo agree with your recommendation that rate base for the fully projected future test year should be computed on an average test year basis?

A. No. Mr. D'Angelo does not agree with my recommendation to use an average rate base for the fully projected future test year ("FPFTY") ending December 31, 2017. Specifically, Mr. D'Angelo stated that if the average rate base methodology is adopted, then base rates would reflect only one-half of total investment in 2017 plant additions, which is comparable to setting rates on the basis of rate base and expenses at approximately mid 2017. In addition, Mr. D'Angelo stated that under this methodology, the Companies would have to implement a Distribution System Improvement Charge ("DSIC") by October 1, 2017 in order to begin recovering the portion of 2017 plant additions not included in the average (mid-year) rate base.

Q. Did Mr. D'Angelo cite other reasons why he disagrees with your recommendation that the Companies reflect an average rate base for the FPFTY?

A. Yes. Mr. D'Angelo claims that if an average rate base were used, the Companies' annual rates of return following the FPFTY would "almost certainly fall below the rates of return granted in this case" and that the Companies would have to file new base rate cases by the end of March 2017 in order to mitigate the attrition that would occur by using an average rate base.

Q. Have the FirstEnergy Companies filed rate cases on an annual basis?

A. No, they have not. In my direct testimony, I addressed the Companies' historic rate case filing intervals, which have not been annually. In fact, the interval between the Companies' last rate cases and the current rate cases has been longer than one year.

Mr. D'Angelo's assertion that the Companies would file additional rate cases in March 2017 thus has no support in the Companies' rate case filing history. However, if the Commission believes that the Companies would file another round of rate cases in March 2017, the adjustment for reduced sales related to the Phase III Energy Efficiency & Conservation Plan ("EE&C Plan") should be scaled back to correspond with the rate effective period. In addition, Mr. D'Angelo's comment about potential future rate case filing timing is not a valid reason to use a year-end approach to the 2017 FPFTY. An average rate base approach should be used to properly match the revenue components, rate base, operating income and returns for the first year of new base rates. This proper matching is achieved by the use of an average test year concept applied to the FPFTY being used in the current rate cases. If a year-end approach to the 2017 FPFTY is used, the Companies would earn a full year of return on plant that is not used and useful (i.e., in service) throughout the year.

Q. How is the determination of a FPFTY rate base typically addressed in other states in which a FPFTY is used?

A. Based on my experience, in other states where a FPFTY test year is used, the FPFTY is treated as the first year of new rates, and an average test year concept is applied. Where a FPFTY is used, the FPFTY is commonly viewed as the first year in which the new rates will be in effect. In order to achieve matching of the revenue requirement with the first year of new rates, the rate base for the FPFTY reflects and should be based on the average for the fully projected future test year period, rather

than upon values as of a single date, such as at the very end of the FPFTY. The use of an average FPFTY properly matches the collection of the revenue requirement during the first year of new rates, i.e. with the FPFTY. For the FirstEnergy electric utilities in the current rate cases, the FPFTY beginning on January 1, 2017 and continuing through December 31, 2017 approximately corresponds with the first year of new rates, and it is therefore consistent to apply the average test year concept for the FPFTY.

Q. How does the use of a FPFTY that corresponds with the first year of new rates properly match rate base and the other components of the revenue requirement?

A. The FPFTY, on average, matches the revenue requirement with the level of operations that is anticipated for the first year of new rates. Thus, annualization adjustments, such as the use of year-end rate base, or annualizations of expenses to year-end conditions, that are fairly common with test years that end before the effective date of new rates, but are not consistent with the concept of having the FPFTY match the revenue requirement that is anticipated for the first year of new rates.

Q. How did you acquire your understanding of how other jurisdictions that use FPFTYs apply the average test year concept?

A. I acquired my understanding of how a number of other jurisdictions that use FPFTYs apply the average test year concept in conjunction with their use of FPFTYs as an

analyst and expert witness in a number of utility rate cases in various jurisdictions, including California, Hawaii, Georgia, Illinois and Kentucky.

Q. You had previously stated in your direct testimony that you were advised by OCA counsel that there are no Commission rulings on how to determine utility rate base (i.e., on whether to use a year-end or average approach) when a FPFTY is used pursuant to Act 11. How did Mr. D'Angelo respond to your statement in his rebuttal testimony?

A. On page 12 of his testimony, Mr. D'Angelo cited a Tentative Supplemental Implementation Order (dated November 5, 2015) which was issued by the Commission in Docket No. M-2012-2293611 pursuant to the Implementation of Act 11 of 2012. Mr. D'Angelo points out that the Commission discussed its views on how the DSIC relates to a utility's rate base claims in which a FPFTY is used. In addition, Mr. D'Angelo quoted a lengthy passage from pages 11 and 12 of the Tentative Supplemental Order from which he concluded that the Commission clearly contemplates that the rate base of a utility using a FPFTY would reflect its plant balances as of the end of the FPFTY versus using an average rate base. On pages 13-14 of his rebuttal Mr. D'Angelo states:

> The Commission's prescription for when the "stay-out" period ends and its directive that only "new repair, replacement or improvement of eligible property" may be "reflected in a quarterly DSIC update" after a base rate case is concluded simply cannot be reconciled with the use of anything other than end-of-FPFTY plant balances to establish a utility's rate base in a base rate case. Indeed, if an "average" rate base were employed, then, for the reasons I previously explained, a DSIC charge would have to be implemented during the FPFTY in order to recover the costs of plant and equipment placed in service during the second half of that year. That approach is not

> contemplated by, and is not consistent with, the Commission's views set forth in its Tentative Supplemental Implementation Order.

Q. Do you agree with Mr. D'Angelo's conclusion that the Commission clearly contemplates that the rate base of a utility's using a FPFTY would reflect year-end plant balances based upon the Tentative Supplemental Implementation Order?

A. No. The Tentative Supplemental Implementation Order primarily discusses the implementation of the DSIC, which was implemented to recover the costs associated with the repair, replacement or improvement of eligible distribution property between rate cases. While the passage from the Order that is quoted in Mr. D'Angelo's rebuttal testimony does discuss the DSIC in the context of a FPFTY, it does not specifically discuss how to determine a utility's rate base (i.e., on whether to use a year-end or an average approach) when a FPFTY is used pursuant to Act 11. Another passage from pages 12-13 of that Order which Mr. D'Angelo did not include in his rebuttal states:

> The Commission acknowledges that an ongoing, uninterrupted DSIC mechanism appears to be cumulative in its effect. The Commission notes that the primary purpose of the quarterly DSIC update is to reflect the additional eligible property that the utility has placed in service during the prior three-month period ending one month prior to the effective date of *each* DSIC update. See 66 Pa. C.S. § 1357(a)(2). Thus, the utility is continually able to recover the fixed costs of all eligible property less depreciation that it has placed into service that is associated with a repair, replacement or improvement that is reflected in its quarterly DSIC update and that has not previously been reflected in the utility's rate base pursuant to a base rate proceeding.
>
> [Emphasis in original]

Q. What was the stated purpose of the Tentative Supplemental Implementation Order?

A. In the Conclusion section of the Order (page 18), the Commission stated that the purpose of the Tentative Supplemental Implementation Order is to propose additional procedures and guidelines necessary to implement Act 11 and to solicit public comment. It indicates that upon review of any comments from stakeholders, the Commission will issue a Supplemental Final Implementation Order to establish final procedures and guidelines.

Q. Did the Commission issue a Supplemental Final Implementation Order subsequent to the Tentative Supplemental Implementation Order dated November 5, 2015?

A. No. To date, the Commission has not issued a Final Supplemental Implementation Order.

Q. Please summarize your recommendation concerning applying the average test year concept to the FPFTY.

A. As described in my direct testimony and herein, the use of a FPFTY that corresponds with the first year of new rates is conceptually consistent with an average test year approach, which achieves proper matching of the revenue requirement to be in effect during the first year of new rates. The application of the FPFTY rate base and operating income in this manner, i.e., on an average test year basis, is also consistent with my understanding of how rate base and operating income is commonly

determined in conjunction with the use of FPFTYs in other jurisdictions where FPFTYs are used.

<u>Deferred Storm Damage Costs</u>

Q. Have you revised your position on deferred storm damage expense as a result of FirstEnergy's rebuttal testimony?

A. No. The same recommendations concerning storm damage expense that are reflected in my direct testimony and exhibits continue to apply. Specifically, in my direct testimony, I recommended that all deferred storm damage expenses as well as storm reserve balance amounts be removed from rate base. Such deferred storm expenses should be amortized over a five-year period, with no rate base inclusion, in accordance with the settlements that were reached in the 2014 FirstEnergy rate cases.

Q. Does Mr. D'Angelo agree with your adjustments to remove the deferred storm damage costs and storm reserve balances from each Company's rate base?

A. No. Mr. D'Angelo does not agree with my adjustments to remove the deferred storm damage costs and storm reserve balances from each Company's rate base. On page 15 of his rebuttal testimony, Mr. D'Angelo states that storm damage expense represents substantial expenditures made to maintain and restore safe and reasonable service to customers and that the deferral and amortization of these expenditures delays the Companies' recovery of these costs over a significant period of time. In addition, Mr. D'Angelo states that the Companies' proposal to include deferred storm damage costs in rate base and to earn a return on those amounts is no different than earning a return on its cash working capital allowance in rate base.

Q. Should storm expenses be included in rate base?

A. No. As I stated in my direct testimony, deferred storm damage expenses should not be included in rate base because such costs are operating expenses and not an investment. In addition, the settlements reached in the 2014 FirstEnergy rate cases provided that each Company's claim for deferred storm damage expenses shall be amortized over a five-year period, beginning on the date the settlement rates became effective. This results in a normal amount of storm damage expenses being included in the revenue requirement each year. Nowhere in the settlements does it state that the unamortized deferred storm damage costs shall be included in rate base.

Q. Please summarize your position on the Companies' proposal to include deferred storm damage expense and storm reserve balances in rate base.

A. My position remains the same as discussed in my direct testimony whereby no deferred storm damage expenses or storm reserve balances should be allowed in rate base. Recovery of the Companies' past storm expenses should continue be in accordance with the five-year amortization period that was established in the settlement agreements in the 2014 FirstEnergy rate cases, which does not provide for rate base inclusion of such expenses.

<u>Cash Working Capital – Removal of Regulatory Pre-Paid Cash Pension Contributions</u>

Q. Will you be responding to Cash Working Capital related issues that are addressed in FirstEnergy witness Jeffrey Adams rebuttal testimony?

A. Yes. I will respond to one of the Cash Working Capital related issues that was addressed in FirstEnergy witness Jeffrey Adams rebuttal testimony in this section of my Surrebuttal Testimony. Specifically, I will respond to the Companies' proposed inclusion of unamortized cash pension contributions in each Company's cash working capital allowance.

Q. At page 11 of his rebuttal testimony, FirstEnergy witness Adams claims that the Commission has long recognized that prepayments are properly included in utilities' cash working capital ("CWC") requirements and that regulatory prepaid cash pension contribution are included in CWC. Please respond.

A. As I stated in my direct testimony, no amount for Unamortized Cash Pension Contributions was included in the Met-Ed or Penelec claim for CWC in Docket Nos. R-00061366 and R-00061367, and the amounts of prepaid expenses allowed in CWC in those cases were substantially lower and did not include any amounts for Unamortized Cash Pension Contributions. The attempt by FirstEnergy to include Unamortized Cash Pension Contributions in CWC in the current rate cases is not authorized in any prior Commission orders that the Company has been able to identify. Contrary to the Companies' claims, there is in fact no Commission precedent that they have cited, much less a long-standing Commission precedent, for including amounts for Unamortized Cash Pension Contributions in rate base as CWC or prepayments.[1]

[1] The FirstEnergy Companies also proposed including unamortized cash pension contributions in CWC in the 2014 rate cases. In those prior proceedings, OCA recommended against including these amounts in CWC. Since the 2014 rate cases were settled, this issue was not specifically addressed.

I have reviewed the Order in the 2006 Met-Ed and Penelec rate case proceeding as well as the Met-Ed and Penelec CWC filings and the OCA's testimony on CWC in those dockets and find no inclusion in CWC of any line item for Unamortized Cash Pension Contributions. Additionally, the amount of CWC that FirstEnergy is claiming for Unamortized Cash Pension Contributions is grossly disproportionate with the prepaid amounts that were included in the 2006 Met-Ed and Penelec rate cases.

Q. What amount of prepayments was requested by Met-Ed and Penelec in Docket Nos. R-00061366 and R-00061367?

A. According to Met-Ed Exhibit MJS-1, pages 1 and 14 of 14 in Docket Nos. R-00061366, the total prepayments balance claimed by Met-Ed in that case was $916,000. Moreover, the items included are Prepaid PaPUC Assessments, Prepaid Property & Liability Insurance and Prepaid EEI dues. There was no inclusion of any Unamortized Cash Pension Contributions.

Similarly, according to Met-Ed Exhibit MJS-1, pages 1 and 14 of 14 in Docket No. R-00061367, the total prepayments balance claimed by Penelec in that case was $932,000. Moreover, the items included are PaPUC Assessments, Prepaid Property & Liability Insurance and Prepaid EEI dues. There was no inclusion of any Unamortized Cash Pension Contributions.

In contrast, the amounts claimed for prepayments by FirstEnergy in the current rate cases are grossly disproportionate to the prepaid amounts from the prior Met-Ed and Penelec rate cases. The prepayment amounts would be comparable only

with the exclusion of the FirstEnergy requested amounts for Unamortized Cash Pension Contributions in the current rate cases.

Q. You stated in your direct testimony that the Companies never received authorization from the Commission to include unamortized cash pension contributions in rate base as a component of CWC in the 2006 Met-Ed and Penelec rate cases. In response to your assertion, on pages 11-12 of his rebuttal testimony, Mr. Adams states that "while the Commission did not explicitly order the creation of a rate base item for regulatory pre-paid cash pension contributions, the establishment of a ten-year amortization of pension expense necessarily created a basis for a CWC claim." In other words, Mr. Adams stated that requiring Met-Ed and Penelec to recover approved pension expense over a subsequent ten-year period created the need for this rate base item, which is akin to a prepayment. Please respond.

A. As previously discussed in my direct testimony, to the extent that the Companies proposed inclusion of unamortized cash pension contributions in rate base as a component of CWC, it is based on the proposed use of a ten-year average of pension funding contributions to determine a normalized pension expense in the 2006 Met-Ed and Penelec rate cases (and also proposed in the current proceedings), that is not a sufficient rationale for creating a new rate base item. In addition and as previously discussed, a normalized O&M expense allowance, such as rate case expense or pension expense, is not converted into a rate base investment. The use of a multi-year period for amortization or normalization for such items does not result in the

creation of a rate base balance that should earn a return. Therefore, I disagree with Mr. Adams' characterization of unamortized cash pension contributions being akin to prepayments.

Q. What adjustments are needed to remove the Unamortized Cash Pension Contributions from FirstEnergy's CWC requests in the current rate cases?

A. The amounts that FirstEnergy claimed for Unamortized Cash Pension Contributions in its April 28, 2016 filings are listed below (and shown on Schedule B-4, page 1, line 27, of the revenue requirement exhibits filed with my direct and surrebuttal testimonies for each of the four FirstEnergy utilities):

- $56.224 million for Met-Ed
- $82.609 million for Penelec
- $6.629 million for Penn Power, and
- $38.903 million for West Penn.

These amounts should be removed from CWC in the current rate cases for the reasons described in my direct testimony and above.

III. CONTESTED OPERATAING INCOME ISSUES

<u>Rate Case Expense</u>

Q. What is FirstEnergy's rebuttal position concerning the rate case expense amortization period?

A. FirstEnergy witness D'Angelo claims that the Companies' past filing frequency was impacted by a rate cap or rate freeze, which limited its ability to file a base rate

case.[2] He also cites limitations on cost recovery through the DSIC, and states that FirstEnergy believes it is reasonable to assume that henceforth it will be filing rate cases with increased frequency.

Q. Are you revising your recommendation concerning the rate case expense amortization period based on the FirstEnergy rebuttal concerning this?

A. No. As described in my direct testimony, FirstEnergy presented similar arguments in the 2006 Met-Ed and Penelec base rate cases, and those arguments for a shorter amortization period for rate case cost were rejected because the Companies had not actually established a more frequent base rate case filing schedule. In Met-Ed's and Penelec's 2006 base rate cases in Docket Nos. R-00061366 and R-00061367, Met-Ed and Penelec had proposed a three-year recovery period for rate case expense. The Commission's Final Order dated January 11, 2007 stated in part that:

> . . . [R]ate caps prevented a rate case filing in the last decade; however, a review of the filing frequency before the implementation of the rate caps reveals that the Companies had unusually long intervals between rate case filings. . . . Although it is convenient to use the rate caps as a justification for an expedited recovery period, **a three year recovery period is unwarranted given ME's and PN's history of long stay outs between rate case filings.**
>
> **Second, the Companies assertion that there is a "greater likelihood" of more frequent filings now that the rate caps have expired is merely a statement of future intentions, which is highly speculative. The Commission relies on filing history because that history is the most reliable barometer of when future rate cases will be filed. The filing history of MEPN does not support a three year filing cycle.** The Companies' request to ignore those facts and

[2] See D'Angelo rebuttal testimony at page 17.

> instead rely on unpredictable future intentions must be rejected.
>
> Finally, the Companies' reliance on the PPL case is wholly irrelevant because **normalization periods are specific to each company and are based on the historic frequency of base rate case filings.**
>
> (Emphasis supplied.)

Q. On page 17 of his rebuttal testimony, Mr. D'Angelo states that since the 2014 FirstEnergy rate cases were filed only 21 months ago, they are the most relevant in terms of the frequency with which future rate cases will be filed. Please respond.

A. Mr. D'Angelo points out that the 2014 FirstEnergy rate cases filed 21 months ago were "discounted by being employed as a single data point in time in a multi-year historic averaging approach." As discussed in my direct testimony and noted above, the Commission's Final Order in the above referenced prior dockets was dated January 11, 2007, or over seven years from August 4, 2014, i.e., from the filing date of the Companies' next rate case filings. In addition, Penn Power's last rate case filing prior to 2014 was in Docket No. R-870732, filed August 5, 1987 and with the Final Order issued May 3, 1988. Moreover, West Penn's last rate case filing prior to 2014 was in Docket No. R-00973981 with the Final Order issued November 19, 1998. Additionally, the Companies now have DSICs to recover qualifying investment between rate cases. The implementation of additional cost recovery mechanisms, such as a DSIC, should result in lengthening, not shortening, the intervals between a utility's base rate cases. I continue to recommend that the Companies' claimed rate case expense be normalized over a period of five years.

Q. Should the revenue adjustment for Phase III EE&C sales reductions be matched with the interval being used for rate case expense normalization?

A. Yes. As I explained in my supplemental direct testimony, the derivation of the revenue adjustment for Phase III EE&C sales reductions should be matched as practical or feasible with the estimated rate case filing interval. Accordingly, my supplemental direct testimony presented two calculations of the Phase III EE&C revenue adjustments; one corresponding with the Companies' proposed two-year amortization period for rate case expense and another corresponding with my recommended five-year period.

Post Test Period Payroll Expense and Payroll Tax

Q. Does FirstEnergy contest adjustments made by OCA (and I&E) for removing payroll increases and related benefits and payroll tax, for pay increases that FirstEnergy projects would occur beyond the end of the FPFTY?

A. Yes. FirstEnergy witness D'Angelo addresses this in his rebuttal testimony at pages 27-31. He claims that removing such pay increases is inconsistent with longstanding Commission policy. He also disagrees with adjustments for payroll, benefits and payroll taxes that I had recommended to coordinate the amounts recognized within the FPFTY consistently with their occurrence during the FPFTY.

Q. Do you agree with Mr. D'Angelo's claim that excluding post-test year pay increases occurring during or beyond the end of a FPFTY is inconsistent with long-standing Commission policy?

A. No. I have been advised by OCA counsel that the long-standing Commission policy referred to by Mr. D'Angelo relates to Commission precedent that was in place prior to the enactment of Act 11. Specifically, prior to Act 11, utilities were permitted to capture known expenses as far as six months beyond the end of a future test year ("FTY") in a base rate case. The rationale was that under the FTY approach, rates were developed using a timeframe that occurred prior to the new rates actually going into effect. However, with the enactment of Act 11and the Companies now being permitted to use a FPFTY, the need to look out further than the end of the test year to capture known expenses has been eliminated.

Q. Why should pay increases that are projected to occur after a FPFTY be excluded, and pay increases that are projected to occur during a FPFTY be appropriately recognized only for the cost impacts that are projected to occur during the FPFTY?

A. As I described in my direct testimony and above,[3] in this case a FPFTY is being used which corresponds to the first year of new rates. It is common in the utility industry in this context to reflect rate base and expense adjustments on an average test year basis. This is done in order to match the revenue requirement with the period

[3] See, e.g., Section II of my Surrebuttal Testimony, which addresses the application of the average test year concept in the context of a FPFTY, which corresponds to the first year of new rates.

covered by the first year of new rates. The situation where a FPFTY is being used to match the first year of new rates is conceptually different than historical ratemaking in Pennsylvania, where test years were used that ended prior to the effective date of new rates. Under that traditional ratemaking treatment, where test years were being used that were not fully forecasted, and where the test years did not match the rate effective period, it was common to utilize annualizations, so that the utility's revenue requirement would better match the cost of service during the first year of new rates. However, with the use of a FPFTY, the projections extend into and cover the first year of new rates. Annualizations extending beyond the end of a FPFTY would result in over collections of the utility's costs during the first year of new rates, since such cost increases do not occur until later. For pay increases, the appropriate method to match the impact on the FPFTY cost of service is to reflect a proration of the amount of expense that will be incurred during the FPFTY. This properly matches the expense to be incurred in the FPFTY with the revenue requirement for the first year of new rates. Going beyond that, as FirstEnergy proposes, will overstate the revenue requirement during the first year of new rates.

Q. Did Mr. D'Angelo address the concept of annualization in the context of your recommendation to prorate pay increases projected to occur during the FPFTY, but only for the cost impacts that are projected to occur during the FPFTY?

A. Yes. On page 23 (lines 4-6) of his rebuttal testimony, Mr. D'Angelo states that annualization is a well-established practice that is consistently employed to properly

reflect the effect of such increases in developing an annual revenue requirement. As an example, Mr. D'Angelo stated that the Companies annualized revenues to end-of-FPFTY levels and that I did not challenge the Companies' annualization of revenues.

Q. Please respond.

A. First of all, I point out that Mr. D'Angelo stated that the Companies' annualized revenues to end of FPFTY levels, not beyond FPFTY levels. However, further investigation has revealed that the Companies annualized revenue decreases for the Phase III EE&C Plans to reflect May 2021 annualized impacts, which, as I have pointed out in my supplemental direct testimony, creates a significant mismatch with the 2017 FPFTY.[4]

Q. Please summarize your recommendations concerning pay increases, and the related impacts on benefits and payroll taxes.

A. Pay increases that are projected to occur beyond the end of the FPFTY should be excluded from the revenue requirement for the FPFTY. Pay increases that are projected to occur during the FPFTY should be prorated according to when they are forecast to occur and the expense that falls within the FPFTY should be reflected, but the expense increases that occur in periods beyond the end of the FPFTY should be excluded. This properly reflects the expenses in the FPFTY. The related impacts on benefits and payroll taxes should be treated similarly.

[4] See the Supplemental Direct Testimony of Ralph C. Smith that was served on August 17, 2016.

Pension Expense

Q. What do the FirstEnergy Companies recommend in their rebuttal testimony concerning pension expense?

A. As Mr. D'Angelo discusses in his rebuttal testimony, the FirstEnergy Companies continue to propose that pension expense be based on a ten-year average of cash funding contributions.[5] The Companies' position appears to be heavily reliant upon the Commission accepting a ten-year average of cash contributions approach in the 2006 Met-Ed and Penelec rate cases.

Q. Is a ten-year historic average for pension costs an extreme ratemaking treatment?

A. Yes. The use of an historical average and one as long as ten years for pension expense is an extreme ratemaking treatment. I have never seen this extreme approach to pension expense used anywhere other than in the 2006 Met-Ed and Penelec rate cases.

Q. Was that extreme approach to utility pension expense in the 2006 Met-Ed and Penelec rate cases supposed to establish how pension expense should be treated in future rate cases?

A. No. It does not appear so. Moreover, the 2006 Met-Ed and Penelec rate case treatment does not apply to Penn Power or to West Penn. The Companies have

[5] See, e.g., D'Angelo Rebuttal Testimony , pages 18-21.

failed to show that the extreme ten-year average approach to utility pension expense has been used by the Commission for any other Pennsylvania utility since those orders in the 2006 Met-Ed and Penelec rate cases.

Q. In your experience, what is the most common method of reflecting pension expense for ratemaking purposes?

A. In my experience, the most common method of reflecting pension expense for ratemaking purposes is based on generally accepted accounting principle ("GAAP") based accruals, based on Statement of Financial Accounting Standards No. 87 ("FAS 87").

Q. Are you categorically opposed to using a cash funding approach for pension expense?

A. No. A cash funding approach for pension expense appears to be used in a small minority of states. However, in my experience where the cash funding approach is used for pension expense, the use is based on contributions over a period much shorter than ten years. The ten-year period recommended by FirstEnergy in the current rate cases appears to be an extreme position. In my experience, I am not aware of any other utility rate case other than the 2006 Met-Ed and Penelec cases in which an extremely long ten-year average was used for determining the utility allowance for pension expense. If an average of cash funding contributions were to be used in the current case, the average should be shorter than ten years.

Q. Please summarize your recommendation concerning pension expense.

A. As I described in my direct testimony and above, I recommend that pension expense for ratemaking be based on the FAS 87 accrual amounts. Using a ten-year average of historical funding contributions is inconsistent with how the FirstEnergy utilities budget for pension cost, whereas using the FAS 87 accrual amounts is consistent with FirstEnergy's budgeting for pension cost. The FirstEnergy utilities' budgets for pensions reflect the SFAS 87 accrual method. FirstEnergy also uses the accrual accounting for its actual pension costs. The use of the FAS 87 amounts is consistent with GAAP and will produce reasonable cost recovery of pension expense in a fair manner and one which is consistent with how pension expense is recovered for other FirstEnergy utilities in states such as Maryland and West Virginia, and consistent with my understanding of the method most commonly used for utility pension expense in the majority of jurisdictions.

<u>Other Post-Employment Benefits</u>

Q. What do the FirstEnergy Companies recommend in their rebuttal testimony concerning Other Post Employment Benefits ("OPEB") expense?

A. The Companies continue to request that recovery of OPEB expense focusing only on the service cost component of OPEB costs per Statement of Financial Accounting Standards No. 106 ("FAS 106"). At pages 25-27 of his rebuttal testimony, Mr. D'Angelo mentions that in Met-Ed's and Penelec's 2006 rate cases, the Commission used only the service cost component of FAS 106. He claims that the Companies' budgets for OPEB cost and its GAAP accounting for OPEB costs should not be used

because the FAS 106 amounts include the effect of a number of factors. He also claims it would be unfair to switch methodologies.

Q. Does basing the ratemaking recognition of OPEB costs on only the service cost component of FAS 106 match the benefit cost to the cost that is actually occurring during the FPFTY?

A. No, it does not. In fact, it does just the opposite. Use of the service cost component only, and not the full FAS 106 amount, will virtually assure that there is a mis-match between the ratemaking cost for the OPEBs and the cost that is actually occurring, which is based on the full FAS 106 amount that is recorded in accordance with GAAP. Focusing only on one component of FAS 106 -- the service cost component – as FirstEnergy proposes here, is uncommon in utility regulation and is one-sided. Using only the service cost component, as proposed by FirstEnergy as a ratemaking methodology, is unfair and unbalanced because it only reflects one component which will virtually always have a positive cost.

Q. Is it fair to use FAS 106 amount for ratemaking?

A. Yes. FirstEnergy calculates and reports OPEB expense in accordance with FAS 106, which is consistent with GAAP. The recognition of OPEB expense using FAS 106 in my experience is common in the utility industry. Using the same method for OPEB cost recognition (i.e., FAS 106) and for ratemaking purposes is fair and reasonable.

Q. Mr. D'Angelo states in his rebuttal at (page 27, line 6) that "to switch methodologies in this case would be patently unfair." Please respond.

A. First, this comment by Mr. D'Angelo does not apply to Penn Power or West Penn, as the use of this unusual method for recognizing OPEB costs for ratemaking was only approved for Met-Ed and Penelec and only in their 2006 rate cases.

Moreover, as it applies to Met-Ed and Penelec (as well as to Penn Power and West Penn), as explained above, it is certainly fair to use the same method for ratemaking, FAS 106, that is used for accounting and budgeting purposes.

Furthermore, the failure to recognize the other components of FAS 106 cost and to focus only on the service cost component, misstates the accounting cost.

Additionally, the full adoption of FAS 106 as the ratemaking basis for recognizing utility OPEB expense appears to be anticipated by the Commission's statement of policy at 52 Pa. Code § 69.351 which addresses the Implementation of Statement of Financial Accounting Standards for Rule No. 106 (SFAS 106) for ratemaking purposes and indicates that: "The Commission intends to move jurisdictional utilities to SFAS 106 accrual accounting for ratemaking purposes within approximately 5 years and to allow the recovery in base rates of deferred amounts in approximately 20 years, to the extent that OPEB costs are prudently incurred and examined for reasonableness in a base rate proceeding prior to rate recognition." The use of FAS 106 in the current FirstEnergy Companies rate cases is consistent with that time frame.

SFAS 106 was adopted as part of GAAP in December 1990. As noted in § 69.351, the Implementation of Statement of Financial Accounting Standards for Rule

No. 106 statement of policy states that: "Effective with financial statements for fiscal years beginning after December 15, 1992, SFAS 106 provides the generally accepted accounting principles to be used by large companies in accounting for post-retirement benefits other than pensions (OPEBs)." No one in the current case is disputing that FirstEnergy's OPEB costs as determined under FAS 106 are prudently incurred or that such OPEB costs are properly accounted for under FAS 106. The Commission has stated that it intends to move its jurisdictional utilities to SFAS 106 accrual accounting for ratemaking purposes. The current FirstEnergy rate cases present a good opportunity for the Commission to fully implement the FAS 106 accounting for ratemaking purposes for these FirstEnergy utilities.

Q. Please summarize your recommendation concerning the recognition of OPEB expense in the current FirstEnergy rate cases.

A. As I described in my direct testimony and above, and in accordance with the Commission's statement of policy in § 69.351, FAS 106 accrual accounting should be used for the recognition of OPEB expenses in the current rate cases. The use of full FAS 106 accrual accounting for OPEBs is consistent with how the FirstEnergy utilities budget for and account for their OPEB costs and is consistent with the guidance provided in the Commission's § 69.351 statement of policy, which stated that it intends to move its jurisdictional utilities to FAS 106 accrual accounting for ratemaking purposes.

Incentive Compensation

Q. Have you revised your position with respect to your recommendations regarding the treatment of incentive compensation as a result of FirstEnergy's rebuttal testimony?

A. No. For the reasons previously discussed in my direct testimony, I have not revised my position with respect to my recommendations regarding the treatment of incentive compensation for ratemaking purposes. For purposes of this discussion, incentive compensation for the FirstEnergy Companies includes the following three components: (1) Short-Term Incentive Plan ("STIP"), (2) stock-based compensation, or Long-Term Incentive Plan ("LTIP), and (3) Supplemental Executive Retirement Plan ("SERP"). As discussed in my direct testimony, I recommend adjusting the STIP expense allowed in rates to exclude 30% of the compensation amounts paid to non-bargaining employees that are directly associated with meeting the Companies' financial performance goals (i.e., Operating EPS). In addition, I recommend excluding from rates 100% of stock-based compensation, which includes Cash-Based Performance-Adjusted RSU[6] awards and Stock-Based Performance-Adjusted RSU awards, as well as the exclusion of 100% of SERP expense.

Q. Did the Companies agree with your proposed adjustments to each component of incentive compensation expense?

A. No. As discussed in the rebuttal testimony of Companies' witness Christine Walker, the Companies oppose my proposed adjustments to each component of incentive

[6] RSUs are restricted stock units.

compensation expense. Specifically, Ms. Walker stated that all compensation expenses are a normal and reasonable cost of doing business and that the use of financial related key performance indicators ("KPIs") does not warrant the disallowance of these costs.

Q. On page 7 of her rebuttal testimony, Ms. Walker stated that the Companies no longer base any portion of LTIP compensation on stock price. Is her statement consistent with the provisions stated in the 2015 FirstEnergy Executive Compensation and Benefits Overview that the Companies provided in response to OCA discovery?

A. The 2015 FirstEnergy Executive Compensation and Benefits Overview, which was provided as a confidential attachment in the response to OCA-I-43, states in part the following under the heading "Performance-Adjusted RSU Grants" (page 41 of 130):

[BEGIN CONFIDENTIAL]

[redacted]

[END CONFIDENTIAL]

In addition, on page 42 of the 2015 Executive Compensation and Benefits Overview under the heading "Payment of LTIP", it states in part:

[BEGIN CONFIDENTIAL]

[redacted]

[redacted]

[redacted] [END CONFIDENTIAL]

Q. Ms. Walker argues that if the expenses associated with the STIP, LTIP and SERP are eliminated, the Companies would no longer offer a competitive compensation package and could not attract and retain employees and/or it would be necessary to increase base salaries to prevent talent attrition to competing employers. Please respond.

A. I am not proposing that the STIP, LTIP and SERP be eliminated. My position is that the Companies' ratepayers should not bear the costs of these incentive compensation plans that are related to shareholder goals and which are tied to shareholder benefits. Therefore, my recommendation is that these costs be excluded from base rates, not that the incentive plans be eliminated. For the reasons discussed in my direct testimony and above, I continue to recommend that the portion of the STIP that relates to Operating EPS (i.e., 30%) be excluded from base rates. In addition, I recommend that 100% of LTIP and SERP costs be excluded from base rates.

Depreciation Expense

Q. Did Companies witness Spanos agree with the portion of your depreciation expense adjustment that was based on using average plant balances?

A. No, he did not.

Q. Has OCA witness Garren changed his recommended depreciation rates as a result of the Companies' rebuttal?

A. No, as stated in his surrebuttal testimony.

Q. Are you still recommending that the depreciation expense allowance be based on applying the depreciation rates sponsored by OCA witness Garren to average FPFTY plant?

A. Yes, consistent with applying the average test year approach to the FPFTY as described in a previous section of this testimony and in my direct testimony.

Q. Have you included an additional page in the depreciation expense schedules to show what the adjustment to depreciation expense would be if the depreciation rates recommended by OCA witness Garren were applied to December 31, 2017 FPFTY year-end plant?

A. Yes. Schedule C-1, page 4 (page 5 for Penelec) of Exhibits LA-ME-3, LA-PN-3, LA-PP-3 and LA-WP-3, shows for informational purposes what the adjustment to

depreciation expense would be if OCA witness Garren's recommended depreciation rates were applied to 2017 FPFTY end-of-year plant.

<u>Miscellaneous Expenses</u>

Q. Have you revised your position on the miscellaneous expenses that you recommended be removed from cost of service as a result of FirstEnergy's rebuttal testimony?

A. No. As I discussed in my direct testimony, the Companies have budgeted certain miscellaneous expenses[7] that are discretionary and the Companies have not demonstrated that inclusion of such costs in operating expenses are necessary for the provision of safe and reliable electric service. As such, the expenses should be removed for ratemaking purposes.

<u>Affiliate Aircraft Expense</u>

Q. Have you revised your position on affiliate aircraft expense as a result of FirstEnergy's rebuttal testimony?

A. Yes. Upon reviewing Mr. D'Angelo's rebuttal testimony regarding affiliate aircraft expense, I have removed the affiliate aircraft expense adjustment.

[7] These miscellaneous expenses include employee gifts, awards, luncheons and dinners, picnics, golf outings, baseball games, basketball games and tickets for athletic events.

Act 40 of 2016

Q. Have you revised your recommended ratemaking treatment pursuant to Act 40 of 2016 ("Act 40") as a result of FirstEnergy's rebuttal testimony?

A. Yes, but only in part. Specifically, as discussed on pages 94-95 of my direct testimony and reflected on Schedule E from Exhibits LA-ME-1, LA-PN-1, and LA-PP-1[8], which were submitted in conjunction with my direct testimony, I had applied the gross revenue conversion factor ("GRCF") for each of the Companies to convert the amount of federal income tax savings resulting from each Company's consolidated tax adjustment ("CTA") into a revenue use amount. However, upon reviewing Mr. D'Angelo's rebuttal testimony at pages 38-39, I agree that the revenue use amount would be taxable income to the Companies and therefore, the ratepayer-provided funds available to the Companies should not be "grossed up" in determining the net additional ratepayer-provided funds that are available for use in funding infrastructure and for general corporate purposes.

Q. What amounts of revenue requirement increase result from eliminating the CTA?

A. The revenue requirements of Met-Ed, Penelec andPenn Power have been increased by the following amounts in the current rate cases as a result of the elimination of the CTA:[9]

[8] Act 40 does not apply to West Penn.

[9] West Penn did not have a CTA so the elimination of the CTA did not result in increasing West Penn's revenue requirement in the current rate cases.

Line No.	Description	First Energy Company Met-Ed	Penelec	Penn Power	Total
1	Jurisdictional Adjustment for Consolidated Tax Savings	$ (16,384,389)	$ (6,635,898)	$ (4,904,519)	$ (27,924,806)
2	Gross Revenue Conversion Factor	1.81613	1.81609	1.81600	
3	Revenue Requirement Impact	$ (29,756,132)	$ (12,051,408)	$ (8,906,622)	$ (50,714,162)

Notes and Source
Line 1: OCA-VII-2
Line 2: Schedule A-1
Line 3: Line 1 x Line 2

The amounts in the table above reflect the impacts without any recognition for ratemaking purposes of the additional funds that are being provided to the FirstEnergy Companies as a result of not reflecting any CTA, or any benefit to customers from the ratepayer-provided funds.

Q. Should the $50.7 million in additional funds that are being provided to the FirstEnergy Companies as a result of Act 40 be recognized for ratemaking purposes?

A. Yes. Pursuant to Section 1301.1 of Act 40, the additional ratepayer-provided funds are to be used as follows: 50% for infrastructure spending and 50% for general corporate purposes. As I explained in my direct testimony, the use of those ratepayer-provided funds is for utility purposes. When ratepayers provide funds to a utility, the utility does not have to obtain such funds from investors.

Q. Other than removing the impacts of "grossing up" the Companies' federal income tax savings, have you otherwise revised your position concerning your recommended ratemaking treatment pursuant to Act 40 as a result of Mr. D'Angelo's rebuttal testimony?

A. No. Other than removing the impacts of grossing up the Companies' federal income tax savings to compute the net additional funds being provided by ratepayers, I have not revised my position. I disagree with Mr. D'Angelo's characterization of what should be done with the additional ratepayer-provided funding for ratemaking purposes pursuant to Act 40. As shown on pages 1 and 2 of Schedule E-1, from surrebuttal Exhibits LA-ME-3, LA-PN-3 and LA-PP-3, after removing the impacts of grossing up each Company's federal income tax savings, my revised adjustments to rate base that relate to (1) 50% to support infrastructure related to rate base eligible capital investment, and (2) 50% for "General Corporate Purposes" applied as ratepayer provided support are as follows:

Company	Infrastructure Spending	General Corporate Purposes	Total
Met-Ed	$ (3,754,756)	$ (3,754,756)	$ (7,509,512)
Penelec	$ (1,520,727)	$ (1,520,727)	$ (3,041,453)
Penn Power	$ (1,123,952)	$ (1,123,952)	$ (2,247,905)
Total	$ (6,399,435)	$ (6,399,435)	$ (12,798,869)
Note: The amounts above reflect the average FPFTY impacts			

It should be noted that the revenue requirement impacts of the adjustments shown in the table above are less than the revenue requirement impacts that would result from consolidated tax savings adjustments being reflected for ratemaking purposes.

<u>Reflection of ADIT in Utility Infrastructure Surcharge Mechanisms (such as DSICs)</u>

Q. Did Companies witness D'Angelo agree with your recommendation to reflect Accumulated Deferred Income Taxes ("ADIT") on the eligible property for which fixed costs may be recovered through the DSIC?

A. No. As discussed on pages 40-43 of his rebuttal testimony, Mr. D'Angelo does not agree with my recommendation that ADIT should be reflected on the eligible property for which fixed costs may be recovered through the DSIC.

Q. Have you revised your position on this issue as a result of FirstEnergy's rebuttal testimony?

A. No. I continue to recommend that the DSIC tariff rider for each FirstEnergy Company be amended to include the reflection of ADIT in the surcharge calculation and that the ADIT be reflected in all future FirstEnergy utility DSIC rates.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537349, *et al.*
	:	
v.	:	
	:	
Metropolitan Edison Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537352, *et al.*
	:	
v.	:	
	:	
Pennsylvania Electric Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537355, *et. al.*
	:	
v.	:	
	:	
Pennsylvania Power Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537359, *et al.*
	:	
v.	:	
	:	
West Penn Power Company	:	

EXHIBITS ACCOMPANYING THE

SURREBUTTAL TESTIMONY

OF

RALPH C. SMITH

ON BEHALF OF
OFFICE OF CONSUMER ADVOCATE

August 31, 2016

PUBLIC VERSION

Metropolitan Edison Company
Docket No. R-2016-2537349
Exhibit LA-ME-3
Revenue Requirement and Adjustment Schedules
Accompanying the Direct Testimony of Ralph Smith

Number	Description	No. of Pages	Revised	Confidential	Applies to This Utility	Page No.
	Revenue Requirement Summary Schedules					
A	Calculation of Revenue Deficiency (Sufficiency)	2	Yes	No	**Yes**	2-3
A-1	Gross Revenue Conversion Factor	1	Yes	No	**Yes**	4
B	Adjusted Rate Base	1	Yes	No	**Yes**	5
B.1	Summary of Rate Base Adjustments	1	Yes	No	**Yes**	6
C	Adjusted Net Operating Income	1	Yes	No	**Yes**	7
C.1	Summary of Net Operating Income Adjustments	2	Yes	No	**Yes**	8-9
D	Capital Structure and Cost Rates	1	No	No	**Yes**	10
	Rate Base Adjustments					
B-1	Average FPFTY Rate Base	1	No	No	**Yes**	11
B-2	Deferred Storm Damage Expense	1	No	No	**Yes**	12
B-3	Accumulated Depreciation Related to Depreciation Expense at Proposed Rates	1	No	No	**Yes**	13
B-4	Cash Working Capital	2	Yes	No	**Yes**	14-15
	Net Operating Income Adjustments					
C-1	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	4	No	No	**Yes**	16-19
C-2	Miscelleneous Expenses	1	No	No	**Yes**	20
C-3	Incentive Compensation Expense	1	No	No	**Yes**	21
C-4	Stock-Based Compensation Expense	1	No	No	**Yes**	22
C-5	Supplemental Executive Retirement Plan (SERP) Expense	1	No	No	**Yes**	23
C-6	Payroll Expense	1	No	No	**Yes**	24
C-7	Payroll Tax Expense	1	No	No	**Yes**	25
C-8	Employee Benefits	1	No	No	**Yes**	26
C-9	Pension Expense	1	No	No	**Yes**	27
C-10	Post Retirement Benefits Other Than Pensions (OPEB)	1	No	No	**Yes**	28
C-11	Affiliate Aircraft Expense	1	Yes	No	**Yes**	29
C-12	Rate Case Expense	1	No	No	**Yes**	30
C-13	Interest Synchronization	1	Yes	No	**Yes**	31
E	Consolidated Tax Savings	3	Yes	Yes	**Yes**	32-34
E-1	Application of Act 40 Revenue Use Differential	2	Yes	No	**Yes**	35-36
	Total Pages (including Contents page)	36				

Metropolitan Edison Company
Calculation of Revenue Deficiency (Sufficiency)

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule A
Docket No. R-2016-2537349
Page 1 of 2
Revised

Line No.	Description	Reference	Per Company (A)	Per OCA (B)	Difference (C)
1	Adjusted rate base	B	$ 1,405,890	$ 1,316,184	$ (89,706)
2	Rate of return	D	8.14%	7.25%	
3	Net operating income required (Calculated)		$ 114,462	$ 95,371	$ (19,091)
4	Adjusted net operating income	C	$ 40,253	$ 62,112	$ 21,859
5	Net operating income deficiency		$ 74,209	$ 33,259	$ (40,950)
6	Gross revenue conversion factor	A-1	1.81613	1.81613	
7	Revenue deficiency (Sufficiency)		$ 134,773	$ 60,402	$ (74,371)
8	Per Company Column Difference (Rounding)		$ -		$ -
9	Revenue deficiency (Sufficiency)		$ 134,773	$ 60,402	$ (74,371)
10	DSS and HPS Riders		$ 5,475	$ 5,475	
11	Total Base Rate Increase		$ 140,248	$ 65,877	
12	Less: Smart Meter Roll In		$ (3,637)	$ (3,637)	
13	Less: DSIC Roll In		$ (2,431)	$ (2,431)	
14	Net Increase in Revenue		$ 134,180	$ 59,809	$ (74,371)

Notes and Source

15	Operating Revenue at Current Rates	C	$ 353,556	$ 357,459
16	Percentage Increase	L14 / L15	38.0%	16.7%

Metropolitan Edison Company
Revenue Requirement Reconciliation

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule A
Docket No. R-2016-2537349
Page 2 of 2
Revised

Line No.	Description	Schedule Reference	Component	OCA Adjustments (A)	OCA Multiplier (B)	OCA Revenue Requirement Amount (C)
		D	ROR Difference		-0.8950%	
	Rate Base	A-1	GRCF		x 1.81613	
1	Rate Base per Met-Ed's Filing	B		$ 1,405,890	-1.625%	$ (22,852)
		D	Rate of Return		7.246%	
	Effect of OCA Adjustments to Rate Base	A-1	GRCF		x 1.816127	
2	Average FPFTY Rate Base	B-1		$ 11,006	13.16%	$ 1,448
3	Deferred Storm Damage Expense	B-2		$ (44,319)	13.16%	$ (5,832)
4	Accumulated Depreciation Related to Depreciation Expense at Proposed Rates	B-3		$ 8,795	13.16%	$ 1,157
5	Cash Working Capital	B-4		$ (57,679)	13.16%	$ (7,590)
6	Application of Act 40 Revenue Use Differential	E-1		$ (7,510)	13.16%	$ (988)
7	Total OCA Rate Base Adjustments			$ (89,706)		
8	**OCA Adjusted Original Cost Rate Base**	B		$ 1,316,184		
	Net Operating Income		Pre-Tax Operating Income Amount	Net Operating IncomeAmount Sch C.1	OCA GRCF Sch. A-1	
	Effect of OCA Adjustments on NOI					
9	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	C-1	$ (17,590)	$ 10,291	1.81613	$ (18,690)
10	Miscelleneous Expenses	C-2	$ (13)	$ 8	1.81613	$ (14)
11	Incentive Compensation Expense	C-3	$ (522)	$ 306	1.81613	$ (555)
12	Stock-Based Compensation Expense	C-4	$ (2,181)	$ 1,276	1.81613	$ (2,317)
13	Supplemental Executive Retirement Plan (SERP) Expense	C-5	$ (158)	$ 92	1.81613	$ (168)
14	Payroll Expense	C-6	$ (1,117)	$ 653	1.81613	$ (1,186)
15	Payroll Tax Expense	C-7	$ (114)	$ 67	1.81613	$ (122)
16	Employee Benefits	C-8	$ (106)	$ 62	1.81613	$ (112)
17	Pension Expense	C-9	$ (10,436)	$ 6,105	1.81613	$ (11,088)
18	Post Retirement Benefits Other Than Pensions (OPEB)	C-10	$ (2,682)	$ 1,569	1.81613	$ (2,850)
19	Affiliate Aircraft Expense	C-11	$ -	$ -	1.81613	$ -
20	Rate Case Expense	C-12	$ (164)	$ 96	1.81613	$ (175)
21	Interest Synchronization	C-13	$ -	$ (951)	1.81613	$ 1,726
22	Revenue Normalization Related to Phase III EE&C Plan 5-Year Average of Usage Reductions	Exh. LA-ME-2*	$ -	$ 2,284	1.81613	$ (4,148)
23	Total OCA Adjustments to Operating Income	C.1	$ (35,084)	$ 21,859		
24	Net Operating Income per Company Filing	C		$ 40,253		
25	**OCA Adjusted Net Operating Income**	C		$ 62,112		
	Gross Revenue Conversion Factor Difference:					
26	Per OCA	A-1			1.81613	
27	Per Company	A-1			1.81613	
28	Difference				0.000000	
29	Company Adjusted NOI Deficiency	A			$ 74,209	
30	GRCF Difference					$ -
31	OCA REVENUE REQUIREMENT ADJUSTMENTS ABOVE					$ (74,356)
32	Company Requested Base Rate Revenues	A				$ 134,773
33	Reconciled Revenue Requirement					$ 60,417
34	Revenue Requirement Calculated on Schedule A	A				$ 60,402
35	Unidentified Difference					$ 15
36	Unidentified Difference as percent of OCA base rate revenue increase					0.02%

Notes and Source

Pre-tax return computed using Gross Revenue Conversion Factor

*Exhibit LA-ME-2 was filed in conjunction with the Supplemental Direct Testimony of OCA witness Ralph C. Smith that was served on August 17, 2016.

Metropolitan Edison Company
Gross Revenue Conversion Factor

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-ME-3
Schedule A-1
Docket No. R-2016-2537349
Page 1 of 1
Revised

(Thousands of Dollars)

Line No.	Description	Company Proposed Amounts	Company Proposed Derived Percentages	Company Proposed as Percentages	Effective Current Income Tax Rate	Revised OCA Proposed
		(A)	(B)	(C)	(B1)	(D)
1	Gross Revenue	$ 134,773		100.00000%		100.00000%
2	Taxes Other Than Income	$ 7,934	5.89%	5.886900%		5.88690%
3	Taxable Income	$ 126,839		94.11310%		94.11310%
4	State Income Taxes	$ 12,671	9.99%	9.40170%	9.99%	9.40171%
5	Income Before Federal Income Taxes	$ 114,168		84.71140%		84.71139%
6	Federal Income Taxes	$ 39,959	35.00%	29.64920%	35.00%	29.64916%
7	Change in Net Operating Income	$ 74,209		55.06220%		55.06223%
8	Gross Revenue Conversion Factor	1.81613		1.81613		1.81613

Notes and Source

Col. A: Met-Ed Exhibit RAD-2, Page 6
Col. B: Derived from Column A

Components of Revenue Requirement Increase

		Met-Ed	Percent	OCA	Percent
9	Net Income	$ 74,209	55.06%	$ 33,259	55.06223%
10	Taxes Other Than Income	$ 7,934	5.89%	$ 3,556	5.88690%
11	Current State Income Taxes	$ 12,671	9.40%	$ 5,679	9.40171%
12	Current Federal Income Taxes	$ 39,959	29.65%	$ 17,909	29.64916%
13	Total Revenue Increase	$ 134,773	100.00%	$ 60,403	100.0000%
14	Total Revenue Increase (From Schedule A)			$ 60,402	

Metropolitan Edison Company
Adjusted Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule B
Docket No. R-2016-2537349
Page 1 of 1
Revised

Line No.	Description	Company Proposed (A)	OCA Adjustments (B)	OCA Proposed (C)
	Electric Plant in Service			
1	Plant in Service	$ 2,465,539	$ (51,819)	$ 2,413,720
2	Plant Held For Future Use	$ -	$ -	$ -
3	Construction Work in Progress	$ -	$ -	$ -
4	Total Electric Plant	$ 2,465,539	$ (51,819)	$ 2,413,720
	Depreciation and Amortization Reserve:			
5	Plant in Service	$ (817,009)	$ 33,920	$ (783,089)
6	Plant Held For Future Use	$ -	$ -	$ -
7	Excluded Property		$ -	$ -
	Total Depreciation and Amortization Reserve	$ (817,009)	$ 33,920	$ (783,089)
8	Net Electric Plant	$ 1,648,530	$ (17,899)	$ 1,630,631
	Additions:			
9	Cash Working Capital	$ 134,868	$ (61,433)	$ 73,435
10	M&S Inventories	$ 13,314	$ -	$ 13,314
11	Legacy Meters	$ 45,512	$ 5,828	$ 51,340
12	Deferred Storm Damage	$ 34,719	$ (34,719)	$ -
13	**Total Additions to Rate Base**	$ 228,413	$ (90,325)	$ 138,088
	Deductions:			
14	Customer Deposits	$ (25,476)	$ -	$ (25,476)
15	Customer Advances for Construction	$ -	$ -	$ -
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ (444,601)	$ 22,173	$ (422,428)
17	Operating Reserves (Net of Taxes)	$ (976)	$ 100	$ (877)
18	Revenue Use Differential for Infrastructure Capital Investment	$ -	$ (3,755)	$ (3,755)
19	**Total Rate Base Deductions**	$ (471,053)	$ 18,518	$ (452,535)
20	**Total Rate Base**	$ 1,405,890	$ (89,706)	$ 1,316,184

Notes and Source
Col.A: Met-Ed Exhibit RAD-1
Col.B: Schedule B.1

Metropolitan Edison Company
Summary of Adjustments to Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule B.1
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Line No.	Description	OCA Adjustments	Average FPFTY Rate Base	Deferred Storm Damage Expense	Accumulated Depreciation	Cash Working Capital	Application of Act 40 Revenue Use Differential
			B-1	B-2	B-3	B-4 Revised	E-1 Revised
	Utility Plant in Service						
1	Plant in Service	$ (51,819)	$ (51,819)				
2	Plant Held For Future Use	$ -					
3	Construction Work in Progress	$ -					
4	Total Electric Plant	$ (51,819)	$ (51,819)	$ -	$ -	$ -	$ -
	Depreciation and Amortization Reserve:						
5	Plant in Service	$ 33,920	$ 25,125		$ 8,795		
6	Plant Held For Future Use	$ -					
7	Excluded Property	$ -					
8	Total Depreciation and Amortization Reserve	$ 33,920	$ 25,125	$ -	$ 8,795	$ -	$ -
	Additions:						
9	Cash Working Capital	$ (61,433)				$ (57,679)	$ (3,755)
10	M&S Inventories	$ -					
11	Legacy Meters	$ 5,828	$ 5,828				
12	Deferred Storm Damage	$ (34,719)	$ 9,600	$ (44,319)			
13	**Total Additions to Rate Base**	$ (90,325)	$ 15,428	$ (44,319)	$ -	$ (57,679)	$ (3,755)
	Deductions:						
14	Customer Deposits	$ -					
15	Customer Advances for Construction	$ -					
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ 22,173	$ 22,173				
17	Operating Reserves (Net of Taxes)	$ 100	$ 100				
18	Revenue Use Differential for Infrastructure Capital Investment	$ (3,755)					$ (3,755)
19	**Total Rate Base Deductions**	$ 18,518	$ 22,273	$ -	$ -	$ -	$ (3,755)
20	**Total Rate Base**	$ (89,706)	$ 11,006	$ (44,319)	$ 8,795	$ (57,679)	$ (7,510)

Metropolitan Edison Company
Adjusted Net Operating Income

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C
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Line No.	Description	Per Company (A)	OCA Adjustments (B)	OCA Proposed (C)	OCA Revenue Requirement Change (D)	OCA Proposed With Revenue Increase (E)
	Operating Revenues					
1	Retail Sales	$ 334,931	$ 3,903	$ 338,834		
2	STAS Revenue	$ -	$ -	$ -		
3	Sales for Resale	$ -	$ -	$ -		
4	Other Operating Revenue	$ 18,625	$ -	$ 18,625		
5	Total Operating Revenue	$ 353,556	$ 3,903	$ 357,459	$ 60,403	$ 417,862
	Operating Expenses					
6	Price to Compare (PTC)	$ -	$ -	$ -		$ -
7	Distribution	$ 47,494	$ (502)	$ 46,992		$ 46,992
8	Customer Accounts	$ 23,050	$ (278)	$ 22,772		$ 22,772
9	Customer Service & Information	$ 19,883	$ (82)	$ 19,801		$ 19,801
10	Adminstrative & General Expense	$ 31,402	$ (16,518)	$ 14,884		$ 14,884
11	Depreciation - Accrual	$ 85,730	$ (17,590)	$ 68,140		$ 68,140
12	Amortization	$ 32,395	$ -	$ 32,395		$ 32,395
13	Taxes Other Than Income	$ 23,472	$ (114)	$ 23,358	$ 3,556	$ 26,914
14	Operating Expense Before Tax	$ 263,427	$ (35,084)	$ 228,342	$ 3,556	$ 231,898
15	**Operating Income Before Tax**	$ 90,130	$ 38,987	$ 129,117	$ 56,847	$ 185,964
	Income Taxes:					
16	Federal Income Tax - Current	$ 27,127	$ 4,124	$ 31,251	$ 5,679	$ 36,930
17	State Income Tax - Current	$ 10,560	$ 13,004	$ 23,564	$ 17,909	$ 41,473
18	Deferred Income Tax - Federal	$ 12,561	$ -	$ 12,561		$ 12,561
19	Deferred Income Tax - State	$ -		$ -		$ -
20	Investment Tax Credit	$ (372)		$ (372)		$ (372)
21	**Total Tax Expense**	$ 49,875	$ 17,128	$ 67,004	$ 23,588	$ 90,592
22	**Total Operating Expenses**	**$ 313,302**	**$ (17,956)**	**$ 295,346**	**$ 27,144**	**$ 322,490**
23	**Operating Income**	$ 40,253	$ 21,859	$ 62,112	$ 33,259	$ 95,372

Notes and Source
Col.A: Met-Ed Exhibit RAD-2
Col.B: Schedule C.1
Col.C: Col.A + Col.B

Metropolitan Edison Company
Summary of Net Operating Income Adjustments

Fully Projected Future Test Year Ended 12/31/2017

(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C.1
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Line No.	Description	OCA Adjustments	Depreciation Expense at Proposed Rates	Miscellaneous Expense	Incentive Compensation Expense	Stock-Based Compensation Expense	SERP Expense	Payroll Expense	Payroll Tax Expense
			C-1	C-2	C-3	C-4	C-5	C-6	C-7
	Operating Revenues								
1	Retail Sales	$ 3,903							
2	STAS Revenue	$ -							
3	Sales for Resale	$ -							
4	Other Operating Revenue	$ -							
5	Total Operating Revenue	$ 3,903	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expenses								
6	Price to Compare (PTC)	$ -							
7	Distribution	$ (502)						$ (502)	
8	Customer Accounts	$ (278)						$ (278)	
9	Customer Service & Information	$ (82)						$ (82)	
10	Adminstrative & General Expense	$ (16,518)		$ (13)	$ (522)	$ (2,181)	$ (158)	$ (255)	
11	Depreciation - Accrual	$ (17,590)	$ (17,590)						
12	Amortization	$ -							
13	Taxes Other Than Income	$ (114)							$ (114)
14	PRE-TAX OPERATING EXPENSES	$ (35,084)	$ (17,590)	$ (13)	$ (522)	$ (2,181)	$ (158)	$ (1,117)	$ (114)
15	PRE-TAX OPERATING INCOME	$ 38,987	$ 17,590	$ 13	$ 522	$ 2,181	$ 158	$ 1,117	$ 114
16	State Income Tax - Current	$ 4,124	$ 1,757	$ 1	$ 52	$ 218	$ 16	$ 112	$ 11
17	Federal Income Tax - Current	$ 13,004	$ 5,542	$ 4	$ 165	$ 687	$ 50	$ 352	$ 36
18	Federal & State Income Taxes	$ 17,128	$ 7,299	$ 5	$ 217	$ 905	$ 66	$ 464	$ 47
19	TOTAL OPERATING EXPENSES	$ (17,956)	$ (10,291)	$ (8)	$ (306)	$ (1,276)	$ (92)	$ (653)	$ (67)
20	OPERATING INCOME	$ 21,859	$ 10,291	$ 8	$ 306	$ 1,276	$ 92	$ 653	$ 67

Notes and Source

Line 16: State Income Tax Rate	9.99%
Line 17: Federal Income Tax Rate	35.00%

Metropolitan Edison Company
Summary of Net Operating Income Adjustments

Fully Projected Future Test Year Ended 12/31/2017

(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C.1
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Line No.	Description	Employee Benefits Expense	Pension Expense	OPEB Expense	Affiiate Aircraft Expense	Rate Case Expense	Interest Synchronization	Revenue Normalization Related to Phase III EE&C Plan Using a Five-Year Average of Usage Reductions
		C-8	C-9	C-10	C-11 Revised	C-12	C-13	Exh. LA-ME-2
	Operating Revenues							
1	Retail Sales							$ 3,903
2	STAS Revenue							
3	Sales for Resale							
4	Other Operating Revenue							
5	Total Operating Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,903
	Operating Expenses							
6	Price to Compare (PTC)							
7	Distribution							
8	Customer Accounts							
9	Customer Service & Information							
10	Adminstrative & General Expense	$ (106)	$ (10,436)	$ (2,682)	$ -	$ (164)		
11	Depreciation - Accrual							
12	Amortization							
13	Taxes Other Than Income							
14	PRE-TAX OPERATING EXPENSES	$ (106)	$ (10,436)	$ (2,682)	$ -	$ (164)	$ -	$ -
15	PRE-TAX OPERATING INCOME	$ 106	$ 10,436	$ 2,682	$ -	$ 164	$ -	$ 3,903
16	State Income Tax - Current	$ 11	$ 1,043	$ 268	$ -	$ 16	$ 229	$ 390
17	Federal Income Tax - Current	$ 33	$ 3,288	$ 845	$ -	$ 52	$ 722	$ 1,230
18	Federal & State Income Taxes	$ 44	$ 4,331	$ 1,113	$ -	$ 68	$ 951	$ 1,620
19	TOTAL OPERATING EXPENSES	$ (62)	$ (6,105)	$ (1,569)	$ -	$ (96)	$ 951	$ 1,620
20	OPERATING INCOME	$ 62	$ 6,105	$ 1,569	$ -	$ 96	$ (951)	$ 2,284

Notes and Source
Line 16: State Income Tax Rate
Line 17: Federal Income Tax Rate

Metropolitan Edison Company
Capital Structure and Cost Rates

Exhibit LA-ME-3
Schedule D
Docket No. R-2016-2537349
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Capital Amounts	Percent	Cost Rate	Weighted Cost
			(A)	(B)	(C)
	Per Company				
1	Long Term Debt	$ 849,316	48.83%	5.25%	2.56%
2	Preferred Stock	$ -	0.00%	0.00%	0.00%
3	Common Equity	$ 889,984	51.17%	10.90%	5.58%
4	Total Capital Structure	$ 1,739,300	100.00%		8.14%
	Per OCA				
5	Long-Term Debt	$ 849,316	48.83%	5.25%	2.56%
6	Preferred Stock	$ -	0.00%	0.00%	0.00%
7	Common Equity	$ 889,984	51.17%	9.15%	4.68%
8	Total Capital Structure	$ 1,739,300	100.00%		7.25%
9	Difference				-0.895%
10	Weighted Cost of Debt				2.56%

Notes and Source

Lines 1-4: Met-Ed Exhibit RAD-1
Lines 5-8: Per the recommendation of OCA witness Dave Parcell

Metropolitan Edison Company
Average FPFTY Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule B-1
Docket No. R-2016-2537349

Line No.	Description	Original Cost 12/31/16 Per Company	Original Cost 12/31/17 Per Company	Company Proposed	OCA Proposed	OCA Adjustments
		(A)	(B)	(C)	(D)=Avg(A,B)	(E)=(D)-(C)
	Electric Plant in Service					
1	Plant in Service	$ 2,361,901	$ 2,465,539	$ 2,465,539	$ 2,413,720	$ (51,819)
2	Plant Held For Future Use	$ -	$ -	$ -	$ -	$ -
3	Construction Work in Progress	$ -	$ -	$ -	$ -	$ -
4	Total Electric Plant	$ 2,361,901	$ 2,465,539	$ 2,465,539	$ 2,413,720	$ (51,819)
	Depreciation and Amortization Reserve:					
5	Plant in Service	$ (766,759)	$ (817,009)	$ (817,009)	$ (791,884)	$ 25,125
6	Plant Held For Future Use	$ -	$ -	$ -	$ -	$ -
7	Excluded Property	$ -		$ -	$ -	$ -
8	Net Electric Plant	$ 1,595,142	$ 1,648,530	$ 1,648,530	$ 1,621,836	$ (26,694)
	Additions:					
9	Cash Working Capital	$ 134,868	$ 134,868	$ 134,868	$ 134,868	$ -
10	M&S Inventories	$ 13,314	$ 13,314	$ 13,314	$ 13,314	$ -
11	Legacy Meters	$ 57,167	$ 45,512	$ 45,512	$ 51,340	$ 5,828
12	Deferred Storm Damage	$ 53,919	$ 34,719	$ 34,719	$ 44,319	$ 9,600
13	**Total Additions to Rate Base**	$ 259,268	$ 228,413	$ 228,413	$ 243,841	$ 15,428
	Deductions:					
14	Customer Deposits	$ (25,476)	$ (25,476)	$ (25,476)	$ (25,476)	$ -
15	Customer Advances for Construction	$ -	$ -	$ -	$ -	$ -
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ (400,255)	$ (444,601)	$ (444,601)	$ (422,428)	$ 22,173
17	Operating Reserves (Net of Taxes)	$ (777)	$ (976)	$ (976)	$ (877)	$ 100
18	**Total Rate Base Deductions**	$ (426,508)	$ (471,053)	$ (471,053)	$ (448,781)	$ 22,273
19	**Total Rate Base**	$ 1,427,902	$ 1,405,890	$ 1,405,890	$ 1,416,896	$ 11,006
20					Percentage Difference	0.78%

Notes and Source
Col A: Amounts from Met-Ed Exhibit RAD-3
Cols. B&C: Amounts from Met-Ed Exhibit RAD-1

Metropolitan Edison Company
Deferred Storm Damage Expense

Exhibit LA-ME-3
Schedule B-2
Docket No. R-2016-2537349
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)
1	Adjustment to Remove Average Deferred Storm Damage Deferrals From Rate Base	$ (44,319)

Notes and Source

	Description	Amount	Reference
2	Projected Deferred Storm Damage as of 12/31/2016 Per Met-Ed	$ 53,919	Met-Ed Exhibit RAD-3
3	Projected Deferred Storm Damage as of 12/31/2017 Per Met-Ed	$ 34,719	Met-Ed Exhibit RAD-1
4	Average Deferred Storm Damage	$ 44,319	

Metropolitan Edison Company
Accumulated Depreciation Related to Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule B-3
Docket No. R-2016-2537349
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	OCA Adjustment to Depreciation Expense	$ (17,590)	A
2	Percentage to Calculate Adjustment Based on Average Rate Base	50%	
3	OCA Adjustment to Decrease Accumulated Depreciation	$ 8,795	

Notes and Source

A: See Schedule C-1

Metropolitan Edison Company
Cash Working Capital

Exhibit LA-ME-3
Schedule B-4
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Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Normalized PAPUC Jurisdictional Distribution	Smart Meters	PAPUC Total Distribution	Total Riders	PAPUC Total	OCA Adjustment	OCA Adjusted	Daily Amount	Revenue (Lead) / Lag Days	Expense (Lead) / Lag Days	Net (Lead) / Lag Days	Cash Working Capital
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Operating revenues												
1	Electric Revenues	$ 440,515	$ 29,190	$ 469,704	$ 404,791	$ 874,495		$ 874,495	2,395.88	68.39			$ 163,852
2	Sales for resale	$ -	$ -	$ -	$ 249	$ 249		$ 249	0.68	15.74			$ 11
3	Other operating revenue	$ 18,625	$ -	$ 18,625	$ -	$ 18,625		$ 18,625	51.03	20.62			$ 1,052
4	Total operating revenue	$ 459,140	$ 29,190	$ 488,329	$ 405,040	$ 893,369	$ -	$ 893,369	2,447.59	67.38			$ 164,915
	Operating expenses												
5	Price to Compare	$ -	$ -	$ -	$ 328,115	$ 328,115		$ 328,115	898.95	67.38	33.60	33.78	$ 30,363
6	Distribution	$ 47,494	$ -	$ 47,494	$ 15,330	$ 62,824	$ (502)	$ 62,322	170.75	67.38	27.97	39.41	$ 6,728
7	Customer accounts	$ 23,050	$ -	$ 23,050	$ 11,643	$ 34,693	$ (278)	$ 34,415	94.29	67.38	15.49	51.89	$ 4,893
8	Customer service & info	$ 19,883	$ -	$ 19,883	$ 22,970	$ 42,853	$ (82)	$ 42,771	117.18	67.38	34.08	33.30	$ 3,902
9	Admin & gen expense	$ 19,192	$ 12,210	$ 31,402	$ 24,434	$ 55,836	$ (16,518)	$ 39,319	107.72	67.38	36.04	31.33	$ 3,375
10	Depreciation - accrual	$ 76,449	$ 9,281	$ 85,730	$ -	$ 85,730		$ 85,730					$ -
11	Amortization	$ 32,395	$ -	$ 32,395	$ (11,202)	$ 21,193		$ 21,193					$ -
12	Taxes other than income	$ 29,701	$ 1,722	$ 31,423	$ 23,884	$ 55,307	$ (114)	$ 55,193	151.21	67.38	(86.20)	153.58	$ 23,224
13	Operating expense before tax	$ 248,164	$ 23,213	$ 271,378	$ 415,174	$ 686,552	$ (17,494)	$ 669,058					$ 72,485
14	Operating income before income tax	$ 210,975	$ 5,976	$ 216,951	$ (10,134)	$ 206,817	$ 17,494	$ 224,311					
	Income taxes												
15	Federal income tax - current	$ 72,049	$ (4,969)	$ 67,080	$ (3,193)	$ 63,888		$ 63,888	175.03	67.38	43.11	24.27	$ 4,247
16	State income tax - current	$ 24,805	$ (1,576)	$ 23,230	$ (1,012)	$ 22,217		$ 22,217	60.87	67.38	38.64	28.74	$ 1,749
17	Deferred income tax - federal	$ 6,187	$ 6,374	$ 12,561	$ -	$ 12,561		$ 12,561					
18	Deferred income tax - state	$ -	$ -	$ -	-	$ -		$ -					
19	Investment tax credit	$ (372)	$ -	$ (372)	-	$ (372)		$ (372)	-				$ -
20	Total tax expense	$ 102,670	$ (171)	$ 102,499	$ (4,205)	$ 98,294	$ -	$ 98,294					$ 5,996
21	Total operating expenses	$ 350,835	$ 23,042	$ 373,877	$ 410,969	$ 784,846	$ (17,494)	$ 767,352					
22	**Operating income**	$ 108,305	$ 6,147	$ 114,452	$ (5,929)	$ 108,523	$ 17,494	$ 126,017					
23	Net Cash Working Capital												$ 78,482
24	Interest on Long Term Debt					$ 36,038	$ (2,291)	$ 33,747 [a]	92.46	67.38	91.25	(23.87)	$ (2,207)
25	Interest Expense on Customer Deposits					$ 1,247		$ 1,247	3.42	67.38	182.50	(115.12)	$ (393)
26	Prepayments					$ 1,345	$ (37) b						$ 1,308
27	Unamortized Cash Pension Contributions					$ 56,224	$ (56,224)						$ -
28	Total Cash Working Capital per OCA												$ 77,189
29	Cash Working Capital Per Met-Ed												$ 134,868
30	OCA Adjustment to Cash Working Capital												$ (57,679)

Notes and Source

Cols. A-E from Met-Ed Exhibit JLA-1

[a] Synchronized Interest amount from Schedule C-13

[b] Prepaid EEI Dues assessment per OCA-XI-1 calculated below:

		Amount	Reference
31	Prepaid EEI Dues Assessment	$ 690	Met-Ed Exhibit JLA-1
32	Less: Lobbying Portion of EEI Dues - 14%	$ (97)	OCA-XI-1
33	Adjusted Prepaid EEI Dues Assessment	$ 593	L31 - L32
34	13 Month Average Balance of Prepaid EEI Dues	$ 46	L33 / 13
35	Eliminate Transmission Related Portion - 20.38%	$ (9)	Met-Ed Exhibit JLA-1
36	Prepaid EEI Dues Assessement Related to Distribution	$ 37	L34 + L35

Metropolitan Edison Company
Cash Working Capital - OCA Adjustments to Expenses

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Adjustment No.	O&M Expense Adjustment (A)	Revenue (B)	Energy Costs (C)	Payroll Expense (D)	Employee Benefits (E)	Pension Expense (H)	OPEB Expense (I)	Service Company (K)	Payroll Tax Expense (M)	Depreciation & Amortization Expense* (N)	Other O&M Expense (P)
1	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	C-1	$ (17,590)									$ (17,590)	
2	Miscelleneous Expenses	C-2	$ (13)										$ (13)
3	Incentive Compensation Expense	C-3	$ (522)			$ (522)							
4	Stock-Based Compensation Expense	C-4	$ (2,181)			$ (2,181)							
5	Supplemental Executive Retirement Plan (SERP) Expense	C-5	$ (158)			$ (158)							
6	Payroll Expense	C-6	$ (1,117)			$ (1,117)							
7	Payroll Tax Expense	C-7	$ (114)								$ (114)		
8	Employee Benefits	C-8	$ (106)				$ (106)						
9	Pension Expense	C-9	$ (10,436)					$ (10,436)					
10	Post Retirement Benefits Other Than Pensions (OPEB)	C-10	$ (2,682)						$ (2,682)				
11	Affiliate Aircraft Expense	C-11	$ -										$ -
12	Rate Case Expense	C-12	$ (164)										$ (164)
13	Interest Synchronization	C-13	$ -										
14	TOTAL - sum of column A		$ (35,084)	$ -	$ -	$ (3,978)	$ (106)	$ (10,436)	$ (2,682)	$ -	$ (114)	$ (17,590)	$ (177)
15	Total per Schedule C.1, line 14		$ (35,084)										
16	Difference		$ -										$ (35,084)
													$ -
17	Cross foot columns B through P		$ (35,084)										
18	Difference		$ -										

This workpaper shows how the OCA adjustments to operating expenses from Schedule C.1 are posted for CWC purposes

* The impacts of depreciation expense does not flow through CWC as it is a non-cash expense

Metropolitan Edison Company
Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	OCA Adjustment (A)	Reference
	I. OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates using 2017 Average Plant Balances		
1	Company Proposed FPFTY Depreciation Expense Based on 12/31/2017 Plant	$ 71,310	Page 2, Col. E
2	Company Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 68,798	Page 2, Col. G
3	OCA Adjustment to Reflect Depreciation Expense at Company Proposed Rates Using 2017 Average Plant Balances	$ (2,511)	L2 - L1
	II. OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates Using 2017 Average Plant Balances		
4	Company Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 68,798	Page 3, Col. C
5	OCA Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 53,720	Page 3, Col. E
6	OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates Using 2017 Average Plant Balances	$ (15,079)	L5 - L4
	III. Total OCA Adjustment for Depreciation Expense		
7	Total OCA Adjustment to FPFTY Depreciation Expense	$ (17,590)	L3 + L6

Notes and Source

The Company proposed depreciation expense reflected above does not include $14.420 million of cost of removal/salvage expense at a jurisdictional five-year average as shown on Met-Ed Exhibit RAD-2 (page 21), Adjustment No. 9

Metropolitan Edison Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-ME-3
Schedule C-1
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Line No.	Acct No		Per Company Adjusted Plant Balances at 12/31/2016 (A)	Per Company Adjusted Plant Balances at 12/31/2017 (B)	Average Plant Balances (C)	Accrual Rate ELG Ave Remaining Life Basis Per Met-Ed (D)	Accrual Expense Amount Based on 12/31/2017 (E=BxD)	Accrual Rate ELG Ave Remaining Life Basis Per Met-Ed (F)	Accrual Expense Amount Based on Avg. Plant Balances (G=CxF)	OCA Adjustment (H)
		INTANGIBLE PLANT								
1	303	Miscellaneous Intangible Plant	$ 42,417,536	$ 44,806,363	$ 43,611,950	14.29%	$ 6,402,829	14.29%	$ 6,232,148	$ (170,681)
2	303	Smart Meters	$ 17,081,505	$ 23,165,207	$ 20,123,356	14.29%	$ 3,310,308	14.29%	$ 2,875,628	$ (434,680)
3		TOTAL INTANGIBLE PLANT	$ 59,499,042	$ 67,971,571	$ 63,735,306		$ 9,713,137		$ 9,107,776	$ (605,361)
		TRANSMISSION PLANT								
4	350.12	Land Rights- subs	$ -	$ -	$ -	1.79%	$ -	1.79%	$ -	$ -
5	350.22	Land Rights- lines	$ -	$ -	$ -	1.79%	-	1.79%	$ -	$ -
6	352.1	Structures	$ -	$ -	$ -	1.48%	-	1.48%	$ -	$ -
7	353	Station Equipment	$ -	$ 1,640,121	$ 820,061	3.17%	51,992	3.17%	$ 25,996	$ (25,996)
8	354	Towers and Fixtures	$ -	$ 38,208	$ 19,104	0.91%	348	0.91%	$ 174	$ (174)
9	355	Poles and Fixtures	$ -	$ 697,440	$ 348,720	1.64%	11,438	1.64%	$ 5,719	$ (5,719)
10	356.1	Overhead Conductors	$ -	$ 802,917	$ 401,459	1.29%	10,358	1.29%	$ 5,179	$ (5,179)
11	356.2	Clearing Costs	$ -	$ 117,475	$ 58,737	1.26%	1,480	1.26%	$ 740	$ (740)
12	358	Underground Conductors	$ -	$ 77,417	$ 38,708	3.22%	2,493	3.22%	$ 1,246	$ (1,247)
13	359	Roads & Trails	$ -	$ 11,908	$ 5,954	0.00%	-	0.00%	$ -	$ -
14		TOTAL TRANSMISSION PLANT	$ -	$ 3,385,486	$ 1,692,743		$ 78,109		$ 39,054	$ (39,055)
		DISTRIBUTION PLANT								
15	360.12	Land Rights-subs	$ 611,087	$ 611,087	$ 611,087	1.29%	$ 7,883	1.29%	$ 7,883	$ -
16	360.22	Land Rights-lines	$ 28,320,720	$ 28,320,720	$ 28,320,720	1.29%	$ 365,337	1.29%	$ 365,337	$ -
17	361.1	Structures	$ 13,984,932	$ 13,984,932	$ 13,984,932	1.35%	$ 188,797	1.35%	$ 188,797	$ -
18	362	Station Equipment	$ 240,599,823	$ 245,399,538	$ 242,999,680	1.82%	$ 4,466,272	1.82%	$ 4,422,594	$ (43,678)
19	364	Poles, Towers and Fixtures	$ 381,924,883	$ 391,305,882	$ 386,615,383	1.99%	$ 7,786,987	1.99%	$ 7,693,646	$ (93,341)
20	365	Overhead Conductors	$ 416,169,148	$ 437,614,128	$ 426,891,638	2.55%	$ 11,159,160	2.55%	$ 10,885,737	$ (273,423)
21	365.1	Clearing Costs	$ 145,832,621	$ 145,832,621	$ 145,832,621	1.44%	$ 2,099,990	1.44%	$ 2,099,990	$ -
22	366	Underground Conduit	$ 31,093,126	$ 31,093,126	$ 31,093,126	1.93%	$ 600,097	1.93%	$ 600,097	$ -
23	367	Underground Conductors	$ 238,955,044	$ 250,703,860	$ 244,829,452	2.36%	$ 5,916,611	2.36%	$ 5,777,975	$ (138,636)
24	368	Line Transformers	$ 408,659,560	$ 417,848,180	$ 413,253,870	3.01%	$ 12,577,230	3.01%	$ 12,438,941	$ (138,289)
25	369	Overhead Services	$ 80,371,413	$ 81,507,792	$ 80,939,603	2.88%	$ 2,347,424	2.88%	$ 2,331,061	$ (16,363)
26	369.1	Underground Services	$ 106,007,311	$ 106,007,311	$ 106,007,311	1.77%	$ 1,876,329	1.77%	$ 1,876,329	$ -
27	370	Meters	$ -	$ -	$ -	0.00%	$ -	0.00%	$ -	$ -
28	370.1	Smart Meters non classified	$ 28,259,291	$ 60,408,815	$ 44,334,053	6.67%	$ 4,029,268	6.67%	$ 2,957,081	$ (1,072,187)
29	370.1	Smart Meters Residential	$ 5,733,775	$ 5,733,775	$ 5,733,775	6.67%	$ 382,443	6.67%	$ 382,443	$ -
30	370.1	Smart Meters Industrial	$ 1,672	$ 1,672	$ 1,672	6.67%	$ 112	6.67%	$ 112	$ -
31	370.1	Smart Meters Commercial	$ 2,049,546	$ 2,049,546	$ 2,049,546	6.67%	$ 136,705	6.67%	$ 136,705	$ -
32	370.1	Smart Meters Infra Structure	$ 10,438	$ 10,438	$ 10,438	6.67%	$ 696	6.67%	$ 696	$ -
33	370.2	Smart Grid Meters 10 yr	$ 774,772	$ 774,772	$ 774,772	10.00%	$ 77,477	10.00%	$ 77,477	$ -
34	371	Installed on Customer Premises	$ 4,600,102	$ 4,600,102	$ 4,600,102	2.49%	$ 114,543	2.49%	$ 114,543	$ -
35	373	Street Lighting & Signal Systems	$ 14,187,959	$ 14,721,760	$ 14,454,859	4.57%	$ 672,784	4.57%	$ 660,587	$ (12,197)
36		TOTAL DISTRIBUTION PLANT	$ 2,148,147,223	$ 2,238,530,056	$ 2,193,338,640		$ 54,806,145		$ 53,018,031	$ (1,788,114)
		GENERAL PLANT								
37	389.1	Land Rights	$ 15,064	$ 15,064	$ 15,064	0.53%	$ 80	0.53%	$ 80	$ -
38	390.1	Structures	$ 75,153,581	$ 75,180,666	$ 75,167,123	2.52%	$ 1,894,553	2.52%	$ 1,894,212	$ (341)
39	390.2	Clearing	$ 10,385,225	$ 10,385,225	$ 10,385,225	3.10%	$ 321,942	3.10%	$ 321,942	$ -
40	390.3	Structures and Improvements LH	$ 13,961	$ 13,961	$ 13,961	0.00%	$ -	0.00%	$ -	$ -
41	391.1	Office Furn., Mech. Equip.	$ 12,989,700	$ 12,989,700	$ 12,989,700	4.24%	$ 550,763	4.24%	$ 550,763	$ -
42	391.2	Office Machines	$ 4,933,663	$ 4,933,663	$ 4,933,663	0.00%	$ -	0.00%	$ -	$ -
43	391.3	Computers	$ 3,793,122	$ 3,793,122	$ 3,793,122	39.11%	$ 1,483,490	39.11%	$ 1,483,490	$ -
44	391.4	Information System	$ -	$ 0	$ 0	0.00%	$ -	0.00%	$ -	$ -
45	391.5	Data Proc Smart Meters	$ 6,315,238	$ 6,987,711	$ 6,651,474	20.34%	$ 1,421,300	20.34%	$ 1,352,910	$ (68,390)
46	392	Transportation Equipment	$ 939,907	$ 939,907	$ 939,907	3.90%	$ 36,656	3.90%	$ 36,656	$ -
47	393	Stores Equipment	$ 1,143,110	$ 1,143,110	$ 1,143,110	0.06%	$ 686	0.06%	$ 686	$ -
48	394	Tools, Shop, & Garage Equipment	$ 9,645,532	$ 9,645,532	$ 9,645,532	4.42%	$ 426,333	4.42%	$ 426,333	$ -
49	395	Laboratory Equipment	$ 2,383,668	$ 2,383,668	$ 2,383,668	0.00%	$ -	0.00%	$ -	$ -
50	396	Power Operated Equipment	$ 615,801	$ 615,801	$ 615,801	0.85%	$ 5,234	0.85%	$ 5,234	$ -
51	397	Communications Equipment	$ 18,350,022	$ 19,047,195	$ 18,698,608	2.88%	$ 548,559	2.88%	$ 538,520	$ (10,039)
52	398	Miscellaneous Equipment	$ 1,995,467	$ 1,995,467	$ 1,995,467	1.13%	$ 22,549	1.13%	$ 22,549	$ -
53		TOTAL GENERAL PLANT	$ 148,673,061	$ 150,069,790	$ 149,371,426		$ 6,712,145		$ 6,633,375	$ (78,770)
54		**GRAND TOTAL**	$ 2,356,319,325	$ 2,459,956,903	$ 2,408,138,114		$ 71,309,536		$ 68,798,236	$ (2,511,300)

Notes and Source
Col. A: Amounts from Met-Ed Exhibit RAD-47
Col. B: Amounts from Met-Ed Exhibit RAD-46
Cols D&F: Depreciation rates from Met-Ed Exhibit RAD-53

Metropolitan Edison Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-ME-3
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Line No.	Acct No		Average Adjusted Depreciable Base	Accrual Rate ELG Ave Remaining Life Basis Per Met-Ed	Accrual Expense Amount Per Met-Ed	Accrual Rate ASL Ave Remaining Life Basis Per OCA	Accrual Expense Amount Per OCA	OCA Adjustment
			(A)	(B)	(C)	(D)	(E)	(F)
		INTANGIBLE PLANT						
1	303	Miscellaneous Intangible Plant	$ 43,611,950	14.29%	$ 6,232,148	7.23%	$ 3,153,144	$ (3,079,004)
2	303	Smart Meters	$ 20,123,356	14.29%	$ 2,875,628	14.29%	$ 2,875,628	$ -
3		TOTAL INTANGIBLE PLANT	$ 63,735,306		$ 9,107,776		$ 6,028,772	$ (3,079,004)
		TRANSMISSION PLANT						
4	350.12	Land Rights- subs	$ -	1.79%	$ -	1.70%	$ -	$ -
5	350.22	Land Rights- lines	$ -	1.79%	-	1.70%	$ -	$ -
6	352.1	Structures	$ -	1.48%	-	1.62%	$ -	$ -
7	353	Station Equipment	$ 820,061	3.17%	25,996	1.53%	$ 12,547	$ (13,449)
8	354	Towers and Fixtures	$ 19,104	0.91%	174	0.84%	$ 160	$ (14)
9	355	Poles and Fixtures	$ 348,720	1.64%	5,719	1.43%	$ 4,987	$ (732)
10	356.1	Overhead Conductors	$ 401,459	1.29%	5,179	1.28%	$ 5,139	$ (40)
11	356.2	Clearing Costs	$ 58,737	1.26%	740	1.29%	$ 758	$ 18
12	358	Underground Conductors	$ 38,708	3.22%	1,246	2.57%	$ 995	$ (251)
13	359	Roads & Trails	$ 5,954	0.00%	-	0.73%	$ 43	$ 43
14		TOTAL TRANSMISSION PLANT	$ 1,692,743		$ 39,054		$ 24,629	$ (14,425)
		DISTRIBUTION PLANT						
15	360.12	Land Rights-subs	$ 611,087	1.29%	$ 7,883	1.20%	$ 7,333	$ (550)
16	360.22	Land Rights-lines	$ 28,320,720	1.29%	$ 365,337	1.20%	$ 339,849	$ (25,488)
17	361.1	Structures	$ 13,984,932	1.35%	$ 188,797	1.25%	$ 174,812	$ (13,985)
18	362	Station Equipment	$ 242,999,680	1.82%	$ 4,422,594	1.44%	$ 3,499,195	$ (923,399)
19	364	Poles, Towers and Fixtures	$ 386,615,383	1.99%	$ 7,693,646	1.53%	$ 5,915,215	$ (1,778,431)
20	365	Overhead Conductors	$ 426,891,638	2.55%	$ 10,885,737	1.68%	$ 7,171,780	$ (3,713,957)
21	365.1	Clearing Costs	$ 145,832,621	1.44%	$ 2,099,990	1.37%	$ 1,997,907	$ (102,083)
22	366	Underground Conduit	$ 31,093,126	1.93%	$ 600,097	1.67%	$ 519,255	$ (80,842)
23	367	Underground Conductors	$ 244,829,452	2.36%	$ 5,777,975	1.91%	$ 4,676,243	$ (1,101,732)
24	368	Line Transformers	$ 413,253,870	3.01%	$ 12,438,941	2.55%	$ 10,537,974	$ (1,900,967)
25	369	Overhead Services	$ 80,939,603	2.88%	$ 2,331,061	2.32%	$ 1,877,799	$ (453,262)
26	369.1	Underground Services	$ 106,007,311	1.77%	$ 1,876,329	1.58%	$ 1,674,916	$ (201,413)
27	370	Meters	$ -	0.00%	$ -	4.61%	$ -	$ -
28	370.1	Smart Meters non classified	$ 44,334,053	6.67%	$ 2,957,081	7.92%	$ 3,511,257	$ 554,176
29	370.1	Smart Meters Residential	$ 5,733,775	6.67%	$ 382,443	7.92%	$ 454,115	$ 71,672
30	370.1	Smart Meters Industrial	$ 1,672	6.67%	$ 112	7.92%	$ 132	$ 20
31	370.1	Smart Meters Commercial	$ 2,049,546	6.67%	$ 136,705	7.92%	$ 162,324	$ 25,619
32	370.1	Smart Meters Infra Structure	$ 10,438	6.67%	$ 696	7.92%	$ 827	$ 131
33	370.2	Smart Grid Meters 10 yr	$ 774,772	10.00%	$ 77,477	10.53%	$ 81,583	$ 4,106
34	371	Installed on Customer Premises	$ 4,600,102	2.49%	$ 114,543	1.79%	$ 82,342	$ (32,201)
35	373	Street Lighting & Signal Systems	$ 14,454,859	4.57%	$ 660,587	3.53%	$ 510,257	$ (150,330)
36		TOTAL DISTRIBUTION PLANT	$ 2,193,338,640		$ 53,018,031		$ 43,195,115	$ (9,822,916)
		GENERAL PLANT						
37	389.1	Land Rights	$ 15,064	0.53%	$ 80	0.49%	$ 74	$ (6)
38	390.1	Structures	$ 75,167,123	2.52%	$ 1,894,212	2.48%	$ 1,864,145	$ (30,067)
39	390.2	Clearing	$ 10,385,225	3.10%	$ 321,942	3.36%	$ 348,944	$ 27,002
40	390.3	Structures and Improvements LH	$ 13,961	0.00%	$ -	0.00%	$ -	$ -
41	391.1	Office Furn., Mech. Equip.	$ 12,989,700	4.24%	$ 550,763	1.26%	$ 163,670	$ (387,093)
42	391.2	Office Machines	$ 4,933,663	0.00%	$ -	0.00%	$ -	$ -
43	391.3	Computers	$ 3,793,122	39.11%	$ 1,483,490	13.43%	$ 509,416	$ (974,074)
44	391.4	Information System	$ 0	0.00%	$ -	15.40%	$ -	$ -
45	391.5	Data Proc Smart Meters	$ 6,651,474	20.34%	$ 1,352,910	14.21%	$ 945,175	$ (407,735)
46	392	Transportation Equipment	$ 939,907	3.90%	$ 36,656	3.47%	$ 32,615	$ (4,041)
47	393	Stores Equipment	$ 1,143,110	0.06%	$ 686	0.02%	$ 229	$ (457)
48	394	Tools, Shop, & Garage Equipment	$ 9,645,532	4.42%	$ 426,333	2.94%	$ 283,579	$ (142,754)
49	395	Laboratory Equipment	$ 2,383,668	0.00%	$ -	0.00%	$ -	$ -
50	396	Power Operated Equipment	$ 615,801	0.85%	$ 5,234	0.63%	$ 3,880	$ (1,354)
51	397	Communications Equipment	$ 18,698,608	2.88%	$ 538,520	1.69%	$ 316,006	$ (222,514)
52	398	Miscellaneous Equipment	$ 1,995,467	1.13%	$ 22,549	0.17%	$ 3,392	$ (19,157)
53		TOTAL GENERAL PLANT	$ 149,371,426		$ 6,633,375		$ 4,471,125	$ (2,162,250)
54		**GRAND TOTAL**	$ 2,408,138,114		$ 68,798,236		$ 53,719,641	$ (15,078,595)

Notes and Source

Col. A: See page 2, column C
Col. B: Depreciation rates from Met-Ed Exhibit RAD-53
Cols. D-F: OCA proposed depreciation rates sponsored by OCA witness James Garren

Metropolitan Edison Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-ME-3
Schedule C-1
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Line No.	Acct No	Description	Per Company Adjusted Plant Balances at 12/31/2017	Accrual Rate ELG Ave Remaining Life Basis Per Met-Ed	Accrual Expense Amount Per Met-Ed	Accrual Rate ASL Ave Remaining Life Basis Per OCA	Accrual Expense Amount Per OCA	OCA Adjustment
			(A)	(B)	(C)	(D)	(E)	(F)
		INTANGIBLE PLANT						
1	303	Miscellaneous Intangible Plant	$ 44,806,363	14.29%	$ 6,402,829	7.23%	$ 3,239,500	$ (3,163,329)
2	303	Smart Meters	$ 23,165,207	14.29%	$ 3,310,308	14.29%	$ 3,310,308	$ -
3		TOTAL INTANGIBLE PLANT	$ 67,971,571		$ 9,713,137		$ 6,549,808	$ (3,163,329)
		TRANSMISSION PLANT						
4	350.1	Land Rights- subs	$ -	1.79%	$ -	1.70%	$ -	$ -
5	350.2	Land Rights- lines	$ -	1.79%	$ -	1.70%	$ -	$ -
6	352.1	Structures	$ -	1.48%	$ -	1.62%	$ -	$ -
7	353	Station Equipment	$ 1,640,121	3.17%	$ 51,992	1.53%	$ 25,094	$ (26,898)
8	354	Towers and Fixtures	$ 38,208	0.91%	$ 348	0.84%	$ 321	$ (27)
9	355	Poles and Fixtures	$ 697,440	1.64%	$ 11,438	1.43%	$ 9,973	$ (1,465)
10	356.1	Overhead Conductors	$ 802,917	1.29%	$ 10,358	1.28%	$ 10,277	$ (81)
11	356.2	Clearing Costs	$ 117,475	1.26%	$ 1,480	1.29%	$ 1,515	$ 35
12	358	Underground Conductors	$ 77,417	3.22%	$ 2,493	2.57%	$ 1,990	$ (503)
13	359	Roads & Trails	$ 11,908	0.00%	$ -	0.73%	$ 87	$ 87
14		TOTAL TRANSMISSION PLANT	$ 3,385,486		$ 78,109		$ 49,257	$ (28,852)
		DISTRIBUTION PLANT						
15	360.1	Land Rights-subs	$ 611,087	1.29%	$ 7,883	1.20%	$ 7,333	$ (550)
16	360.2	Land Rights-lines	$ 28,320,720	1.29%	$ 365,337	1.20%	$ 339,849	$ (25,488)
17	361.1	Structures	$ 13,984,932	1.35%	$ 188,797	1.25%	$ 174,812	$ (13,985)
18	362	Station Equipment	$ 245,399,538	1.82%	$ 4,466,272	1.44%	$ 3,533,753	$ (932,519)
19	364	Poles, Towers and Fixtures	$ 391,305,882	1.99%	$ 7,786,987	1.53%	$ 5,986,980	$ (1,800,007)
20	365	Overhead Conductors	$ 437,614,128	2.55%	$ 11,159,160	1.68%	$ 7,351,917	$ (3,807,243)
21	365.1	Clearing Costs	$ 145,832,621	1.44%	$ 2,099,990	1.37%	$ 1,997,907	$ (102,083)
22	366	Underground Conduit	$ 31,093,126	1.93%	$ 600,097	1.67%	$ 519,255	$ (80,842)
23	367	Underground Conductors	$ 250,703,860	2.36%	$ 5,916,611	1.91%	$ 4,788,444	$ (1,128,167)
24	368	Line Transformers	$ 417,848,180	3.01%	$ 12,577,230	2.55%	$ 10,655,129	$ (1,922,101)
25	369	Overhead Services	$ 81,507,792	2.88%	$ 2,347,424	2.32%	$ 1,890,981	$ (456,443)
26	369.1	Underground Services	$ 106,007,311	1.77%	$ 1,876,329	1.58%	$ 1,674,916	$ (201,413)
27	370	Meters	$ -	0.00%	$ -	4.61%	$ -	$ -
28	370.1	Smart Meters non classified	$ 60,408,815	6.67%	$ 4,029,268	7.92%	$ 4,784,378	$ 755,110
29	370.1	Smart Meters Residential	$ 5,733,775	6.67%	$ 382,443	7.92%	$ 454,115	$ 71,672
30	370.1	Smart Meters Industrial	$ 1,672	6.67%	$ 112	7.92%	$ 132	$ 20
31	370.1	Smart Meters Commercial	$ 2,049,546	6.67%	$ 136,705	7.92%	$ 162,324	$ 25,619
32	370.1	Smart Meters Infra Structure	$ 10,438	6.67%	$ 696	7.92%	$ 827	$ 131
33	370.2	Smart Grid Meters 10 yr	$ 774,772	10.00%	$ 77,477	10.53%	$ 81,583	$ 4,106
34	371	Installed on Customer Premises	$ 4,600,102	2.49%	$ 114,543	1.79%	$ 82,342	$ (32,201)
35	373	Street Lighting & Signal Systems	$ 14,721,760	4.57%	$ 672,784	3.53%	$ 519,678	$ (153,106)
36		TOTAL DISTRIBUTION PLANT	$ 2,238,530,056		$ 54,806,145		$ 45,006,655	$ (9,799,490)
		GENERAL PLANT						
37	389.1	Land Rights	$ 15,064	0.53%	$ 80	0.49%	$ 74	$ (6)
38	390.1	Structures	$ 75,180,666	2.52%	$ 1,894,553	2.48%	$ 1,864,481	$ (30,072)
39	390.2	Clearing	$ 10,385,225	3.10%	$ 321,942	3.36%	$ 348,944	$ 27,002
40	390.3	Structures and Improvements LH	$ 13,961	0.00%	$ -	0.00%	$ -	$ -
41	391.1	Office Furn., Mech. Equip.	$ 12,989,700	4.24%	$ 550,763	1.26%	$ 163,670	$ (387,093)
42	391.2	Office Machines	$ 4,933,663	0.00%	$ -	0.00%	$ -	$ -
43	391.3	Computers	$ 3,793,122	39.11%	$ 1,483,490	13.43%	$ 509,416	$ (974,074)
44	391.4	Information System	$ 0	0.00%	$ -	15.40%	$ -	$ -
45	391.5	Data Proc Smart Meters	$ 6,987,711	20.34%	$ 1,421,300	14.21%	$ 992,954	$ (428,346)
46	392	Transportation Equipment	$ 939,907	3.90%	$ 36,656	3.47%	$ 32,615	$ (4,041)
47	393	Stores Equipment	$ 1,143,110	0.06%	$ 686	0.02%	$ 229	$ (457)
48	394	Tools, Shop, & Garage Equipment	$ 9,645,532	4.42%	$ 426,333	2.94%	$ 283,579	$ (142,754)
49	395	Laboratory Equipment	$ 2,383,668	0.00%	$ -	0.00%	$ -	$ -
50	396	Power Operated Equipment	$ 615,801	0.85%	$ 5,234	0.63%	$ 3,880	$ (1,354)
51	397	Communications Equipment	$ 19,047,195	2.88%	$ 548,559	1.69%	$ 321,898	$ (226,661)
52	398	Miscellaneous Equipment	$ 1,995,467	1.13%	$ 22,549	0.17%	$ 3,392	$ (19,157)
53		TOTAL GENERAL PLANT	$ 150,069,790		$ 6,712,145		$ 4,525,132	$ (2,187,013)
54		**GRAND TOTAL**	$ 2,459,956,903		$ 71,309,536		$ 56,130,852	$ (15,178,684)

Notes and Source

Col. A: Amounts from Met-Ed Exhibit RAD-46
Col B: Depreciation rates from Met-Ed Exhibit RAD-53
Col. D: OCA proposed depreciation rates sponsored by OCA witness James Garren

Metropolitan Edison Company
Miscelleneous Expenses

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C-2
Docket No. R-2016-2537349
Page 1 of 1

Line No.	Description	Amount (A)
1	Adjustment to Miscellaneous Expense	$ (13)

Notes and Source

Col. A: OCA's recommended adjustment is calculated below

	Description	Amount	Reference
2	Projected Amount for Athletic Events, Tickets, Sky Boxes and Sporting Activities (excludes transmission)	$ 8,600	OCA-I-80
3	Projected Amount for Athletic and Employee Organizations and Associations	$ 4,369	OCA-I-76
4	Total	$ 12,969	

Metropolitan Edison Company
Incentive Compensation Expense

Exhibit LA-ME-3
Schedule C-3
Docket No. R-2016-2537349
Page 1 of 3

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	Adjustment to Met-Ed's Short-Term Incentive Plan Expense	$ (522)	A

Notes and Source

A: Amount derived from the response to OCA-I-41 and calculated below:

	Description	Amount	Reference
2	Met-Ed Short-Term Incentive Plan Expense for the 12 months ended December 31, 2017 (Non-Bargaining employees)	$ 1,739	Exh. RAD-27
3	Financial Key Performance Indicator Percentage*	30%	
4	Portion of Met-Ed Short-Term Incentive Plan Expense Related to Financial Performance	$ 522	

* This percentage was taken from the 2016 Short-Term Incentive Program Plan which was provided in response to OCA-I-41

Metropolitan Edison Company
Stock-Based Compensation Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C-4
Docket No. R-2016-2537349
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove Stock-Based Compensation Expense Charged to Met-Ed	$ (270)	A
2	Adjustment to Remove Stock-Based Compensation Expense Allocated to Met-Ed from the Service Company	$ (1,911)	B
3	Total Adjustment to Remove Stock-Based Compensation Expense	$ (2,181)	

Notes and Source

A: Amount direct charged to Met-Ed from the response to OCA-I-31 and calculated below:

	Description	Amount
4	LTIP Performance Shares	$ 24,500
5	LTIP Restricted Stock Units	$ 213,069
6	LTIP Restricted Stock Units - Dividends	$ 32,838
7	Total Stock-Based Compensation Expense direct charged to Met-Ed	$ 270,407

B: Amount allocated to Met-Ed from the Service Company from the response to OCA-I-32 and calculated below:

	Description	Amount
8	LTIP Performance Shares	$ 9,065,529
9	LTIP Restricted Stock Units	$ 17,773,409
10	LTIP Restricted Stock Units - Dividends	$ 2,600,425
11	Total Stock-Based Compensation Expense allocated to FirstEnergy from the Service Company	$ 29,439,363
12	Met-Ed Allocation Percentage	6.49%
13	Total Stock-Based Compensation Expense allocated to Met-Ed from the Service Company	$ 1,910,615

Metropolitan Edison Company
Supplemental Executive Retirement Plan (SERP) Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C-5
Docket No. R-2016-2537349
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove SERP Expense	$ (158)	A

Notes and Source

A: Amount from the response to OCA-I-44

Metropolitan Edison Company
Payroll Expense

Exhibit LA-ME-3
Schedule C-6
Docket No. R-2016-2537349
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount	Reference
1	OCA Adjustment to Distribution Related Payroll Expense	$ (502)	Line 38
2	OCA Adjustment to Customer Accounts Related Payroll Expense	$ (278)	Line 39
3	OCA Adjustment to Customer Service Related Payroll Expense	$ (82)	Line 40
4	OCA Adjustment to A & G Related Payroll Expense	$ (255)	Line 41
5	Total OCA Recommended Adjustment to Payroll Expense	$ (1,117)	

Notes and Source

Col. B: OCA's recommended payroll expense adjustment is calculated below using information from Met-Ed Exhibit RAD-2, Adjustment No. 5

	Description	Allocation Percentage (A)	Per Company (B)	Per OCA (C)	OCA Adjustment (D)	Reference
	Bargaining Employees					
6	Bargaining Straight Time Per Budget For 12 Months Ending 12/31/2017		$ 37,907	$ 37,907	$ -	
7	Bargaining Straight Time Payroll Per Budget for 4 months ending 4/30/2017		$ 12,653	$ 12,653	$ -	
8	Annualization Adjustment for Bargaining 2.5% Increase Effective 5/1/2017		$ 316	$ 211		L7 x 2.5%
9	Bargaining Straight Time Payroll Per Budget for 12 months ending 12/31/2017 as Adjusted		$ 38,223	$ 38,118	$ (105)	L6 + L8
10	Annualization Adjustment for Bargaining 2.5% Increase Effective 5/1/2018		$ 956	$ -	$ (956)	L9 x 2.5%
	Non-Bargaining Employees					
11	Non-Bargaining Straight Time Per Budget For 12 Months Ending 12/31/2017		$ 16,582	$ 16,582	$ -	
12	Non-Bargaining Straight Time Payroll Per Budget for 2 months ending 2/28/2017		$ 2,635	$ 2,635	$ -	
13	Annualization Adjustment for Non-Bargaining 3% Increase Effective 3/1/2017		$ 79	$ 66		L12 x 3%
14	Non-Bargaining Straight Time Payroll Per Budget for 12 months ending 12/31/2017 as Adjusted		$ 16,661	$ 16,648	$ (13)	L11 + L13
15	Annualization Adjustment for Non-Bargaining 2.5% Increase Effective 3/1/2018*		$ 500	$ -	$ (500)	L14 x 3%
16	Total Company Payroll Adjustment		$ 1,851	$ 277	$ (1,574)	L3 + L5
17	O&M Allocation Percentage		45.72%	45.72%		
18	Total O&M Payroll Adjustment		$ 846	$ 127	$ (719)	L6 * L7
	Allocation of Bargaining and Non-Payroll Adjustment					
19	Price to Compare	0.00%	$ -	$ -	$ -	
20	Transmission	0.00%	$ -	$ -	$ -	Not Included in Cost of Service
21	Distribution	61.90%	$ 524	$ 79	$ (445)	Met-Ed Exhibit RAD-2, Adjustment No. 5
22	Customer Accounts	23.43%	$ 198	$ 30	$ (168)	Met-Ed Exhibit RAD-2, Adjustment No. 6
23	Customer Service	11.39%	$ 96	$ 14	$ (82)	Met-Ed Exhibit RAD-2, Adjustment No. 7
24	Administrative & General	3.27%	$ 28	$ 4	$ (24)	Met-Ed Exhibit RAD-2, Adjustment No. 8
25	Total Allocation of Bargaining and Non-Bargaining Payroll Adjustment	100.00%	$ 846	$ 127	$ (719)	See Line 18
	Service Company					
26	Service Company Straight Time Per Budget For 12 Months Ending 12/31/2017		$ 12,875	$ 12,875	$ -	
27	Jurisdictional Service Company Straight Time Payroll for the 2 Months Ended 2/28/2017		$ 1,941	$ 1,941	$ -	
28	Annualization Adjustment for Service Company 3% Increase Effective 3/1/2017		$ 58	$ 49		
29	Service Company Straight Time Per Budget For 12 Months Ending 12/31/2017 as Adjusted		$ 12,933	$ 12,924	$ (9)	
30	Annualization Adjustment for Service Company 3% Increase Effective 3/1/2018		$ 388	$ -	$ (388)	
31	Total Service Company Payroll Adjustment		$ 446	$ 49	$ (397)	
	Allocation of Service Company Payroll Adjustment					
32	Price to Compare	0.00%	$ -	$ -	$ -	
33	Transmission	0.00%	$ -	$ -	$ -	Not Included in Cost of Service
34	Distribution	14.36%	$ 64	$ 7	$ (57)	Met-Ed Exhibit RAD-2, Adjustment No. 5
35	Customer Accounting and Information	27.60%	$ 123	$ 13	$ (110)	Met-Ed Exhibit RAD-2, Adjustment No. 6
36	Administrative & General	58.04%	$ 259	$ 28	$ (231)	Met-Ed Exhibit RAD-2, Adjustment No. 8
37	Total Allocation of Service Company Payroll Adjustment	100.00%	$ 446	$ 49	$ (397)	See Line 25
	Total Allocation of OCA Recommended Payroll Adjustment					
38	Distribution		$ 588	$ 86	$ (502)	L21 + L34
39	Customer Accounts/Customer Accounting and Information		$ 321	$ 43	$ (278)	L22 + L35
40	Customer Service		$ 96	$ 14	$ (82)	L23
41	Administrative & General		$ 287	$ 32	$ (255)	L24 + L36
42	Total OCA Recommended Adjustment to Payroll Expense		$ 1,292	$ 175	$ (1,117)	Excludes Transmission

* Met-Ed Supporting Schedule No. 1 to Adjustment No. 5 at Line 11 states that the annualization adjustment is based on a 2.5% increase. However, the Company's calculation used 3%.

Metropolitan Edison Company
Payroll Tax Expense

Exhibit LA-ME-3
Schedule C-7
Docket No. R-2016-2537349
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	OCA Adjustment to Payroll Tax Expense	$ (114)	A

Notes and Source

A: OCA recommended adjustment to Payroll Tax Expense calculated as follows:

	OCA Recommended Payroll Adjustment	Amount	Reference
2	Distribution	$ (502)	Sch. C-6, Line 38
3	Customer Accounts/Customer Accounting and Information	$ (278)	Sch. C-6, Line 39
4	Customer Service	$ (82)	Sch. C-6, Line 40
5	Administrative & General	$ (255)	Sch. C-6, Line 41
6	Total OCA Recommended Adjustment to Payroll Expense	$ (1,117)	
7	Effective Payroll Tax Rate	2.991%	See below
8	OCA Adjustment to Payroll Tax Expense	$ (33)	
	Payroll Tax Related to Incentive and Stock-Based Compensation		
9	OCA Adjustment to Incentive Compensation Expense	$ (522)	Sch. C-3
10	OCA Adjustment to Stock-Based Compensation Expense	$ (2,181)	Sch. C-4
11	Total OCA Adjustments to Incentive and Stock-Based Compensation Expense	$ (2,703)	
12	Effective Payroll Tax Rate	2.991%	See below
13	Payroll Tax Adjustment Related to Incentive and Stock-Based Compensation Expense	$ (81)	
14	Total OCA Adjustment to Payroll Tax Expense	$ (114)	L8 + L13
	Effective Payroll Tax Rate Calculated as follows:		
15	Total Budgeted Payroll Tax Expense For 12 Months Ending 12/31/2017	$ 1,979	Met-Ed Exhibit RAD-2, Adjustment No. 11, Supporting Schedule No. 1
16	Total Budgeted Payroll Expense for 12 Months Ending 12/31/2017	$ 66,166	Met-Ed Exhibit RAD-2, Adjustment No. 11, Supporting Schedule No. 1
17	Effective Payroll Tax Rate	2.991%	L15 / L16

Metropolitan Edison Company
Employee Benefits

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C-8
Docket No. R-2016-2537349
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	Met-Ed Proposed Increase to Employee Benefits Expense	$ 125	A
2	OCA Recommended Increase to Employee Benefits Expense	$ 19	B
3	OCA Adjustment to Employee Benefits Expense	$ (106)	L2 - L1

Notes and Source

A: Company amount from Met-Ed Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 3 with the modification below:

		Amount
4	Total increase due to payroll adjustment per Company	$ 408
5	Less pension costs	$ (283)
6	Less OPEB costs	$ -
7	Net Increase to Employee Benefits Expense	$ 125

B: OCA's recommended adjustment calculated below using information from Met-Ed Exhibit RAD-2, Adjustment No. 8

	Description	Effective Rate	OCA Payroll Expense Adjustment Per Sch. C-6	Employee Benefits Adjustment
8	Worker's Compensation	0.647%	$ 127	$ 1
9	Pension Costs	33.422%	$ 127	$ -
10	OPEB Costs	0.053%	$ 127	$ -
11	Life Insurance	0.141%	$ 127	$ -
12	Medical Insurance	8.835%	$ 127	$ 11
13	Savings Plan	3.109%	$ 127	$ 4
14	Other	2.158%	$ 127	$ 3
15	Total			$ 19

Summary of Employee Benefit Rates (Met-Ed Exhibit RAD-27)

	Description	Total Amount	Total Payroll	Effective Rate
16	Worker's Compensation	$ 428	$ 66,166	0.647%
17	Pension Costs	$ 22,114	$ 66,166	33.422%
18	OPEB Costs	$ 35	$ 66,166	0.053%
19	Life Insurance	$ 93	$ 66,166	0.141%
20	Medical Insurance	$ 5,846	$ 66,166	8.835%
21	Savings Plan	$ 2,057	$ 66,166	3.109%
22	Other	$ 1,428	$ 66,166	2.158%

Pension and OPEB expense are adjusted for on Schedule's C-9 and C-10

Metropolitan Edison Company
Pension Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C-9
Docket No. R-2016-2537349
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	O&M Pension Expense for the FPFTY Ending 12/31/2017 Per Company	$ 11,140	A
2	O&M Pension Expense (Income) for the FPFTY Ending 12/31/2017 Per OCA	$ 704	B
3	OCA Adjustment to O&M Pension Expense for the FPFTY Ending 12/31/2017	$ (10,436)	L2 - L1

Notes and Source

A: Amount from Met-Ed Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 2
B: Amount from OCA-I-55, Revised Confidential Attachment A*

* The amount reflected on Line 2 is also included in Met-Ed's public filing on Exhibit RAD-2 (page 19), Adjustment No. 8

Metropolitan Edison Company
Post Retirement Benefits Other Than Pensions (OPEB)

Exhibit LA-ME-3
Schedule C-10
Docket No. R-2016-2537349
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	O&M OPEB Expense for the FPFTY Ending 12/31/2017 Per Company	$ 31	A
2	O&M OPEB Expense (Income) for the FPFTY Ending 12/31/2017 Per OCA	$ (2,651)	B
3	OCA Adjustment to O&M OPEB Expense for the FPFTY Ending 12/31/2017	$ (2,682)	L2 - L1

Notes and Source

A: Amount from Met-Ed Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 1
B: Amount from OCA-I-56, Revised Confidential Attachment A*

* The amount reflected on Line 2 is also included in Met-Ed's public filing on Exhibit RAD-2 (page 18), Adjustment No. 8

Metropolitan Edison Company
Affiliate Aircraft Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C-11
Docket No. R-2016-2537349
Page 1 of 1
Revised

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove Affiliate Aircraft Expense	$ -	A

Notes and Source

A: OCA removed this adjustment as discussed in the Surrebuttal Testimony of OCA witness Ralph C. Smith

Metropolitan Edison Company
Rate Case Expense

Exhibit LA-ME-3
Schedule C-12
Docket No. R-2016-2537349
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	Amortization of Rate Case Expense Per Company	$ 274	A
2	OCA Recommended Amortization of Rate Case Expense	$ 110	A
3	OCA Adjustment to Rate Case Expense	$ (164)	L2 - L1

Notes and Source

A: Amounts for rate case expense calculated below using information from Met-Ed Exhibit RAD-2, Adjustment No. 8 and Exhibit RAD-23

	Description	Rate Case Expense Per Met-Ed Exhibit RAD-23	Rate Case Expense Per OCA	OCA Adjustment
4	Legal Fees	$ 290	$ 290	
5	Expert Witnesses	$ 44	$ 44	
6	Other	$ 214	$ 214	
7	Total Rate Case Expense	$ 548	$ 548	
8	Amortization Period (Years)	2	5	
9	Amortization of Rate Case Expense	$ 274	$ 110	$ (164)

Metropolitan Edison Company
Interest Synchronization

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-ME-3
Schedule C-13
Docket No. R-2016-2537349
Page 1 of 1
Revised

Line No.	Description	Amount (A)	Reference
1	Adjusted Rate Base, per OCA	$ 1,316,184	Schedule B
2	Weighted Cost of Debt, per OCA	2.56%	Per OCA - Schedule D
3	Going-Level Interest Deduction for Tax Purposes	$ 33,747	L1 x L2
4	Interest Deduction per Company	$ 36,038	Note A
5	Decrease in Deductible Interest	$ (2,291)	L3 - L4
6	State Income Tax Rate	9.99%	
7	Increase (Decrease) to State Income Tax	$ 229	L5 x L6
8	Federal Taxable Income	$ (2,062)	L5 + L7
9	Federal Income Tax Rate	35.00%	
10	Increase (Decrease) to Federal Income Tax Expense	$ 722	L8 x L9
11	Overall Increase (Decrease) to Income Tax Expense	$ 951	L7 + L10

Notes and Source:
Note A: Amount from Met-Ed Exhibit RAD-2, Adjustment No. 12 and Met-Ed Exhibit RAD-31

Confidential

Confidential

Metropolitan Edison Company
Application of Act 40 Revenue Use Differential

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-ME-3
Schedule E-1
Docket No. R-2016-2537349
Page 1 of 2
Revised

Line No.	Description	2017 FPFTY Year-End Rate Base (A)	2017 Average FPFTY Rate Base (B)	Reference
	Part I. Fifty Percent to Support Infrastructure Related to Rate-Base Eligible Capital Investment as Determined by the Commission			
1	Revenue Use Amount Total	$(16,384,389)	$ (16,384,389)	A
2	Revenue Use Amount 50%	$ (8,192,194)	$ (8,192,194)	
	Estimated Impact on FPFTY:			
3	January 1, 2017	$ -	$ -	
4	December 31, 2017 (11/12ths)*	$ (7,509,512)	$ (7,509,512)	
5	Estimated FPFTY Impact	$ (7,509,512)	$ (3,754,756)	
6	Applied to Rate Base as Customer-Supplied Revenue Use Differential to Support Rate Base Eligible Infrastructure Capital Investment		$ (3,754,756)	

Notes and Source

A: Total Revenue Use amount from Schedule E, page 1, Line 17

* New base rates in this case are anticipated to be in effect by late January 2017. The suspension period ends January 27, 2017.

Metropolitan Edison Company
Application of Act 40 Revenue Use Differential

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-ME-3
Schedule E-1
Docket No. R-2016-2537349
Page 2 of 2
Revised

Line No.	Description	2017 FPFTY Year-End Rate Base (A)	2017 Average FPFTY Rate Base (B)	Reference
	Part II. Fifty Percent for "General Corporate Purposes" Applied as Ratepayer-Provided Support for Working Capital in Rate Base			
1	Revenue Use Amount Total	$ (16,384,389)	$ (16,384,389)	A
2	Revenue Use Amount 50%	$ (8,192,194)	$ (8,192,194)	
	Estimated Impact on FPFTY:			
3	January 1, 2017	$ -	$ -	
4	December 31, 2017 (11/12ths)*	$ (7,509,512)	$ (7,509,512)	
5	Estimated FPFTY Impact	$ (7,509,512)	$ (3,754,756)	
7	Applied to Rate Base as Customer-Supplied Revenue Use Differential to Support Rate Base Working Capital		$ (3,754,756)	

Notes and Source

A: Total Revenue Use amount from Schedule E, page 1, Line 17

* New base rates in this case are anticipated to be in effect by late January 2017. The suspension period ends January 27, 2017.

Pennsylvania Electric Company
Docket No. R-2016-2537352
Exhibit LA-PN-3
Revenue Requirement and Adjustment Schedules
Accompanying the Direct Testimony of Ralph Smith

Number	Description	No. of Pages	Revised	Confidential	Applies to This Utility	Page No.
	Revenue Requirement Summary Schedules					
A	Calculation of Revenue Deficiency (Sufficiency)	2	Yes	No	**Yes**	2-3
A-1	Gross Revenue Conversion Factor	1	Yes	No	**Yes**	4
B	Adjusted Rate Base	1	Yes	No	**Yes**	5
B 1	Summary of Rate Base Adjustments	1	Yes	No	**Yes**	6
C	Adjusted Net Operating Income	1	Yes	No	**Yes**	7
C 1	Summary of Net Operating Income Adjustments	2	Yes	No	**Yes**	8-9
D	Capital Structure and Cost Rates	1	No	No	**Yes**	10
	Rate Base Adjustments					
B-1	Average FPFTY Rate Base	1	No	No	**Yes**	11
B-2	Deferred Storm Damage Expense	1	No	No	**Yes**	12
B-3	Accumulated Depreciation Related to Depreciation Expense at Proposed Rates	1	No	No	**Yes**	13
B-4	Cash Working Capital	2	Yes	No	**Yes**	14-15
	Net Operating Income Adjustments					
C-1	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	5	No	No	**Yes**	16-20
C-2	Miscelleneous Expenses	1	No	No	**Yes**	21
C-3	Incentive Compensation Expense	1	No	No	Yes	22
C-4	Stock-Based Compensation Expense	1	No	No	**Yes**	23
C-5	Supplemental Executive Retirement Plan (SERP) Expense	1	No	No	**Yes**	24
C-6	Payroll Expense	1	No	No	**Yes**	25
C-7	Payroll Tax Expense	1	No	No	**Yes**	26
C-8	Employee Benefits	1	No	No	**Yes**	27
C-9	Pension Expense	1	No	No	**Yes**	28
C-10	Post Retirement Benefits Other Than Pensions (OPEB)	1	No	No	**Yes**	29
C-11	Affiliate Aircraft Expense	1	Yes	No	**Yes**	30
C-12	Rate Case Expense	1	No	No	**Yes**	31
C-13	Interest Synchronization	1	Yes	No	**Yes**	32
E	Consolidated Tax Savings	3	Yes	Yes	**Yes**	33-35
E-1	Application of Act 40 Revenue Use Differential	2	Yes	No	**Yes**	36-37
	Total Pages (including Contents page)	37				

Pennsylvania Electric Company
Calculation of Revenue Deficiency (Sufficiency)

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule A
Docket No. R-2016-2537352
Page 1 of 2
Revised

Line No.	Description	Reference	Per Company (A)	Per OCA (B)	Difference (C)
1	Adjusted rate base	B	$ 1,631,187	$ 1,518,793	$ (112,394)
2	Rate of return	D	8.58%	7.45%	
3	Net operating income required (Calculated)		$ 139,919	$ 113,105	$ (26,814)
4	Adjusted net operating income	C	$ 55,732	$ 86,080	$ 30,348
5	Net operating income deficiency		$ 84,211	$ 27,026	$ (57,185)
6	Gross revenue conversion factor	A-1	1.81609	1.81609	
7	Revenue deficiency (Sufficiency)		$ 152,935	$ 49,081	$ (103,854)
8	Per Company Column Difference (Rounding)		$ -		$ -
9	Revenue deficiency (Sufficiency)		$ 152,935	$ 49,081	$ (103,854)
10	DSS and HPS Riders		$ 5,835	$ 5,835	
11	Total Base Rate Increase		$ 158,770	$ 54,916	
12	Less: Smart Meter Roll In		$ (3,871)	$ (3,871)	
13	Less: DSIC Roll In		$ (2,082)	$ (2,082)	
14	Net Increase in Revenue		$ 152,817	$ 48,963	$ (103,854)

Notes and Source

15	Operating Revenue at Current Rates	C	$ 380,967	$ 386,044
16	Percentage Increase	L14 / L15	40.1%	12.7%

Pennsylvania Electric Company
Revenue Requirement Reconciliation

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule A
Docket No R-2016-2537352
Page 2 of 2
Revised

Line No	Description	Schedule Reference	Component	OCA Adjustments (A)	OCA Multiplier (B)	OCA Revenue Requirement Amount (C)
		D	ROR Difference		-1 1300%	
	Rate Base	A-1	GRCF		x 1 816093	
1	Rate Base per Penelec's Filing	B		$ 1,631,187	-2 052%	$ (33,475)
		D	Rate of Return		7 447%	
	Effect of OCA Adjustments to Rate Base	A-1	GRCF		x 1 816093	
2	Average FPFTY Rate Base	B-1		$ (8,472)	13 52%	$ (1,146)
3	Deferred Storm Damage Expense	B-2		$ (9,633)	13 52%	$ (1,303)
4	Accumulated Depreciation Related to Depreciation Expense at Proposed Rates	B-3		$ 10,296	13 52%	$ 1,392
5	Cash Working Capital	B-4		$ (101,544)	13 52%	$ (13,733)
6	Application of Act 40 Revenue Use Differential	E-1		$ (3,041)	13 52%	$ (411)
7	Total OCA Rate Base Adjustments			$ (112,394)		
8	**OCA Adjusted Original Cost Rate Base**	B		$ 1,518,793		
	Net Operating Income		Pre-Tax Operating Income Amount	Net Operating IncomeAmount Sch C 1	OCA GRCF Sch A-1	
	Effect of OCA Adjustments on NOI					
9	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	C-1	$ (20,593)	$ 18,536	1 816093	$ (33,663)
10	Miscelleneous Expenses	C-2	$ (111)	$ 65	1 816093	$ (118)
11	Incentive Compensation Expense	C-3	$ (702)	$ 411	1 816093	$ (746)
12	Stock-Based Compensation Expense	C-4	$ (2,503)	$ 1,465	1 816093	$ (2,660)
13	Supplemental Executive Retirement Plan (SERP) Expense	C-5	$ (147)	$ 86	1 816093	$ (156)
17	Payroll Expense	C-6	$ (1,455)	$ 852	1 816093	$ (1,546)
18	Payroll Tax Expense	C-7	$ (169)	$ 99	1 816093	$ (179)
19	Employee Benefits	C-8	$ (154)	$ 90	1 816093	$ (164)
20	Pension Expense	C-9	$ (11,922)	$ 6,975	1 816093	$ (12,668)
21	Post Retirement Benefits Other Than Pensions (OPEB)	C-10	$ 145	$ (85)	1 816093	$ 155
22	Affiliate Aircraft Expense	C-11	$ -	$ -	1 816093	$ -
23	Rate Case Expense	C-12	$ (171)	$ 100	1 816093	$ (182)
24	Interest Synchronization	C-13	$ -	$ (1,213)	1 816093	$ 2,204
25	Revenue Normalization Related to Phase III EE&C Plan 5-Year Average of Usage Reductions	Exh LA-PN-2*	$ -	$ 2,971	1 816093	$ (5,395)
26	Total OCA Adjustments to Operating Income	C 1	$ (37,782)	$ 27,379		
27	Net Operating Income per Company Filing	C		$ 55,732		
28	**OCA Adjusted Net Operating Income**	C		$ 83,111		
	Gross Revenue Conversion Factor Difference:					
29	Per OCA	A-1			1 816093	
30	Per Company	A-1			1 816093	
31	Difference				0 000000	
32	Company Adjusted NOI Deficiency	A			$ 84,211	
33	GRCF Difference					$ -
34	OCA REVENUE REQUIREMENT ADJUSTMENTS ABOVE					$ (103,794)
35	Company Requested Base Rate Revenues	A				$ 152,935
36	Reconciled Revenue Requirement					$ 49,141
37	Revenue Requirement Calculated on Schedule A	A				$ 49,081
38	Unidentified Difference					$ 60
39	Unidentified Difference as percent of OCA base rate revenue increase					0 12%

Notes and Source

Pre-tax return computed using Gross Revenue Conversion Factor

*Exhibit LA-PN-2 was filed in conjunction with the Supplemental Direct Testimony of OCA witness Ralph C Smith that was served on August 17, 2016

Pennsylvania Electric Company
Gross Revenue Conversion Factor

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule A-1
Docket No R-2016-2537352
Page 1 of 1
Revised

Line No	Description	Company Proposed Amounts (A)	Company Proposed Derived Percentages (B)	Company Proposed as Percentages (C)	Effective Current Income Tax Rate (B1)	Revised OCA Proposed (D)
1	Gross Revenue	$ 152,935		100 00000%		100 00000%
2	Taxes Other Than Income	$ 9,001	5 89%	5 885500%		5 88550%
3	Taxable Income	$ 143,934		94 11450%		94 11450%
4	State Income Taxes	$ 14,379	9 99%	9 40200%	9 99%	9 40204%
5	Income Before Federal Income Taxes	$ 129,555		84 71250%		84 71246%
6	Federal Income Taxes	$ 45,344	35 00%	29 64920%	35 00%	29 64919%
7	Change in Net Operating Income	$ 84,211		55 06330%		55 06327%
8	Gross Revenue Conversion Factor	1 81609		1 81609		1 81609

Notes and Source

Col A: Penelec Exhibit RAD-2
Col B: Derived from Column A

Components of Revenue Requirement Increase

		Penelec	Percent	OCA	Percent
9	Net Income	$ 84,211	55 06%	$ 27,026	55 06327%
10	Taxes Other Than Income	$ 9,001	5 89%	$ 2,889	5 88550%
11	Current State Income Taxes	$ 14,379	9 40%	$ 4,615	9 40204%
12	Current Federal Income Taxes	$ 45,344	29 65%	$ 14,552	29 64919%
13	Total Revenue Increase	$ 152,935	100 00%	$ 49,081	100 0000%
14	Total Revenue Increase (From Schedule A)			$ 49,081	

Pennsylvania Electric Company
Adjusted Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule B
Docket No. R-2016-2537352
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Revised

Line No.	Description	Company Proposed (A)	OCA Adjustments (B)	OCA Proposed (C)
	Electric Plant in Service			
1	Plant in Service	$ 2,841,532	$ (68,762)	$ 2,772,770
2	Plant Held For Future Use	$ -	$ -	$ -
3	Construction Work in Progress	$ -	$ -	$ -
4	Total Electric Plant	$ 2,841,532	$ (68,762)	$ 2,772,770
	Depreciation and Amortization Reserve:			
5	Plant in Service	$ (925,392)	$ 35,176	$ (890,217)
6	Plant Held For Future Use	$ -	$ -	$ -
7	Excluded Property		$ -	$ -
8	Total Depreciation and Amortization Reserve	$ (925,392)	$ 35,176	$ (890,217)
9	Net Electric Plant	$ 1,916,140	$ (33,587)	$ 1,882,554
	Additions:			
10	Cash Working Capital	$ 177,979	$ (103,065)	$ 74,914
11	M&S Inventories	$ 16,224	$ -	$ 16,224
12	Legacy Meters	$ 45,592	$ 5,954	$ 51,546
13	Deferred Storm Damage	$ 7,907	$ (7,907)	$ -
14	**Total Additions to Rate Base**	$ 247,701	$ (105,018)	$ 142,683
	Deductions:			
15	Customer Deposits	$ (22,752)	$ -	$ (22,752)
16	Customer Advances for Construction	$ -	$ -	$ -
17	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ (507,016)	$ 27,397	$ (479,619)
18	Operating Reserves (Net of Taxes)	$ (2,886)	$ 334	$ (2,552)
19	Revenue Use Differential for Infrastructure Capital Investment	$ -	$ (1,521)	$ (1,521)
20	**Total Rate Base Deductions**	$ (532,654)	$ 26,210	$ (506,444)
21	**Total Rate Base**	$ 1,631,187	$ (112,394)	$ 1,518,793

Notes and Source
Col.A: Penelec Exhibit RAD-1
Col.B: Schedule B.1

Pennsylvania Electric Company
Summary of Adjustments to Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule B 1
Docket No R-2016-2537352
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Revised

Line No	Description	OCA Adjustments	Average FPFTY Rate Base	Deferred Storm Damage Expense	Accumulated Depreciation	Cash Working Capital - Operating Expenses	Application of Act 40 Revenue Use Differential
			B-1	B-2	B-3	B-4 Revised	E-1 Revised
	Utility Plant in Service						
1	Plant in Service	$ (68,762)	$ (68,762)				
2	Plant Held For Future Use	$ -					
3	Construction Work in Progress	$ -					
4	Total Electric Plant	$ (68,762)	$ (68,762)	$ -	$ -	$ -	$ -
	Depreciation and Amortization Reserve:						
5	Plant in Service	$ 35,176	$ 24,880		$ 10,296		
6	Plant Held For Future Use	$ -					
7	Excluded Property	$ -					
8	Total Depreciation and Amortization Reserve	$ 35,176	$ 24,880	$ -	$ 10,296	$ -	$ -
	Additions:						
9	Cash Working Capital	$ (103,065)				$ (101,544)	$ (1,521)
10	M&S Inventories	$ -					
11	Legacy Meters	$ 5,954	$ 5,954				
12	Deferred Storm Damage	$ (7,907)	$ 1,726	$ (9,633)			
13	**Total Additions to Rate Base**	$ (105,018)	$ 7,680	$ (9,633)	$ -	$ (101,544)	$ (1,521)
	Deductions:						
14	Customer Deposits	$ -					
15	Customer Advances for Construction	$ -					
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ 27,397	$ 27,397				
17	Operating Reserves (Net of Taxes)	$ 334	$ 334				
18	Revenue Use Differential for Infrastructure Capital Investment	$ (1,521)					$ (1,521)
19	**Total Rate Base Deductions**	$ 26,210	$ 27,731	$ -	$ -	$ -	$ (1,521)
20	**Total Rate Base**	$ (112,394)	$ (8,472)	$ (9,633)	$ 10,296	$ (101,544)	$ (3,041)

Pennsylvania Electric Company
Adjusted Net Operating Income

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C
Docket No. R-2016-2537352
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Revised

Line No.	Description	Per Company (A)	OCA Adjustments (B)	OCA Proposed (C)	OCA Revenue Requirement Change (D)	OCA Proposed With Revenue Increase (E)
	Operating Revenues					
1	Retail Sales	$ 368,769	$ 5,077	$ 373,846		
2	STAS Revenue	$ -	$ -	$ -		
3	Sales for Resale	$ -	$ -	$ -		
4	Other Operating Revenue	$ 12,198	$ -	$ 12,198		
5	Total Operating Revenue	$ 380,967	$ 5,077	$ 386,044	$ 49,081	$ 435,125
	Operating Expenses					
6	Price to Compare (PTC)	$ -	$ -	$ -		$ -
7	Distribution	$ 50,719	$ (741)	$ 49,978		$ 49,978
8	Customer Accounts	$ 22,271	$ (294)	$ 21,977		$ 21,977
9	Customer Service & Information	$ 17,735	$ (112)	$ 17,623		$ 17,623
10	Adminstrative & General Expense	$ 38,889	$ (15,873)	$ 23,016		$ 23,016
11	Depreciation - Accrual	$ 93,791	$ (20,593)	$ 73,198		$ 73,198
12	Amortization	$ 17,487	$ -	$ 17,487		$ 17,487
13	Taxes Other Than Income	$ 25,706	$ (169)	$ 25,537	$ 2,889	$ 28,426
14	Operating Expense Before Tax	$ 266,596	$ (37,782)	$ 228,816	$ 2,889	$ 231,705
15	**Operating Income Before Tax**	$ 114,371	$ 42,860	$ 157,229	$ 46,192	$ 203,421
	Income Taxes:					
16	Federal Income Tax - Current	$ 27,472	$ 4,573	$ 32,045	$ 4,615	$ 36,660
17	State Income Tax - Current	$ 11,949	$ 7,936	$ 19,885	$ 14,552	$ 34,437
18	Deferred Income Tax - Federal	$ 19,675	$ -	$ 19,675		$ 19,675
19	Deferred Income Tax - State	$ -		$ -		
20	Investment Tax Credit	$ (457)		$ (457)		$ (457)
21	**Total Tax Expense**	$ 58,639	$ 12,509	$ 71,148	$ 19,167	$ 90,315
22	**Total Operating Expenses**	**$ 325,235**	**$ (25,273)**	**$ 299,964**	**$ 22,056**	**$ 322,020**
23	**Operating Income**	$ 55,732	$ 30,350	$ 86,080	$ 27,025	$ 113,105

Notes and Source

Col.A: Penelec Exhibit RAD-2
Col.B: Schedule C.1
Col.C: Col.A + Col.B

Pennsylvania Electric Company
Summary of Net Operating Income Adjustments

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C.1
Docket No. R-2016-2537352
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Revised

Line No.	Description	OCA Adjustments	Depreciation Expense at Proposed Rates	Miscellaneous Expense	Incentive Compensation Expense	Stock-Based Compensation Expense	SERP Expense	Payroll Expense	Payroll Tax Expense
			C-1	C-2	C-3	C-4	C-5	C-6	C-7
	Operating Revenues								
1	Retail Sales	$ 5,077							
2	STAS Revenue	$ -							
3	Sales for Resale	$ -							
4	Other Operating Revenue	$ -							
5	Total Operating Revenue	$ 5,077	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expenses								
6	Price to Compare (PTC)	$ -							
7	Distribution	$ (741)						$ (741)	
8	Customer Accounts	$ (294)						$ (294)	
9	Customer Service & Information	$ (112)						$ (112)	
10	Adminstrative & General Expense	$ (15,873)		$ (111)	$ (702)	$ (2,503)	$ (147)	$ (308)	
11	Depreciation - Accrual	$ (20,593)	$ (20,593)						
12	Amortization	$ -							
13	Taxes Other Than Income	$ (169)							$ (169)
14	PRE-TAX OPERATING EXPENSES	$ (37,782)	$ (20,593)	$ (111)	$ (702)	$ (2,503)	$ (147)	$ (1,455)	$ (169)
15	PRE-TAX OPERATING INCOME	$ 42,860	$ 20,593	$ 111	$ 702	$ 2,503	$ 147	$ 1,455	$ 169
16	State Income Tax - Current	$ 4,573	$ 2,057	$ 11	$ 70	$ 250	$ 15	$ 145	$ 17
17	Federal Income Tax - Current	$ 7,936		$ 35	$ 221	$ 789	$ 46	$ 459	$ 53
18	Federal & State Income Taxes	$ 12,509	$ 2,057	$ 46	$ 291	$ 1,039	$ 61	$ 604	$ 70
19	TOTAL OPERATING EXPENSES	$ (25,273)	$ (18,536)	$ (65)	$ (411)	$ (1,465)	$ (86)	$ (852)	$ (99)
20	OPERATING INCOME	$ 30,350	$ 18,536	$ 65	$ 411	$ 1,465	$ 86	$ 852	$ 99

Notes and Source

Line 16: State Income Tax Rate	9.99%
Line 17: Federal Income Tax Rate	35.00%

Pennsylvania Electric Company
Summary of Net Operating Income Adjustments

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C.1
Docket No. R-2016-2537352
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Revised

Line No.	Description	Employee Benefits Expense	Pension Expense	OPEB Expense	Affiiate Aircraft Expense	Rate Case Expense	Interest Synchronization	Revenue Normalization Related to Phase III EE&C Plan Using a Five-Year Average of Usage Reductions
		C-8	C-9	C-10	C-11 Revised	C-12	C-13	Exh. LA-PN-2
	Operating Revenues							
1	Retail Sales							$ 5,077
2	STAS Revenue							
3	Sales for Resale							
4	Other Operating Revenue							
5	Total Operating Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,077
	Operating Expenses							
6	Price to Compare (PTC)							
7	Distribution							
8	Customer Accounts							
9	Customer Service & Information							
10	Adminstrative & General Expense	$ (154)	$ (11,922)	$ 145	$ -	$ (171)		
11	Depreciation - Accrual							
12	Amortization							
13	Taxes Other Than Income							
14	PRE-TAX OPERATING EXPENSES	$ (154)	$ (11,922)	$ 145	$ -	$ (171)	$ -	$ -
15	PRE-TAX OPERATING INCOME	$ 154	$ 11,922	$ (145)	$ -	$ 171	$ -	$ 5,077
16	State Income Tax - Current	$ 15	$ 1,191	$ (14)	$ -	$ 17	$ 292	$ 507
17	Federal Income Tax - Current	$ 49	$ 3,756	$ (46)	$ -	$ 54	$ 921	$ 1,600
18	Federal & State Income Taxes	$ 64	$ 4,947	$ (60)	$ -	$ 71	$ 1,213	$ 2,107
19	TOTAL OPERATING EXPENSES	$ (90)	$ (6,975)	$ 85	$ -	$ (100)	$ 1,213	$ 2,107
20	OPERATING INCOME	$ 90	$ 6,975	$ (85)	$ -	$ 100	$ (1,213)	$ 2,971

Notes and Source
Line 16: State Income Tax Rate
Line 17: Federal Income Tax Rate

Pennsylvania Electric Company
Capital Structure and Cost Rates

Exhibit LA-PN-3
Schedule D
Docket No. R-2016-2537352
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Capital Amounts	Percent	Cost Rate	Weighted Cost
			(A)	(B)	(C)
	Per Company				
1	Long Term Debt	$ 1,123,939	47.44%	5.56%	2.64%
2	Preferred Stock	$ -	0.00%	0.00%	0.00%
3	Common Equity	$ 1,245,464	52.56%	11.30%	5.94%
4	Total Capital Structure	$ 2,369,403	100.00%		8.58%
	Per OCA				
5	Long-Term Debt	$ 1,123,939	47.44%	5.56%	2.64%
6	Preferred Stock	$ -	0.00%	0.00%	0.00%
7	Common Equity	$ 1,245,464	52.56%	9.15%	4.80%
8	Total Capital Structure	$ 2,369,403	100.00%		7.45%
9	Difference				-1.130%
10	Weighted Cost of Debt				2.64%

Notes and Source

Lines 1-4: Penelec Exhibit RAD-1
Lines 5-8: Per the recommendation of OCA witness Dave Parcell

Pennsylvania Electric Company
Average FPFTY Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule B-1
Docket No. R-2016-2537352
Page 1 of 1

Line No.	Description	Original Cost 12/31/16 Per Company (A)	Original Cost 12/31/17 Per Company (B)	Company Proposed (C)	OCA Proposed (D)=Avg(A,B)	OCA Adjustments (E)=(D)-(C)
	Electric Plant in Service					
1	Plant in Service	$ 2,704,008	$ 2,841,532	$ 2,841,532	$ 2,772,770	$ (68,762)
2	Plant Held For Future Use	$ -	$ -	$ -	$ -	$ -
3	Construction Work in Progress	$ -	$ -	$ -	$ -	$ -
4	Total Electric Plant	$ 2,704,008	$ 2,841,532	$ 2,841,532	$ 2,772,770	$ (68,762)
	Depreciation and Amortization Reserve:					
5	Plant in Service	$ (875,633)	$ (925,392)	$ (925,392)	$ (900,513)	$ 24,880
6	Plant Held For Future Use	$ -	$ -	$ -	$ -	$ -
7	Excluded Property	$ -		$ -	$ -	$ -
8	Net Electric Plant	$ 1,828,375	$ 1,916,139	$ 1,916,139	$ 1,872,258	$ (43,883)
	Additions					
9	Cash Working Capital	$ 177,979	$ 177,979	$ 177,979	$ 177,979	$ -
10	M&S Inventories	$ 16,224	$ 16,224	$ 16,224	$ 16,224	$ -
11	Legacy Meters	$ 57,500	$ 45,592	$ 45,592	$ 51,546	$ 5,954
12	Deferred Storm Damage	$ 11,359	$ 7,907	$ 7,907	$ 9,633	$ 1,726
13	**Total Additions to Rate Base**	$ 263,062	$ 247,702	$ 247,702	$ 255,382	$ 7,680
	Deductions					
14	Customer Deposits	$ (22,752)	$ (22,752)	$ (22,752)	$ (22,752)	$ -
15	Customer Advances for Construction	$ -	$ -	$ -	$ -	$ -
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ (452,222)	$ (507,016)	$ (507,016)	$ (479,619)	$ 27,397
17	Operating Reserves (Net of Taxes)	$ (2,218)	$ (2,886)	$ (2,886)	$ (2,552)	$ 334
18	**Total Rate Base Deductions**	$ (477,193)	$ (532,654)	$ (532,654)	$ (504,923)	$ 27,731
19	**Total Rate Base**	$ 1,614,244	$ 1,631,187	$ 1,631,187	$ 1,622,717	$ (8,472)
20					Percentage Difference	-0.52%

Notes and Source
Col A: Amounts from Penelec Exhibit RAD-3
Cols. B&C: Amounts from Penelec Exhibit RAD-1

Pennsylvania Electric Company
Deferred Storm Damage Expense

Exhibit LA-PN-3
Schedule B-2
Docket No. R-2016-2537352
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Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)
1	Adjustment to Remove Average Deferred Storm Damage Deferrals From Rate Base	$ (9,633)

Notes and Source

	Description	Amount	Reference
2	Projected Deferred Storm Damage as of 12/31/2016 Per Penelec	$ 11,359	Penelec Exhibit RAD-3
3	Projected Deferred Storm Damage as of 12/31/2017 Per Penelec	$ 7,907	Penelec Exhibit RAD-1
4	Average Deferred Storm Damage	$ 9,633	

Pennsylvania Electric Company
Accumulated Depreciation Related to Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule B-3
Docket No. R-2016-2537352
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	OCA Adjustment to Depreciation Expense	$ (20,593)	A
2	Percentage to Calculate Adjustment Based on Average Rate Base	50%	
3	OCA Adjustment to Decrease Accumulated Depreciation	$ 10,296	

Notes and Source

A: See Schedule C-1

Pennsylvania Electric Company
Cash Working Capital

Exhibit LA-PN-3
Schedule B-4
Docket No R-2016-2537352
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Revised

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No	Description	Normalized PAPUC Jurisdictional Distribution	Smart Meters	PAPUC Total Distribution	Total Riders	PAPUC Total	OCA Adjustment	OCA Adjusted	Daily Amount	Revenue (Lead) / Lag Days	Expense (Lead) / Lag Days	Net (Lead) / Lag Days	Cash Working Capital
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Operating revenues												
1	Electric Revenues	$ 486,332	$ 34,996	$ 521,328	$ 376,953	$ 898,281		$ 898,281	2,461 04	66 59			$ 163,879
2	Sales for resale	$ -	$ -	$ -	$ 35,432	$ 35,432		$ 35,432	97 07	15 72			$ 1,526
3	Other operating revenue	$ 12,573	$ -	$ 12,573	$ -	$ 12,573		$ 12,573	34 45	35 98			$ 1,240
4	Total operating revenue	$ 498,905	$ 34,996	$ 533,901	$ 412,384	$ 946,286	$ -	$ 946,286	2,592 56	64 28			$ 166,644
	Operating expenses												
5	Price to Compare	$ -	$ -	$ -	$ 332,845	$ 332,845		$ 332,845	911 90	64 28	37 10	27 17	$ 24,781
6	Distribution	$ 50,719	$ -	$ 50,719	$ 17,354	$ 68,073	$ (741)	$ 67,332	184 47	64 28	32 01	32 27	$ 5,953
7	Customer accounts	$ 22,271	$ -	$ 22,271	$ 9,591	$ 31,861	$ (294)	$ 31,567	86 49	64 28	17 04	47 23	$ 4,085
8	Customer service & info	$ 17,735	$ -	$ 17,735	$ 26,532	$ 44,267	$ (112)	$ 44,155	120 97	64 28	38 53	25 75	$ 3,115
9	Admin & gen expense	$ 25,433	$ 13,456	$ 38,889	$ 22,536	$ 61,424	$ (15,873)	$ 45,551	124 80	64 28	39 26	25 02	$ 3,122
10	Depreciation - accrual	$ 81,532	$ 12,259	$ 93,791	$ -	$ 93,791		$ 93,791					$ -
11	Amortization	$ 17,487	$ -	$ 17,487	$ (9,845)	$ 7,641		$ 7,641					$ -
12	Taxes other than income	$ 32,643	$ 2,064	$ 34,707	$ 22,239	$ 56,946	$ (169)	$ 56,777	155 55	64 28	(76 18)	140 45	$ 21,848
13	Operating expense before tax	$ 247,818	$ 27,779	$ 275,597	$ 421,251	$ 696,849	$ (17,189)	$ 679,659					$ 62,904
14	Operating income before income tax	$ 251,087	$ 7,217	$ 258,304	$ (8,867)	$ 249,437	$ 17,189	$ 266,627					
	Income taxes												
15	Federal income tax - current	$ 79,431	$ (6,615)	$ 72,816	$ (2,793)	$ 70,023		$ 70,023	191 84	64 28	1 30	62 98	$ 12,083
16	State income tax - current	$ 28,426	$ (2,098)	$ 26,328	$ (886)	$ 25,442		$ 25,442	69 70	64 28	15 89	48 39	$ 3,373
17	Deferred income tax - federal	$ 11,419	$ 8,256	$ 19,675	$ -	$ 19,675		$ 19,675					
18	Deferred income tax - state	$ -	$ -	$ -	-	$ -		$ -					
19	Investment tax credit	$ (457)	$ -	$ (457)	-	$ (457)		$ (457)	-				$ -
20	Total tax expense	$ 118,819	$ (457)	$ 118,362	$ (3,679)	$ 114,682	$ -	$ 114,682					$ 15,456
21	Total operating expenses	$ 366,637	$ 27,322	$ 393,959	$ 417,572	$ 811,531	$ (17,189)	$ 794,342					
22	**Operating income**	$ 132,268	$ 7,674	$ 139,943	$ (5,188)	$ 134,755	$ 17,189	$ 151,944					
23	Net Cash Working Capital												$ 78,360
24	Interest on Long Term Debt					$ 42,975	$ (2,924)	$ 40,051 [a]	109 73	64 28	91 25	(26 97)	$ (2,960)
25	Interest Expense on Customer Deposits					$ 970		$ 970	2 66	64 28	182 50	(118 22)	$ (314)
26	Prepayments					$ 1,387	$ (38) b						$ 1,349
27	Unamortized Cash Pension Contributions					$ 82,609	$ (82,609)						$ -
28	Total Cash Working Capital per OCA												$ 76,435
29	Cash Working Capital Per Penelec												$ 177,979
30	OCA Adjustment to Cash Working Capital												$ (101,544)

Notes and Source

Cols A-E from Penelec Exhibit JLA-1

[a] Synchronized Interest amount from Schedule C-13

[b] Prepaid EEI Dues assessment per OCA-XI-1 calculated below:

		Amount	Reference
31	Prepaid EEI Dues Assessment	$ 756	Penelec Exhibit JLA-1
32	Less: Lobbying Portion of EEI Dues - 14%	$ (106)	OCA-XI-1
33	Adjusted Prepaid EEI Dues Assessment	$ 650	L31 - L32
34	13 Month Average Balance of Prepaid EEI Dues	$ 50	L33 / 13
35	Eliminate Transmission Related Portion - 23 14%	$ (12)	Penelec Exhibit JLA-1
36	Prepaid EEI Dues Assessement Related to Distribution	$ 38	L34 + L35

Pennsylvania Electric Company
Cash Working Capital - OCA Adjustments to Expenses

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule B-4
Docket No R-2016-2537352
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Revised

Line No	Description	Adjustment No	O&M Expense Adjustment	Revenue	Energy Costs	Payroll Expense	Employee Benefits	Pension Expense	OPEB Expense	Service Company	Payroll Tax Expense	Depreciation & Amortization Expense*	Other O&M Expense
			(A)	(B)	(C)	(D)	(E)	(H)	(I)	(K)	(M)	(N)	(P)
1	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	C-1	$ (20,593)									$ (20,593)	
2	Miscelleneous Expenses	C-2	$ (111)										$ (111)
3	Incentive Compensation Expense	C-3	$ (702)			$ (702)							
4	Stock-Based Compensation Expense	C-4	$ (2,503)			$ (2,503)							
5	Supplemental Executive Retirement Plan (SERP) Expense	C-5	$ (147)			$ (147)							
6	Payroll Expense	C-6	$ (1,455)			$ (1,455)							
7	Payroll Tax Expense	C-7	$ (169)								$ (169)		
8	Employee Benefits	C-8	$ (154)				$ (154)						
9	Pension Expense	C-9	$ (11,922)					$ (11,922)					
10	Post Retirement Benefits Other Than Pensions (OPEB)	C-10	$ 145						$ 145				
11	Affiliate Aircraft Expense	C-11	$ -										$ -
12	Rate Case Expense	C-12	$ (171)										$ (171)
13	Interest Synchronization	C-13	$ -										
14													
15									$ -				
16	TOTAL - sum of column A		$ (37,782)	$ -	$ -	$ (4,807)	$ (154)	$ (11,922)	$ 145	$ -	$ (169)	$ (20,593)	$ (282)
17	Total per Schedule C 1, line 14		$ (37,782)										
18	Difference		$ -										$ (37,782)
													$ -
19	Cross foot columns B through P		$ (37,782)										
20	Difference		$ -										

This workpaper shows how the OCA adjustments to operating expenses from Schedule C 1 are posted for CWC purposes

* The impacts of depreciation expense should not flow through CWC as it is a non-cash expense

Pennsylvania Electric Company
Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	OCA Adjustment (A)	Reference
	I. OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates using 2017 Average Plant Balances		
1	Company Proposed FPFTY Depreciation Expense Based on 12/31/2017 Plant	$ 79,388	Page 3, Col. E
2	Company Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 76,040	Page 3, Col. G
3	OCA Adjustment to Reflect Depreciation Expense at Company Proposed Rates Using 2017 Average Plant Balances	$ (3,348)	L2 - L1
	II. OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates Using 2017 Average Plant Balances		
4	Company Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 76,040	Page 4, Col. C
5	OCA Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 58,795	Page 4, Col. E
6	OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates Using 2017 Average Plant Balances	$ (17,245)	L5 - L4
	III. Total OCA Adjustment for Depreciation Expense		
7	Total OCA Adjustment to FPFTY Depreciation Expense	$ (20,593)	L3 + L6

Notes and Source

The Company proposed depreciation expense reflected above does not include $14.812 million of cost of removal/salvage expense at a jurisdictional five-year average as shown on Penelec Exhibit RAD-2 (page 21), Adjustment No. 9

Pennsylvania Electric Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-1
Docket No R-2016-2537352
Page 2 of 5

Line No	Acct No		Per Company Adjusted Plant Balances at 12/31/2016	Ratio	New York Jurisdictional Amount*	Penelec Jurisdictional Amount
			(A)	(B)	(C)	(D)
		NONDEPRECIABLE PLANT				
		INTANGIBLE PLANT				
1	301	Organization	$ 35	0 00%	$ (0)	$ 34
2	302	Franchise and Consents	$ 307	0 01%	$ (2)	$ 305
3		Total Intangible Plant	$ 341		$ (2)	$ 339
		LAND				
4	350 11	Transmission Substations	$ -	0 00%	$ -	$ -
5	350 21	Transmission Lines	$ -	0 00%	$ -	$ -
6	360 11	Distribution Substations	$ 1,516	0 06%	$ (9)	$ 1,507
7	360 21	Distribution Lines	$ 183	0 01%	$ (1)	$ 182
8	389 1	General	$ 1,114	0 04%	$ (6)	$ 1,108
9		Total Land	$ 2,813		$ (16)	$ 2,797
		INTANGIBLE PLANT				
1	303	Miscellaneous Intangible Plant	$ 43,416	1 60%	$ (253)	$ 43,163
2	303	Smart Meters	$ 15,724	0 58%	$ (92)	$ 15,633
3		TOTAL INTANGIBLE PLANT	$ 59,140		$ (345)	$ 58,796
		TRANSMISSION PLANT				
4	350 12	Land Rights - subs	$ -	0 00%	$ -	$ -
5	350 22	Land Rights-lines	$ -	0 00%	$ -	$ -
6	352	Structures	$ -	0 00%	$ -	$ -
7	352 2	Clearing Costs	$ -	0 00%	$ -	$ -
8	353	Station Equipment	$ -	0 00%	$ -	$ -
9	354	Towers and Fixtures	$ -	0 00%	$ -	$ -
10	355	Poles and Fixtures	$ -	0 00%	$ -	$ -
11	356	Overhead Conductors	$ -	0 00%	$ -	$ -
12	356 1	Clearing Costs	$ -	0 00%	$ -	$ -
13	358	Underground Conductors	$ -	0 00%	$ -	$ -
14		TOTAL TRANSMISSION PLANT	$ -		$ -	$ -
		DISTRIBUTION PLANT				
15	360 12	Land Rights - subs	$ -	0 00%	$ -	$ -
16	360 22	Land Rights-lines	$ 15,555	0 57%	$ (91)	$ 15,464
17	361 1	Structures	$ 15,096	0 56%	$ (88)	$ 15,008
18	362	Station Equipment	$ 262,971	9 67%	$ (1,533)	$ 261,438
19	364	Poles, Towers and Fixtures	$ 524,702	19 29%	$ (3,058)	$ 521,643
20	365	Overhead Conductors	$ 710,690	26 13%	$ (4,143)	$ 706,548
21	365 1	Clearing Costs	$ 158,547	5 83%	$ (924)	$ 157,623
22	366	Underground Conduit	$ 36,952	1 36%	$ (215)	$ 36,737
23	367	Underground Conductors	$ 171,528	6 31%	$ (1,000)	$ 170,528
24	368	Line Transformers	$ 382,801	14 07%	$ (2,231)	$ 380,569
25	369	Overhead Services	$ 76,110	2 80%	$ (444)	$ 75,667
26	369 1	Underground Services	$ 47,907	1 76%	$ (279)	$ 47,628
27	370	Meters	$ -	0 00%	$ -	$ -
28	370	Smart Grid Meters 10 yr	$ 66	0 00%	$ (0)	$ 65
29	370	Smart Meters non classified 15 yr	$ 46,339	1 70%	$ (270)	$ 46,069
30	370	Smart Meters Com 15 yr	$ 2,948	0 11%	$ (17)	$ 2,931
31	370	Smart Meters Ind 15 yr	$ 3	0 00%	$ (0)	$ 3
32	370	Smart Meters Residencial 15 yr	$ 8,360	0 31%	$ (49)	$ 8,311
33	370	Smart Meters Infra St	$ 687	0 03%	$ (4)	$ 683
34	371	Installed on Customer Premises	$ 29,143	1 07%	$ (170)	$ 28,973
35	372	Leased Property Customer Premises	$ 199	0 01%	$ (1)	$ 197
36	373	Street Lighting & Signal Systems	$ 49,179	1 81%	$ (287)	$ 48,892
37		TOTAL DISTRIBUTION PLANT	$ 2,539,782		$ (14,804)	$ 2,524,977
		GENERAL PLANT				
38	389 1	Land Rights	$ 17	0 00%	$ (0 10)	$ 17
39	390 1	Structures	$ 48,342	1 78%	$ (281 78)	$ 48,060
40	390 2	Clearing	$ 5,859	0 22%	$ (34 15)	$ 5,825
41	390 3	Struct Impr LH	$ 15	0 00%	$ (0 09)	$ 15
42	391 1	Office Furniture & Equipment	$ 4,430	0 16%	$ (25 82)	$ 4,404
43	391 15	Office Machines	$ 1,383	0 05%	$ (8 06)	$ 1,375
44	391 3	Personal Computers	$ 2,189	0 08%	$ (12 76)	$ 2,177
45	391 25	Data Processing Smart Meters	$ 11,185	0 41%	$ (65 20)	$ 11,120
46	392	Transportation	$ 2,773	0 10%	$ (16 16)	$ 2,757
47	393	Stores Equipment	$ 1,195	0 04%	$ (6 96)	$ 1,188
48	394	Tools, Shop, & Garage Equipment	$ 10,714	0 39%	$ (62 45)	$ 10,651
49	395	Laboratory Equipment	$ 4,589	0 17%	$ (26 75)	$ 4,562
50	396	Power Operated Equipment	$ 4,038	0 15%	$ (23 54)	$ 4,015
51	397	Communications Equipment	$ 18,220	0 67%	$ (106 20)	$ 18,113
52	398	Miscellaneous Equipment	$ 2,837	0 10%	$ (16 53)	$ 2,820
53		TOTAL GENERAL PLANT	$ 117,785		$ (687)	$ 117,099
54		**GRAND TOTAL**	$ 2,719,862	100 00%	$ (15,854)	$ 2,704,008

Notes and Source

Col A: Amounts from Penelec Exhibit RAD-47

Col C: Amount allocated to New York per Penelec Exhibit RAD-3 $ 15,854

Pennsylvania Electric Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PN-3
Schedule C-1
Docket No. R-2016-2537352
Page 3 of 5

Line No.	Acct No		Per Company Adjusted Plant Balances at 12/31/2016 (A)	Per Company Adjusted Plant Balances at 12/31/2017 (B)	Average Plant Balances (C)	Accrual Rate ELG Ave Remaining Life Basis Per Penelec (D)	Accrual Expense Amount Based on 12/31/2017 (E=BxD)	Accrual Rate ELG Ave Remaining Life Basis Per Penelec (F)	Accrual Expense Amount Based on Avg. Plant Balances (G=CxF)	OCA Adjustment (H)
		INTANGIBLE PLANT								
1	303	Miscellaneous Intangible Plant	$ 43,163,105	$ 45,927,531	$ 44,545,318	14.29%	$ 6,563,044	14.29%	$ 6,365,526	$ (197,518)
2	303	Smart Meters	$ 15,632,559	$ 22,214,396	$ 18,923,477	14.29%	$ 3,174,437	14.29%	$ 2,704,165	$ (470,272)
3		TOTAL INTANGIBLE PLANT	$ 58 795 663	$ 68 141 927	$ 63 468 795		$ 9 737 481		$ 9 069 691	$ (667 790)
		TRANSMISSION PLANT								
4	350.12	Land Rights - subs	$ -	$ -	$ -	1.84%	$ -	1.84%	$ -	$ -
5	350.22	Land Rights-lines	$ -	$ -	$ -	1.84%	$ -	1.84%	$ -	$ -
6	352	Structures	$ -	$ 11,320	$ 5,660	0.48%	$ 54	0.48%	$ 27	$ (27)
7	352.2	Clearing Costs	$ -	$ 1,072,913	$ 536,457	0.48%	$ 5,150	0.48%	$ 2,575	$ (2,575)
8	353	Station Equipment	$ -	$ -	$ -	2.67%	$ -	2.67%	$ -	$ -
9	354	Towers and Fixtures	$ -	$ 129,938	$ 64,969	0.00%	$ -	0.00%	$ -	$ -
10	355	Poles and Fixtures	$ -	$ 284,737	$ 142,368	1.95%	$ 5,552	1.95%	$ 2,776	$ (2,776)
11	356	Overhead Conductors	$ -	$ (412,746)	$ (206,373)	2.08%	$ (8,585)	2.08%	$ (4,293)	$ 4,292
12	356.1	Clearing Costs	$ -	$ 14,919	$ 7,460	1.43%	$ 213	1.43%	$ 107	$ (106)
13	358	Underground Conductors	$ -	$ -	$ -	3.17%	$ -	3.17%	$ -	$ -
14		TOTAL TRANSMISSION PLANT	$ -	$ 1,101,082	$ 550,541		$ 2,384		$ 1,192	$ (1,192)
		DISTRIBUTION PLANT								
15	360.12	Land Rights - subs	$ -	$ -	$ -	0.90%	$ -	0.90%	$ -	$ -
16	360.22	Land Rights-lines	$ 15,464,045	$ 15,554,713	$ 15,509,379	0.90%	$ 139,992	0.90%	$ 139,584	$ (408)
17	361.1	Structures	$ 15,007,678	$ 15,230,142	$ 15,118,910	1.04%	$ 158,393	1.04%	$ 157,237	$ (1,156)
18	362	Station Equipment	$ 261,438,375	$ 268,119,836	$ 264,779,106	1.77%	$ 4,745,721	1.77%	$ 4,686,590	$ (59,131)
19	364	Poles, Towers and Fixtures	$ 521,643,277	$ 544,086,308	$ 532,864,792	1.99%	$ 10,827,318	1.99%	$ 10,604,009	$ (223,309)
20	365	Overhead Conductors	$ 706,547,602	$ 747,282,945	$ 726,915,274	2.30%	$ 17,187,508	2.30%	$ 16,719,051	$ (468,457)
21	365.1	Clearing Costs	$ 157,622,664	$ 158,546,829	$ 158,084,747	1.48%	$ 2,346,493	1.48%	$ 2,339,654	$ (6,839)
22	366	Underground Conduit	$ 36,736,665	$ 36,985,677	$ 36,861,171	1.43%	$ 528,895	1.43%	$ 527,115	$ (1,780)
23	367	Underground Conductors	$ 170,528,411	$ 179,326,995	$ 174,927,703	2.38%	$ 4,267,982	2.38%	$ 4,163,279	$ (104,703)
24	368	Line Transformers	$ 380,569,286	$ 394,487,521	$ 387,528,403	2.71%	$ 10,690,612	2.71%	$ 10,502,020	$ (188,592)
25	369	Overhead Services	$ 75,666,617	$ 77,569,085	$ 76,617,851	1.74%	$ 1,349,702	1.74%	$ 1,333,151	$ (16,551)
26	369.1	Underground Services	$ 47,627,802	$ 47,907,050	$ 47,767,426	1.28%	$ 613,210	1.28%	$ 611,423	$ (1,787)
27	370	Meters	$ -	$ -	$ -	0.00%	$ -	0.00%	$ -	$ -
28	370	Smart Grid Meters 10 yr	$ 65,126	$ 65,507	$ 65,316	10.00%	$ 6,551	10.00%	$ 6,532	$ (19)
29	370	Smart Meters non classified 15 yr	$ 46,068,914	$ 88,543,614	$ 67,306,264	6.67%	$ 5,905,859	6.67%	$ 4,489,328	$ (1,416,531)
30	370	Smart Meters Com 15 yr	$ 2,931,247	$ 2,948,433	$ 2,939,840	6.67%	$ 196,661	6.67%	$ 196,087	$ (574)
31	370	Smart Meters Ind 15 yr	$ 2,546	$ 2,561	$ 2,554	6.67%	$ 171	6.67%	$ 170	$ (1)
32	370	Smart Meters Residential 15 yr	$ 8,311,254	$ 8,359,984	$ 8,335,619	6.67%	$ 557,611	6.67%	$ 555,986	$ (1,625)
33	370	Smart Meters Infra St	$ 682,910	$ 686,914	$ 684,912	6.67%	$ 45,817	6.67%	$ 45,684	$ (133)
34	371	Installed on Customer Premises	$ 28,973,438	$ 29,143,314	$ 29,058,376	1.75%	$ 510,008	1.75%	$ 508,522	$ (1,486)
35	372	Leased Property Customer Premises	$ 197,497	$ 198,655	$ 198,076	0.11%	$ 219	0.11%	$ 218	$ (1)
36	373	Street Lighting & Signal Systems	$ 48,891,911	$ 51,420,969	$ 50,156,440	5.27%	$ 2,709,885	5.27%	$ 2,643,244	$ (66,641)
37		TOTAL DISTRIBUTION PLANT	$ 2,524,977,263	$ 2,666,467,052	$ 2,595,722,158		$ 62,788,608		$ 60,228,884	$ (2,559,724)
		GENERAL PLANT								
38	389.1	Land Rights	$ 17,109	$ 17,209	$ 17,159	1.39%	$ 239	1.39%	$ 239	$ -
39	390.1	Structures	$ 48,060,333	$ 48,606,906	$ 48,333,619	2.80%	$ 1,360,993	2.80%	$ 1,353,341	$ (7,652)
40	390.2	Clearing	$ 5,825,029	$ 5,859,182	$ 5,842,105	1.85%	$ 108,395	1.85%	$ 108,079	$ (316)
41	390.3	Struct Impr LH	$ 14,685	$ 14,771	$ 14,728	0.00%	$ -	0.00%	$ -	$ -
42	391.1	Office Furniture & Equipment	$ 4,404,430	$ 4,430,253	$ 4,417,341	0.31%	$ 13,734	0.31%	$ 13,694	$ (40)
43	391.15	Office Machines	$ 1,375,031	$ 1,383,093	$ 1,379,062	0.00%	$ -	0.00%	$ -	$ -
44	391.3	Personal Computers	$ 2,176,690	$ 2,189,452	$ 2,183,071	26.92%	$ 589,401	26.92%	$ 587,683	$ (1,718)
45	391.25	Data Processing Smart Meters	$ 11,119,982	$ 11,891,717	$ 11,505,849	20.00%	$ 2,378,343	20.00%	$ 2,301,170	$ (77,173)
46	392	Transportation	$ 2,756,538	$ 2,772,700	$ 2,764,619	3.10%	$ 85,954	3.10%	$ 85,703	$ (251)
47	393	Stores Equipment	$ 1,187,564	$ 1,194,527	$ 1,191,045	0.01%	$ 119	0.01%	$ 119	$ -
48	394	Tools, Shop, & Garage Equipment	$ 10,651,368	$ 10,713,819	$ 10,682,593	5.13%	$ 549,619	5.13%	$ 548,017	$ (1,602)
49	395	Laboratory Equipment	$ 4,561,813	$ 4,588,559	$ 4,575,186	0.00%	$ -	0.00%	$ -	$ -
50	396	Power Operated Equipment	$ 4,014,725	$ 4,038,264	$ 4,026,495	0.69%	$ 27,864	0.69%	$ 27,783	$ (81)
51	397	Communications Equipment	$ 18,113,414	$ 18,791,147	$ 18,452,280	8.89%	$ 1,670,533	8.89%	$ 1,640,408	$ (30,125)
52	398	Miscellaneous Equipment	$ 2,820,062	$ 2,836,597	$ 2,828,329	2.63%	$ 74,602	2.63%	$ 74,385	$ (217)
53		TOTAL GENERAL PLANT	$ 117,098,771	$ 119,328,195	$ 118,213,483		$ 6,859,796		$ 6,740,621	$ (119,175)
54		**GRAND TOTAL**	$ 2,700,871,697	$ 2,855,038,255	$ 2,777,954,976		$ 79,388,269		$ 76,040,388	$ (3,347,881)

Notes and Source
Col. A Amounts from Penelec Exhibit RAD-47
Col. B Amounts from Penelec Exhibit RAD-46
Cols D&F Depreciation rates from Penelec Exhibit RAD-53

Pennsylvania Electric Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PN-3
Schedule C-1
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Line No	Acct No		Average Adjusted Depreciable Base	Accrual Rate ELG Ave Remaining Life Basis Per Penelec	Accrual Expense Amount Per Penelec	Accrual Rate ASL Ave Remaining Life Basis Per OCA	Accrual Expense Amount Per OCA	OCA Adjustment
			(A)	(B)	(C)	(D)	(E)	(F)
		INTANGIBLE PLANT						
1	303	Miscellaneous Intangible Plant	$ 44,545,318	14 29%	$ 6,365,526	8 86%	$ 3,946,715	$ (2,418,811)
2	303	Smart Meters	$ 18,923,477	14 29%	$ 2,704,165	14 29%	$ 2,704,165	$ -
3		TOTAL INTANGIBLE PLANT	$ 63,468,795		$ 9,069,691		$ 6,650,880	$ (2,418,811)
		TRANSMISSION PLANT						
4	350 12	Land Rights - subs	$ -	1 84%	$ -	1 84%	$ -	$ -
5	350 22	Land Rights-lines	$ -	1 84%	$ -	1 84%	$ -	$ -
6	352	Structures	$ 5,660	0 48%	$ 27	1 06%	$ 60	$ 33
7	352 2	Clearing Costs	$ 536,457	0 48%	$ 2,575	1 06%	$ 5,686	$ 3,111
8	353	Station Equipment	$ -	2 67%	$ -	1 38%	$ -	$ -
9	354	Towers and Fixtures	$ 64,969	0 00%	$ -	0 78%	$ 507	$ 507
10	355	Poles and Fixtures	$ 142,368	1 95%	$ 2,776	1 51%	$ 2,150	$ (626)
11	356	Overhead Conductors	$ (206,373)	2 08%	$ (4,293)	1 24%	$ (2,559)	$ 1,734
12	356 1	Clearing Costs	$ 7,460	1 43%	$ 107	1 28%	$ 95	$ (12)
13	358	Underground Conductors	$ -	3 17%	$ -	3 29%	$ -	$ -
14		TOTAL TRANSMISSION PLANT	$ 550,541		$ 1,192		$ 5,939	$ 4,747
		DISTRIBUTION PLANT						
15	360 12	Land Rights - subs	$ -	0 90%	$ -	0 85%	$ -	$ -
16	360 22	Land Rights-lines	$ 15,509,379	0 90%	$ 139,584	0 85%	$ 131,830	$ (7,754)
17	361 1	Structures	$ 15,118,910	1 04%	$ 157,237	1 04%	$ 157,237	$ -
18	362	Station Equipment	$ 264,779,106	1 77%	$ 4,686,590	1 33%	$ 3,521,562	$ (1,165,028)
19	364	Poles, Towers and Fixtures	$ 532,864,792	1 99%	$ 10,604,009	1 46%	$ 7,779,826	$ (2,824,183)
20	365	Overhead Conductors	$ 726,915,274	2 30%	$ 16,719,051	1 66%	$ 12,066,794	$ (4,652,257)
21	365 1	Clearing Costs	$ 158,084,747	1 48%	$ 2,339,654	1 36%	$ 2,149,953	$ (189,701)
22	366	Underground Conduit	$ 36,861,171	1 43%	$ 527,115	1 23%	$ 453,392	$ (73,723)
23	367	Underground Conductors	$ 174,927,703	2 38%	$ 4,163,279	1 95%	$ 3,411,090	$ (752,189)
24	368	Line Transformers	$ 387,528,403	2 71%	$ 10,502,020	2 01%	$ 7,789,321	$ (2,712,699)
25	369	Overhead Services	$ 76,617,851	1 74%	$ 1,333,151	1 44%	$ 1,103,297	$ (229,854)
26	369 1	Underground Services	$ 47,767,426	1 28%	$ 611,423	0 99%	$ 472,898	$ (138,525)
27	370	Meters	$ -	0 00%	$ -	4 29%	$ -	$ -
28	370	Smart Grid Meters 10 yr	$ 65,316	10 00%	$ 6,532	10 00%	$ 6,532	$ -
29	370	Smart Meters non classified 15 yr	$ 67,306,264	6 67%	$ 4,489,328	6 74%	$ 4,536,442	$ 47,114
30	370	Smart Meters Com 15 yr	$ 2,939,840	6 67%	$ 196,087	6 74%	$ 198,145	$ 2,058
31	370	Smart Meters Ind 15 yr	$ 2,554	6 67%	$ 170	6 74%	$ 172	$ 2
32	370	Smart Meters Residential 15 yr	$ 8,335,619	6 67%	$ 555,986	6 74%	$ 561,821	$ 5,835
33	370	Smart Meters Infra St	$ 684,912	6 67%	$ 45,684	6 74%	$ 46,163	$ 479
34	371	Installed on Customer Premises	$ 29,058,376	1 75%	$ 508,522	1 50%	$ 435,876	$ (72,646)
35	372	Leased Property Customer Premises	$ 198,076	0 11%	$ 218	0 09%	$ 178	$ (40)
36	373	Street Lighting & Signal Systems	$ 50,156,440	5 27%	$ 2,643,244	4 53%	$ 2,272,087	$ (371,157)
37		TOTAL DISTRIBUTION PLANT	$2,595,722,158		$ 60,228,884		$ 47,094,616	$ (13,134,268)
		GENERAL PLANT						
38	389 1	Land Rights	$ 17,159	1 39%	$ 239	1 25%	$ 214	$ (25)
39	390 1	Structures	$ 48,333,619	2 80%	$ 1,353,341	2 08%	$ 1,005,339	$ (348,002)
40	390 2	Clearing	$ 5,842,105	1 85%	$ 108,079	1 46%	$ 85,295	$ (22,784)
41	390 3	Struct Impr LH	$ 14,728	0 00%	$ -	0 00%	$ -	$ -
42	391 1	Office Furniture & Equipment	$ 4,417,341	0 31%	$ 13,694	0 03%	$ 1,325	$ (12,369)
43	391 15	Office Machines	$ 1,379,062	0 00%	$ -	0 00%	$ -	$ -
44	391 3	Personal Computers	$ 2,183,071	26 92%	$ 587,683	24 20%	$ 528,303	$ (59,380)
45	391 25	Data Processing Smart Meters	$ 11,505,849	20 00%	$ 2,301,170	20 01%	$ 2,302,320	$ 1,150
46	392	Transportation	$ 2,764,619	3 10%	$ 85,703	3 31%	$ 91,509	$ 5,806
47	393	Stores Equipment	$ 1,191,045	0 01%	$ 119	0 00%	$ -	$ (119)
48	394	Tools, Shop, & Garage Equipment	$ 10,682,593	5 13%	$ 548,017	4 62%	$ 493,536	$ (54,481)
49	395	Laboratory Equipment	$ 4,575,186	0 00%	$ -	0 00%	$ -	$ -
50	396	Power Operated Equipment	$ 4,026,495	0 69%	$ 27,783	0 30%	$ 12,079	$ (15,704)
51	397	Communications Equipment	$ 18,452,280	8 89%	$ 1,640,408	2 77%	$ 511,128	$ (1,129,280)
52	398	Miscellaneous Equipment	$ 2,828,329	2 63%	$ 74,385	0 46%	$ 13,010	$ (61,375)
53		TOTAL GENERAL PLANT	$ 118,213,483		$ 6,740,621		$ 5,044,058	$ (1,696,563)
54		**GRAND TOTAL**	$2,777,954,976		$ 76,040,388		$ 58,795,493	$ (17,244,895)

Notes and Source
Col A: See page 3, column C
Col B: Depreciation rates from Penelec Exhibit RAD-53
Cols D-F: OCA proposed depreciation rates sponsored by OCA witness James Garren

Pennsylvania Electric Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PN-3
Schedule C-1
Docket No R-2016-2537352
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Line No	Acct No		Per Company Adjusted Plant Balances at 12/31/2017	Accrual Rate ELG Ave Remaining Life Basis Per Penelec	Accrual Expense Amount Per Penelec	Accrual Rate ASL Ave Remaining Life Basis Per OCA	Accrual Expense Amount Per OCA	OCA Adjustment
			(A)	(B)	(C)	(D)	(E)	(F)
		INTANGIBLE PLANT						
1	303	Miscellaneous Intangible Plant	$ 45,927,531	14 29%	$ 6,563,044	8 86%	$ 4,069,179	$ (2,493,865)
2	303	Smart Meters	$ 22,214,396	14 29%	$ 3,174,437	14 29%	$ 3,174,437	$ -
3		TOTAL INTANGIBLE PLANT	$ 68,141,927		$ 9,737,481		$ 7,243,616	$ (2,493,865)
		TRANSMISSION PLANT						
4	350 12	Land Rights - subs	$ -	1 84%	$ -	1 84%	$ -	$ -
5	350 22	Land Rights-lines	$ -	1 84%	$ -	1 84%	$ -	$ -
6	352	Structures	$ 11,320	0 48%	$ 54	1 06%	$ 120	$ 66
7	352 2	Clearing Costs	$ 1,072,913	0 48%	$ 5,150	1 06%	$ 11,373	$ 6,223
8	353	Station Equipment	$ -	2 67%	$ -	1 38%	$ -	$ -
9	354	Towers and Fixtures	$ 129,938	0 00%	$ -	0 78%	$ 1,014	$ 1,014
10	355	Poles and Fixtures	$ 284,737	1 95%	$ 5,552	1 51%	$ 4,300	$ (1,252)
11	356	Overhead Conductors	$ (412,746)	2 08%	$ (8,585)	1 24%	$ (5,118)	$ 3,467
12	356 1	Clearing Costs	$ 14,919	1 43%	$ 213	1 28%	$ 191	$ (22)
13	358	Underground Conductors	$ -	3 17%	$ -	3 29%	$ -	$ -
14		TOTAL TRANSMISSION PLANT	$ 1,101,082		$ 2,384		$ 11,880	$ 9,496
		DISTRIBUTION PLANT						
15	360 12	Land Rights - subs	$ -	0 90%	$ -	0 85%	$ -	$ -
16	360 22	Land Rights-lines	$ 15,554,713	0 90%	$ 139,992	0 85%	$ 132,215	$ (7,777)
17	361 1	Structures	$ 15,230,142	1 04%	$ 158,393	1 04%	$ 158,393	$ -
18	362	Station Equipment	$ 268,119,836	1 77%	$ 4,745,721	1 33%	$ 3,565,994	$ (1,179,727)
19	364	Poles, Towers and Fixtures	$ 544,086,308	1 99%	$ 10,827,318	1 46%	$ 7,943,660	$ (2,883,658)
20	365	Overhead Conductors	$ 747,282,945	2 30%	$ 17,187,508	1 66%	$ 12,404,897	$ (4,782,611)
21	365 1	Clearing Costs	$ 158,546,829	1 48%	$ 2,346,493	1 36%	$ 2,156,237	$ (190,256)
22	366	Underground Conduit	$ 36,985,677	1 43%	$ 528,895	1 23%	$ 454,924	$ (73,971)
23	367	Underground Conductors	$ 179,326,995	2 38%	$ 4,267,982	1 95%	$ 3,496,876	$ (771,106)
24	368	Line Transformers	$ 394,487,521	2 71%	$ 10,690,612	2 01%	$ 7,929,199	$ (2,761,413)
25	369	Overhead Services	$ 77,569,085	1 74%	$ 1,349,702	1 44%	$ 1,116,995	$ (232,707)
26	369 1	Underground Services	$ 47,907,050	1 28%	$ 613,210	0 99%	$ 474,280	$ (138,930)
27	370	Meters	$ -	0 00%	$ -	4 29%	$ -	$ -
28	370	Smart Grid Meters 10 yr	$ 65,507	10 00%	$ 6,551	10 00%	$ 6,551	$ -
29	370	Smart Meters non classified 15 yr	$ 88,543,614	6 67%	$ 5,905,859	6 74%	$ 5,967,840	$ 61,981
30	370	Smart Meters Com 15 yr	$ 2,948,433	6 67%	$ 196,661	6 74%	$ 198,724	$ 2,063
31	370	Smart Meters Ind 15 yr	$ 2,561	6 67%	$ 171	6 74%	$ 173	$ 2
32	370	Smart Meters Residential 15 yr	$ 8,359,984	6 67%	$ 557,611	6 74%	$ 563,463	$ 5,852
33	370	Smart Meters Infra St	$ 686,914	6 67%	$ 45,817	6 74%	$ 46,298	$ 481
34	371	Installed on Customer Premises	$ 29,143,314	1 75%	$ 510,008	1 50%	$ 437,150	$ (72,858)
35	372	Leased Property Customer Premises	$ 198,655	0 11%	$ 219	0 09%	$ 179	$ (40)
36	373	Street Lighting & Signal Systems	$ 51,420,969	5 27%	$ 2,709,885	4 53%	$ 2,329,370	$ (380,515)
37		TOTAL DISTRIBUTION PLANT	$2,666,467,052		$ 62,788,608		$ 49,383,418	$ (13,405,190)
		GENERAL PLANT						
38	389 1	Land Rights	$ 17,209	1 39%	$ 239	1 25%	$ 215	$ (24)
39	390 1	Structures	$ 48,606,906	2 80%	$ 1,360,993	2 08%	$ 1,011,024	$ (349,969)
40	390 2	Clearing	$ 5,859,182	1 85%	$ 108,395	1 46%	$ 85,544	$ (22,851)
41	390 3	Struct Impr LH	$ 14,771	0 00%	$ -	0 00%	$ -	$ -
42	391 1	Office Furniture & Equipment	$ 4,430,253	0 31%	$ 13,734	0 03%	$ 1,329	$ (12,405)
43	391 15	Office Machines	$ 1,383,093	0 00%	$ -	0 00%	$ -	$ -
44	391 3	Personal Computers	$ 2,189,452	26 92%	$ 589,401	24 20%	$ 529,847	$ (59,554)
45	391 25	Data Processing Smart Meters	$ 11,891,717	20 00%	$ 2,378,343	20 01%	$ 2,379,533	$ 1,190
46	392	Transportation	$ 2,772,700	3 10%	$ 85,954	3 31%	$ 91,776	$ 5,822
47	393	Stores Equipment	$ 1,194,527	0 01%	$ 119	0 00%	$ -	$ (119)
48	394	Tools, Shop, & Garage Equipment	$ 10,713,819	5 13%	$ 549,619	4 62%	$ 494,978	$ (54,641)
49	395	Laboratory Equipment	$ 4,588,559	0 00%	$ -	0 00%	$ -	$ -
50	396	Power Operated Equipment	$ 4,038,264	0 69%	$ 27,864	0 30%	$ 12,115	$ (15,749)
51	397	Communications Equipment	$ 18,791,147	8 89%	$ 1,670,533	2 77%	$ 520,515	$ (1,150,018)
52	398	Miscellaneous Equipment	$ 2,836,597	2 63%	$ 74,602	0 46%	$ 13,048	$ (61,554)
53		TOTAL GENERAL PLANT	$ 119,328,195		$ 6,859,796		$ 5,139,924	$ (1,719,872)
54		**GRAND TOTAL**	$2,855,038,255		$ 79,388,269		$ 61,778,838	$ (17,609,431)

Notes and Source

Col A: Amounts from Penelec Exhibit RAD-46

Cols B: Depreciation rates from Penelec Exhibit RAD-53

Col D: OCA proposed depreciation rates sponsored by OCA witness James Garren

Pennsylvania Electric Company
Miscelleneous Expenses

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-2
Docket No. R-2016-2537352
Page 1 of 1

Line No.	Description	Amount (A)
1	Adjustment to Miscellaneous Expense	$ (111)

Notes and Source

Col. A: OCA's recommended adjustment is calculated below

	Description	Amount	Reference
2	Projected Amount for Athletic Events, Tickets, Sky Boxes and Sporting Activities (excludes transmission)	$ 58,613	OCA-I-80
3	Projected Amount for Employee Gifts, Awards, Luncheon/Dinners, Picnics	$ 47,533	OCA-I-77
4	Projected Amount for Athletic and Employee Organizations and Associations	$ 4,905	OCA-I-76
5	Total	$ 111,051	

Pennsylvania Electric Company
Incentive Compensation Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-3
Docket No. R-2016-2537352

Line No.	Description	Amount (A)	Reference
1	Adjustment to Penelec's Short-Term Incentive Plan Expense	$ (702)	A

Notes and Source

A: Amount derived from the response to OCA-I-41 and calculated below:

	Description	Amount	Reference
2	Met-Ed Short-Term Incentive Plan Expense for the 12 months ended December 31, 2017 (Non-Bargaining employees)	$ 2,341	Exh. RAD-27
3	Financial Key Performance Indicator Percentage*	30%	
4	Portion of Penelec Short-Term Incentive Plan Expense Related to Financial Performance	$ 702	

* This percentage was taken from the 2016 Short-Term Incentive Program Plan which was provided in response to OCA-I-41

Pennsylvania Electric Company
Stock-Based Compensation Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-4
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Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove Stock-Based Compensation Expense Charged to Penelec	$ (298)	A
2	Adjustment to Remove Stock-Based Compensation Expense Allocated to Penelec from the Service Company	$ (2,205)	B
3	Total Adjustment to Remove Stock-Based Compensation Expense	$ (2,503)	

Notes and Source

A: Amount direct charged to Penelec from the response to OCA-I-31 and calculated below:

	Description	Amount
4	LTIP Performance Shares	$ 76,969
5	LTIP Restricted Stock Units	$ 192,272
6	LTIP Restricted Stock Units - Dividends	$ 29,112
7	Total Stock-Based Compensation Expense direct charged to Penelec	$ 298,353

B: Amount allocated to Penelec from the Service Company from the response to OCA-I-32 and calculated below:

	Description	Amount
8	LTIP Performance Shares	$ 9,065,529
9	LTIP Restricted Stock Units	$ 17,773,409
10	LTIP Restricted Stock Units - Dividends	$ 2,600,425
11	Total Stock-Based Compensation Expense allocated to FirstEnergy from the Service Company	$ 29,439,363
12	Penelec Allocation Percentage	7.49%
13	Total Stock-Based Compensation Expense allocated to Penelec from the Service Company	$ 2,205,008

Pennsylvania Electric Company
Supplemental Executive Retirement Plan (SERP) Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-5
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Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove SERP Expense	$ (147)	A

Notes and Source

A: Amount from the response to OCA-I-44

Pennsylvania Electric Company
Payroll Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No	Description	Amount	Reference
1	OCA Adjustment to Distribution Related Payroll Expense	$ (741)	Line 30
2	OCA Adjustment to Customer Accounts Related Payroll Expense	$ (294)	Line 31
3	OCA Adjustment to Customer Service Related Payroll Expense	$ (112)	Line 32
4	OCA Adjustment to A & G Related Payroll Expense	$ (308)	Line 33
5	Total OCA Recommended Adjustment to Payroll Expense	$ (1,455)	

Notes and Source
Col B: OCA's recommended payroll expense adjustment is calculated below using information from Penelec Exhibit RAD-2, Adjustment No 5

	Description	Allocation Percentage (A)	Per Company (B)	Per OCA (C)	OCA Adjustment (D)	Reference
	Bargaining Employees					
	IBEW 459					
6	Straight Time Per Budget For 1/1/2017 through 4/30/17		$ 10,069	$ 10,069	$ -	
7	Straight Time 3% Increase Effective 5/1/2017		$ 302	$ 201	$ -	L7 x 3%
8	Total Payroll for the 12 Months Ended 12/31/2017 as Adjusted		$ 30,216	$ 30,115	$ (101)	
9	Straight Time 3% Increase Effective 5/1/2018		$ 906	$ -	$ (906)	L8 x 3%
	UWUA 180					
10	Straight Time Per Budget For 1/1/2017 through 8/31/2017		$ 5,965	$ 5,965	$ -	
11	Straight Time 2 5% Increase Effective 9/1/2017		$ 149	$ 50	$ -	L10 x 2 5%
12	Total Payroll for the 12 Months Ended 12/31/2017 as Adjusted		$ 9,223	$ 9,124	$ (99)	
13	Straight Time 2 5% Increase Effective 5/1/2018		$ 231	$ -	$ (231)	L12 x 2 5%
	Non-Bargaining Employees					
14	Straight Time Per Budget for 1/1/2017 through 2/28/2017		$ 3,629	$ 3,629	$ -	
15	Straight Time 3% Increase Effective 3/1/2017		$ 109	$ 91	$ -	L14 x 3%
16	Total Payroll for the 12 Months Ended 12/31/2017 as Adjusted		$ 22,731	$ 22,713	$ (18)	
17	Straight Time 3% Increase Effective 3/1/2018		$ 682	$ -	$ (682)	L16 x 3%
18	Total Company Payroll Adjustment		$ 2,379	$ 342	$ (2,037)	L7 + L9 + L11 + L13 + L15 + L17
19	O&M Allocation Percentage		49 56%	49 56%		Penelec Exhibit RAD-2 (page 12)
20	Total O&M Payroll Adjustment		$ 1,179	$ 169	$ (1,010)	L18 x L19
	Allocation of Bargaining and Non-Bargaining Payroll Adjustment					
21	Price to Compare	0 00%	$ -	$ -	$ -	
22	Transmission	0 00%	$ -	$ -	$ -	Not Included in Cost of Service
23	Distribution	67 00%	$ 790	$ 113	$ (677)	Penelec Exhibit RAD-2, Adjustment No 5
24	Customer Accounts	17 76%	$ 209	$ 30	$ (179)	Penelec Exhibit RAD-2, Adjustment No 6
25	Customer Service	11 11%	$ 131	$ 19	$ (112)	Penelec Exhibit RAD-2, Adjustment No 7
26	Administrative & General	4 13%	$ 49	$ 7	$ (42)	Penelec Exhibit RAD-2, Adjustment No 8
27	Total Allocation of Payroll Adjustment	100 00%	$ 1,179	$ 169	$ (1,010)	See Line 20
	Service Company					
28	Straight Time Per Budget for 1/1/2017 Through 2/28/2017		$ 2,173	$ 2,173	$ -	
29	Straight Time 3% Increase Effective 3/1/2017		$ 65	$ 54	$ -	
30	Total Service Company Payroll for the 12 Months Ended 12/31/2017 as Adjusted		$ 14,476	$ 14,465	$ (11)	
31	Straight Time 3% Increase Effective 3/1/2018		$ 434	$ -	$ (434)	
32	Total Service Company Payroll Adjustment		$ 499	$ 54	$ (445)	
	Allocation of Service Company Payroll Adjustment					
33	Price to Compare	0 00%	$ -	$ -	$ -	
34	Transmission	0 00%	$ -	$ -	$ -	Not Included in Cost of Service
35	Distribution	14 37%	$ 72	$ 8	$ (64)	Penelec Exhibit RAD-2, Adjustment No 5
36	Customer Accounting and Information	25 89%	$ 129	$ 14	$ (115)	Penelec Exhibit RAD-2, Adjustment No 6
37	Administrative & General	59 74%	$ 298	$ 32	$ (266)	Penelec Exhibit RAD-2, Adjustment No 8
38	Total Allocation of Service Company Payroll Adjustment	100 00%	$ 499	$ 54	$ (445)	See Line 32
	Total Allocation of OCA Recommended Payroll Adjustment					
39	Distribution		$ 862	$ 121	$ (741)	L23 +L35
40	Customer Accounts/Customer Accounting and Information		$ 338	$ 44	$ (294)	L24 + L36
41	Customer Service		$ 131	$ 19	$ (112)	L25
42	Administrative & General		$ 347	$ 39	$ (308)	L26 +L37
43	Total OCA Recommended Adjustment to Payroll Expense		$ 1,678	$ 223	$ (1,455)	Excludes Transmission

Pennsylvania Electric Company
Payroll Tax Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-7
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Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	OCA Adjustment to Payroll Tax Expense	$ (169)	A

Notes and Source

A: OCA recommended adjustment to Payroll Tax Expense calculated as follows:

	OCA Recommended Payroll Adjustment	Amount	Reference
2	Distribution	$ (741)	Sch. C-6, Line 39
3	Customer Accounts/Customer Accounting and Information	$ (294)	Sch. C-6, Line 40
4	Customer Service	$ (112)	Sch. C-6, Line 41
5	Administrative & General	$ (308)	Sch. C-6, Line 42
6	Total OCA Recommended Adjustment to Payroll Expense	$ (1,455)	
7	Effective Payroll Tax Rate	3.624%	See below
8	OCA Adjustment to Payroll Tax Expense	$ (53)	
	Payroll Tax Related to Incentive and Stock-Based Compensation		
9	OCA Adjustment to Incentive Compensation Expense	$ (702)	Sch. C-3
10	OCA Adjustment to Stock-Based Compensation Expense	$ (2,503)	Sch. C-4
11	Total OCA Adjustments to Incentive and Stock-Based Compensation Expense	$ (3,205)	
12	Effective Payroll Tax Rate	3.624%	See below
13	Payroll Tax Adjustment Related to Incentive and Stock-Based Compensation Expense	$ (116)	
14	Total OCA Adjustment to Payroll Tax Expense	$ (169)	L8 + L13
	Effective Payroll Tax Rate Calculated as follows:		
15	Total Budgeted Payroll Tax Expense For 12 Months Ending 12/31/2017	$ 2,658	Penelec Exhibit RAD-2, Adjustment No. 11, Supporting Schedule No. 1
16	Total Budgeted Payroll Expense for 12 Months Ending 12/31/2017	$ 73,348	Penelec Exhibit RAD-2, Adjustment No. 11, Supporting Schedule No. 1
17	Effective Payroll Tax Rate	3.624%	L15 / L16

Pennsylvania Electric Company
Employee Benefits

Exhibit LA-PN-3
Schedule C-8
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Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	Penelec Proposed Increase to Employee Benefits Expense	$ 180	A
2	OCA Recommended Increase to Employee Benefits Expense	$ 26	B
3	OCA Adjustment to Employee Benefits Expense	$ (154)	L2 - L1

Notes and Source

A: Company amount from Penelec Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 3

		Amount
4	Total increase due to payroll adjustment per Company	$ 615
5	Less pension costs	$ (426)
6	Less OPEB costs	$ (9)
7	Net Increase to Employee Benefits Expense	$ 180

B: OCA's recommended adjustment calculated below using information from Penelec Exhibit RAD-2, Adjustment No. 8

	Description	Effective Rate	OCA Payroll Expense Adjustment Per Sch. C-6	Employee Benefits Adjustment
8	Worker's Compensation	0.724%	$ 169	$ 1
9	Pension Costs	37.325%	$ 169	$ -
10	OPEB Costs	0.793%	$ 169	$ -
11	Life Insurance	0.153%	$ 169	$ -
12	Medical Insurance	9.625%	$ 169	$ 16
13	Savings Plan	3.076%	$ 169	$ 5
14	Other	2.180%	$ 169	$ 4
15	Total			$ 26

Summary of Employee Benefit Rates (Penelec Exhibit RAD-27)

	Description	Total Amount	Total Payroll*	Effective Rate
16	Worker's Compensation	$ 531	$ 73,348	0.724%
17	Pension Costs	$ 27,377	$ 73,348	37.325%
18	OPEB Costs	$ 582	$ 73,348	0.793%
19	Life Insurance	$ 112	$ 73,348	0.153%
20	Medical Insurance	$ 7,060	$ 73,348	9.625%
21	Savings Plan	$ 2,256	$ 73,348	3.076%
22	Other	$ 1,599	$ 73,348	2.180%

* Penelec Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 3 reflects total FPFTY payroll of $75.727 million, but Penelec Exhibit RAD-2, Adjustment No. 5, Supporting Schedule 1 reflects total FPFTY payroll of $73.348 million which ties to Penelec Exhibit RAD-27.

Pension and OPEB expense are adjusted for on Schedule's C-9 and C-10

Pennsylvania Electric Company
Pension Expense

Exhibit LA-PN-3
Schedule C-9
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Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	O&M Pension Expense for the FPFTY Ending 12/31/2017 Per Company	$ 13,247	A
2	O&M Pension Expense for the FPFTY Ending 12/31/2017 Per OCA	$ 1,325	B
3	OCA Adjustment to O&M Pension Expense for the FPFTY Ending 12/31/2017	$ (11,922)	L2 - L1

Notes and Source

A: Amount from Penelec Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 2
B: Amount from OCA-I-55, Revised Confidential Attachment A*

* The amount reflected on Line 2 is also included in Penelec's public filing on Exhibit RAD-2 (page 19), Adjustment No. 8

Pennsylvania Electric Company
Post Retirement Benefits Other Than Pensions (OPEB)

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-10
Docket No. R-2016-2537352
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	O&M OPEB Expense for the FPFTY Ending 12/31/2017 Per Company	$ 288	A
2	O&M OPEB Expense for the FPFTY Ending 12/31/2017 Per OCA	$ 433	B
3	OCA Adjustment to O&M OPEB Expense for the FPFTY Ending 12/31/2017	$ 145	L2 - L1

Notes and Source

A: Amount from Penelec Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 1
B: Amount from OCA-I-56, Revised Confidential Attachment A*

* The amount reflected on Line 2 is also included in Penelec's public filing on Exhibit RAD-2 (page 18), Adjustment No. 8

Pennsylvania Electric Company
Affiliate Aircraft Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-11
Docket No. R-2016-2537352
Page 1 of 1
Revised

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove Affiliate Aircraft Expense	$ -	A

Notes and Source

A: OCA removed this adjustment as discussed in the Surrebuttal Testimony of OCA witness Ralph C. Smith

Pennsylvania Electric Company
Rate Case Expense

Exhibit LA-PN-3
Schedule C-12
Docket No. R-2016-2537352
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	Amortization of Rate Case Expense Per Company	$ 285	A
2	OCA Recommended Amortization of Rate Case Expense	$ 114	A
3	OCA Adjustment to Rate Case Expense	$ (171)	L2 - L1

Notes and Source

A: Amounts for rate case expense calculated below using information from Penelec Exhibit RAD-2, Adjustment No. 8 and Exhibit RAD-23

	Description	Rate Case Expense Per Penelec Exhibit RAD-23	Rate Case Expense Per OCA	OCA Adjustment
4	Legal Fees	$ 301	$ 301	
5	Expert Witnesses	$ 46	$ 46	
6	Other	$ 222	$ 222	
7	Total Rate Case Expense	$ 570	$ 570	
8	Amortization Period (Years)	2	5	
9	Amortization of Rate Case Expense	$ 285	$ 114	$ (171)

Pennsylvania Electric Company
Interest Synchronization

Fully Projected Future Test Year Ended 4/30/2016
(Thousands of Dollars)

Exhibit LA-PN-3
Schedule C-13
Docket No. R-2016-2537352
Page 1 of 1
Revised

Line No.	Description	Amount (A)	Reference
1	Adjusted Rate Base, per OCA	$ 1,518,793	Schedule B
2	Weighted Cost of Debt, per OCA	2.64%	Per OCA - Schedule D
3	Going-Level Interest Deduction for Tax Purposes	$ 40,051	L1 x L2
4	Interest Deduction per Company	$ 42,975	Note A
5	Decrease in Deductible Interest	$ (2,924)	L3 - L4
6	State Income Tax Rate	9.99%	
7	Increase to State Income Tax	$ 292	L5 x L6
8	Federal Taxable Income	$ (2,632)	L5 + L7
9	Federal Income Tax Rate	35.00%	
10	Increase to Federal Income Tax Expense	$ 921	L8 x L9
11	Overall Increase (Decrease) to Income Tax Expense	$ 1,213	L7 + L10

Notes and Source:
Note A: Amount from Penelec Exhibit RAD-2, Adjustment No. 12 and Exhibit RAD-31

Pennsylvania Electric Company
Application of Act 40 Revenue Use Differential

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PN-3
Schedule E-1
Docket No. R-2016-2537352
Page 1 of 2
Revised

Line No.	Description	2017 FPFTY Year-End Rate Base (A)	2017 Average FPFTY Rate Base (B)	Reference
	Part I. Fifty Percent to Support Infrastructure Related to Rate-Base Eligible Capital Investment as Determined by the Commission			
1	Revenue Use Amount Total	$ (6,635,898)	$ (6,635,898)	A
2	Revenue Use Amount 50%	$ (3,317,949)	$ (3,317,949)	
	Estimated Impact on FPFTY:			
3	January 1, 2017	$ -	$ -	
4	December 31, 2017 (11/12ths)*	$ (3,041,453)	$ (3,041,453)	
5	Estimated FPFTY Impact	$ (3,041,453)	$ (1,520,727)	
6	Applied to Rate Base as Customer-Supplied Revenue Use Differential to Support Rate Base Eligible Infrastructure Capital Investment		$ (1,520,727)	

Notes and Source

A: Total Revenue Use amount from Schedule E, page 1, Line 18

* New base rates in this case are anticipated to be in effect by late January 2017. The suspension period ends January 27, 2017.

Metropolitan Edison Company
Application of Act 40 Revenue Use Differential

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PN-3
Schedule E-1
Docket No. R-2016-2537349
Page 2 of 2
Revised

Line No.	Description	2017 FPFTY Year-End Rate Base (A)	2017 Average FPFTY Rate Base (B)	Reference
	Part II. Fifty Percent for "General Corporate Purposes" Applied as Ratepayer-Provided Support for Working Capital in Rate Base			
1	Revenue Use Amount Total	$ (6,635,898)	$ (6,635,898)	A
2	Revenue Use Amount 50%	$ (3,317,949)	$ (3,317,949)	
	Estimated Impact on FPFTY:			
3	January 1, 2017	$ -	$ -	
4	December 31, 2017 (11/12ths)*	$ (3,041,453)	$ (3,041,453)	
5	Estimated FPFTY Impact	$ (3,041,453)	$ (1,520,727)	
6	Applied to Rate Base as Customer-Supplied Revenue Use Differential to Support Rate Base Working Capital		$ (1,520,727)	

Notes and Source

A: Total Revenue Use amount from Schedule E, page 1, Line 18

* New base rates in this case are anticipated to be in effect by late January 2017. The suspension period ends January 27, 2017.

Pennsylvania Power Company
Docket No. R-2016-2537355
Exhibit LA-PP-3
Revenue Requirement and Adjustment Schedules
Accompanying the Direct Testimony of Ralph Smith

Number	Description	No. of Pages	Revised	Confidential	Applies to This Utility	Page No.
	Revenue Requirement Summary Schedules					
A	Calculation of Revenue Deficiency (Sufficiency)	2	Yes	No	**Yes**	2-3
A-1	Gross Revenue Conversion Factor	1	Yes	No	**Yes**	4
B	Adjusted Rate Base	1	Yes	No	**Yes**	5
B 1	Summary of Rate Base Adjustments	1	Yes	No	**Yes**	6
C	Adjusted Net Operating Income	1	Yes	No	**Yes**	7
C 1	Summary of Net Operating Income Adjustments	2	Yes	No	**Yes**	8-9
D	Capital Structure and Cost Rates	1	Yes	No	**Yes**	10
	Rate Base Adjustments					
B-1	Average FPFTY Rate Base	1	No	No	**Yes**	11
B-2	Deferred Storm Damage Expense	1	No	No	**No**	12
B-3	Accumulated Depreciation Related to Depreciation Expense at Proposed Rates	1	No	No	**Yes**	13
B-4	Cash Working Capital	2	Yes	No	**Yes**	14-15
	Net Operating Income Adjustments					
C-1	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	4	No	No	**Yes**	16-19
C-2	Miscelleneous Expenses	1	No	No	**Yes**	20
C-3	Incentive Compensation Expense	1	No	No	No	21
C-4	Stock-Based Compensation Expense	1	No	No	No	22
C-5	Supplemental Executive Retirement Plan (SERP) Expense	1	No	No	**Yes**	23
C-6	Payroll Expense	1	No	No	**Yes**	24
C-7	Payroll Tax Expense	1	No	No	**Yes**	25
C-8	Employee Benefits	1	No	No	**Yes**	26
C-9	Pension Expense	1	No	No	No	27
C-10	Post Retirement Benefits Other Than Pensions (OPEB)	1	No	No	No	28
C-11	Affiliate Aircraft Expense	1	Yes	No	**Yes**	29
C-12	Rate Case Expense	1	No	No	**Yes**	30
C-13	Interest Synchronization	1	Yes	No	**Yes**	31
E	Consolidated Tax Savings	3	Yes	Yes	**Yes**	32-34
E-1	Application of Act 40 Revenue Use Differential	2	Yes	No	**Yes**	35-36
	Total Pages (including Contents page)	36				

Pennsylvania Power Company
Calculation of Revenue Deficiency (Sufficiency)

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule A
Docket No. R-2016-2537355
Page 1 of 2
Revised

Line No.	Description	Reference	Per Company (A)	Per OCA (B)	Difference (C)
1	Adjusted rate base	B	$ 413,519	$ 391,762	$ (21,757)
2	Rate of return	D	8.70%	7.41%	
3	Net operating income required (Calculated)		$ 35,965	$ 29,018	$ (6,947)
4	Adjusted net operating income	C	$ 13,742	$ 19,466	$ 5,724
5	Net operating income deficiency		$ 22,223	$ 9,552	$ (12,671)
6	Gross revenue conversion factor	A-1	1.81600	1.81600	
7	Revenue deficiency (Sufficiency)		$ 40,357	$ 17,347	$ (23,010)
8	Per Company Column Difference (Rounding)		$ -		$ -
9	Revenue deficiency (Sufficiency)		$ 40,357	$ 17,347	$ (23,010)
10	DSS and HPS Riders		$ 1,676	$ 1,676	
11	Total Base Rate Increase		$ 42,033	$ 19,023	$ (23,010)
12	Less: Smart Meter Roll In		$ -	$ -	
13	Less: DSIC Roll In		$ (4,634)	$ (4,634)	
14	Net Increase in Revenue		$ 37,399	$ 14,389	$ (23,010)

Notes and Source

15	Operating Revenue at Current Rates	C	$ 94,190	$ 94,978
16	Percentage Increase	L14 / L15	39.7%	15.1%

Pennsylvania Power Company
Revenue Requirement Reconciliation

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule A
Docket No R-2016-2537355
Page 2 of 2
Revised

Line No	Description	Schedule Reference	Component	OCA Adjustments (A)	OCA Multiplier (B)	OCA Revenue Requirement Amount (C)
		D	ROR Difference		-1 2970%	
	Rate Base	A-1	GRCF		x 1 816003	
1	Rate Base per Penn Power's Filing	B		$ 413,519	-2 355%	$ (9,740)
		D	Rate of Return		7 407%	
	Effect of OCA Adjustments to Rate Base	A-1	GRCF		x 1 816003	
2	Average FPFTY Rate Base	B-1		$ (14,002)	13 45%	$ (1,883)
3	Deferred Storm Damage Expense	B-2		$ (1,428)	13 45%	$ (192)
4	Accumulated Depreciation Related to Depreciation Expense at Proposed Rates	B-3		$ 2,951	13 45%	$ 397
5	Cash Working Capital	B-4		$ (7,030)	13 45%	$ (946)
6	Application of Act 40 Revenue Use Differential	E-1		$ (2,248)	13 45%	$ (302)
7	Total OCA Rate Base Adjustments			$ (21,757)		
8	**OCA Adjusted Original Cost Rate Base**	B		$ 391,762		
	Net Operating Income		Pre-Tax Operating Income Amount	Net Operating IncomeAmount Sch C 1	OCA GRCF Sch A-1	
	Effect of OCA Adjustments on NOI					
9	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	C-1	$ (5,901)	$ 3,452	1 816003	$ (6,269)
10	Miscelleneous Expenses	C-2	$ (1)	$ 1	1 816003	$ (1)
11	Incentive Compensation Expense	C-3	$ (131)	$ 77	1 816003	$ (139)
12	Stock-Based Compensation Expense	C-4	$ (515)	$ 301	1 816003	$ (547)
13	Supplemental Executive Retirement Plan (SERP) Expense	C-5	$ (98)	$ 57	1 816003	$ (104)
14	Payroll Expense	C-6	$ (322)	$ 189	1 816003	$ (342)
15	Payroll Tax Expense	C-7	$ (27)	$ 16	1 816003	$ (28)
16	Employee Benefits	C-8	$ (42)	$ 25	1 816003	$ (45)
17	Pension Expense	C-9	$ (1,783)	$ 1,043	1 816003	$ (1,895)
18	Post Retirement Benefits Other Than Pensions (OPEB)	C-10	$ (892)	$ 522	1 816003	$ (948)
19	Affiliate Aircraft Expense	C-11	$ -	$ -	1 816003	$ -
20	Rate Case Expense	C-12	$ (49)	$ 28	1 816003	$ (51)
21	Interest Synchronization	C-13	$ -	$ (448)	1 816003	$ 813
22	Revenue Normalization Related to Phase III EE&C Plan 5-Year Average of Usage Reductions	Exh LA-PP-2*	$ -	$ 461	1 816003	$ (837)
23	Total OCA Adjustments to Operating Income	C 1	$ (9,760)	$ 5,724		
24	Net Operating Income per Company Filing	C		$ 13,742		
25	**OCA Adjusted Net Operating Income**	C		$ 19,466		
	Gross Revenue Conversion Factor Difference:					
26	Per OCA	A-1			1 816003	
27	Per Company	A-1			1 816001	
28	Difference				0 000002	
29	Company Adjusted NOI Deficiency	A			$ 22,223	
30	GRCF Difference					$ 0
31	OCA REVENUE REQUIREMENT ADJUSTMENTS ABOVE					$ (23,059)
32	Company Requested Base Rate Revenues	A				$ 40,357
33	Reconciled Revenue Requirement					$ 17,298
34	Revenue Requirement Calculated on Schedule A	A				$ 17,347
35	Unidentified Difference					$ (49)
36	Unidentified Difference as percent of OCA base rate revenue increase					-0 28%

Notes and Source

Pre-tax return computed using Gross Revenue Conversion Factor

*Exhibit LA-PP-2 was filed in conjunction with the Supplemental Direct Testimony of OCA witness Ralph C Smith that was served on August 17, 2016

Pennsylvania Power Company
Gross Revenue Conversion Factor

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule A-1
Docket No R-2016-2537355
Page 1 of 1
Revised

Line No	Description	Company Proposed Amounts (A)	Company Proposed Derived Percentages (B)	Company Proposed as Percentages (C)	Effective Current Income Tax Rate (B1)	Revised OCA Proposed (D)
1	Gross Revenue	$ 40,357		100 00000%		100 00000%
2	Taxes Other Than Income	$ 2,374	5 88%	5 882500%		5 88250%
3	Taxable Income	$ 37,983		94 11750%		94 11750%
4	State Income Taxes	$ 3,794	9 99%	9 40110%	9 99%	9 40111%
5	Income Before Federal Income Taxes	$ 34,189		84 71640%		84 71639%
6	Federal Income Taxes	$ 11,966	35 00%	29 65040%	35 00%	29 65040%
7	Change in Net Operating Income	$ 22,223		55 06600%		55 06599%
8	Gross Revenue Conversion Factor	1 81600		1 81600		1 81600

Notes and Source

Col A: Penn Power Exhibit RAD-2, Page 6
Col B: Derived from Column A

Components of Revenue Requirement Increase

		Penn Power	Percent	OCA	Percent
9	Net Income	$ 22,223	55 07%	$ 9,552	55 06599%
10	Taxes Other Than Income	$ 2,374	5 88%	$ 1,020	5 88250%
11	Current State Income Taxes	$ 3,794	9 40%	$ 1,631	9 40111%
12	Current Federal Income Taxes	$ 11,966	29 65%	$ 5,143	29 65040%
13	Total Revenue Increase	$ 40,357	100 00%	$ 17,346	100 0000%
14	Total Revenue Increase (From Schedule A)			$ 17,347	

Pennsylvania Power Company
Adjusted Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule B
Docket No. R-2016-2537355
Page 1 of 1
Revised

Line No.	Description	Company Proposed (A)	OCA Adjustments (B)	OCA Proposed (C)
	Electric Plant in Service			
1	Plant in Service	$ 698,940	$ (21,455)	$ 677,485
2	Plant Held For Future Use	$ -	$ -	$ -
3	Construction Work in Progress	$ -	$ -	$ -
4	Total Electric Plant	$ 698,940	$ (21,455)	$ 677,485
	Depreciation and Amortization Reserve:			
5	Plant in Service	$ (199,862)	$ 8,578	$ (191,284)
6	Plant Held For Future Use	$ -	$ -	$ -
7	Excluded Property		$ -	$ -
8	Total Depreciation and Amortization Reserve	$ (199,862)	$ 8,578	$ (191,284)
9	Net Electric Plant	$ 499,078	$ (12,877)	$ 486,201
	Additions:			
10	Cash Working Capital	$ 28,906	$ (8,154)	$ 20,752
11	M&S Inventories	$ 3,245	$ -	$ 3,245
12	Legacy Meters	$ 5,508	$ 1,170	$ 6,678
13	Deferred Storm Damage	$ 1,425	$ (1,425)	$ -
14	**Total Additions to Rate Base**	$ 39,084	$ (8,410)	$ 30,674
	Deductions:			
15	Customer Deposits	$ (5,239)	$ -	$ (5,239)
16	Customer Advances for Construction	$ (33)	$ -	$ (33)
17	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ (118,121)	$ 654	$ (117,467)
18	Operating Reserves (Net of Taxes)	$ (1,250)	$ -	$ (1,250)
19	Revenue Use Differential for Infrastructure Capital Investment	$ -	$ (1,124)	$ (1,124)
20	**Total Rate Base Deductions**	$ (124,643)	$ (470)	$ (125,113)
21	**Total Rate Base**	$ 413,519	$ (21,757)	$ 391,762

Notes and Source
Col.A: Penn Power Exhibit RAD-1
Col.B: Schedule B.1

Pennsylvania Power Company
Summary of Adjustments to Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule B.1
Docket No. R-2014-2428744
Page 1 of 1
Revised

Line No.	Description	OCA Adjustments	Average FPFTY Rate Base	Deferred Storm Damage Expense	Accumulated Depreciation	Cash Working Capital	Application of Act 40 Revenue Use Differential
			B-1	B-2	B-3	B-4 Revised	E-1 Revised
	Utility Plant in Service						
1	Plant in Service	$ (21,455)	$ (21,455)				
2	Plant Held For Future Use	$ -					
3	Construction Work in Progress	$ -					
4	Total Electric Plant	$ (21,455)	$ (21,455)	$ -	$ -	$ -	$ -
	Depreciation and Amortization Reserve:						
5	Plant in Service	$ 8,578	$ 5,627		$ 2,951		
6	Plant Held For Future Use	$ -					
7	Excluded Property	$ -					
8	Total Depreciation and Amortization Reserve	$ 8,578	$ 5,627	$ -	$ 2,951	$ -	$ -
	Additions:						
9	Cash Working Capital	$ (8,154)				$ (7,030)	$ (1,124)
10	M&S Inventories	$ -					
11	Legacy Meters	$ 1,170	$ 1,170				
12	Deferred Storm Damage	$ (1,425)	$ 3	$ (1,428)			
13	**Total Additions to Rate Base**	$ (8,410)	$ 1,172	$ (1,428)	$ -	$ (7,030)	$ (1,124)
	Deductions:						
14	Customer Deposits	$ -					
15	Customer Advances for Construction	$ -					
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ 654	$ 654				
17	Operating Reserves (Net of Taxes)	$ -					
19	Revenue Use Differential for Infrastructure Capital Investment	$ (1,124)					$ (1,124)
20	**Total Rate Base Deductions**	$ (470)	$ 654	$ -	$ -	$ -	$ (1,124)
21	**Total Rate Base**	$ (21,757)	$ (14,002)	$ (1,428)	$ 2,951	$ (7,030)	$ (2,248)

Pennsylvania Power Company
Adjusted Net Operating Income

Exhibit LA-PP-3
Schedule C
Docket No. R-2016-2537355
Page 1 of 1
Revised

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Per Company (A)	OCA Adjustments (B)	OCA Proposed (C)	OCA Revenue Requirement Change (D)	Revenue Requirement Impact (E)
	Operating Revenues					
1	Retail Sales	$ 90,994	$ 788	$ 91,782		
2	STAS Revenue	$ -	$ -	$ -		
3	Sales for Resale	$ -	$ -	$ -		
4	Other Operating Revenue	$ 3,196	$ -	$ 3,196		
5	Total Operating Revenue	$ 94,190	$ 788	$ 94,978	$ 17,346	$ 112,325
	Operating Expenses					
6	Price to Compare (PTC)	$ -	$ -	$ -		$ -
7	Distribution	$ 16,772	$ (138)	$ 16,634		$ 16,634
8	Customer Accounts	$ 4,762	$ (68)	$ 4,694		$ 4,694
9	Customer Service & Information	$ 5,009	$ (29)	$ 4,980		$ 4,980
10	Adminstrative & General Expense	$ 10,264	$ (3,597)	$ 6,667		$ 6,667
11	Depreciation - Accrual	$ 24,387	$ (5,901)	$ 18,486		$ 18,486
12	Amortization	$ 1,700	$ -	$ 1,700		$ 1,700
13	Taxes Other Than Income	$ 6,222	$ (27)	$ 6,195	$ 1,020	$ 7,215
14	Operating Expense Before Tax	$ 69,116	$ (9,760)	$ 59,356	$ 1,020	$ 60,376
15	**Operating Income Before Tax**	$ 25,075	$ 10,549	$ 35,624	$ 16,326	$ 51,949
	Income Taxes:					
16	Federal Income Tax - Current	$ 2,778	$ 1,162	$ 3,940	$ 5,143	$ 9,083
17	State Income Tax - Current	$ 2,203	$ 3,663	$ 5,866	$ 1,631	$ 7,497
18	Deferred Income Tax - Federal	$ 6,351	$ -	$ 6,351		$ 6,351
19	Deferred Income Tax - State	$ -		$ -		$ -
20	Investment Tax Credit	$ -		$ -		$ -
21	**Total Tax Expense**	$ 11,332	$ 4,825	$ 16,157	$ 6,774	$ 22,931
22	**Total Operating Expenses**	**$ 80,448**	**$ (4,936)**	**$ 75,512**	**$ 7,794**	**$ 83,307**
23	**Operating Income**	$ 13,742	$ 5,724	$ 19,466	$ 9,552	$ 29,018

Notes and Source
Col.A: Penn Power Exhibit RAD-2
Col.B: Schedule C.1
Col.C: Col.A + Col.B

Pennsylvania Power Company
Summary of Net Operating Income Adjustments

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C.1
Docket No. R-2016-2537355
Page 1 of 2
Revised

Line No.	Description	OCA Adjustments	Depreciation Expense at Proposed Rates	Miscellaneous Expense	Incentive Compensation Expense	Stock-Based Compensation Expense	SERP Expense	Payroll Expense	Payroll Tax Expense
			C-1	C-2	C-3	C-4	C-5	C-6	C-7
	Operating Revenues								
1	Retail Sales	$ 788							
2	STAS Revenue	$ -							
3	Sales for Resale	$ -							
4	Other Operating Revenue	$ -							
5	Total Operating Revenue	$ 788	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expenses								
6	Price to Compare (PTC)	$ -							
7	Distribution	$ (138)						$ (138)	
8	Customer Accounts	$ (68)						$ (68)	
9	Customer Service & Information	$ (29)						$ (29)	
10	Adminstrative & General Expense	$ (3,597)		$ (1)	$ (131)	$ (515)	$ (98)	$ (87)	
11	Depreciation - Accrual	$ (5,901)	$ (5,901)						
12	Amortization	$ -							
13	Taxes Other Than Income	$ (27)							$ (27)
14	PRE-TAX OPERATING EXPENSES	$ (9,760)	$ (5,901)	$ (1)	$ (131)	$ (515)	$ (98)	$ (322)	$ (27)
15	PRE-TAX OPERATING INCOME	$ 10,549	$ 5,901	$ 1	$ 131	$ 515	$ 98	$ 322	$ 27
16	State Income Tax - Current	$ 1,162	$ 590	$ -	$ 13	$ 51	$ 10	$ 32	$ 3
17	Federal Income Tax - Current	$ 3,663	$ 1,859	$ 0	$ 41	$ 162	$ 31	$ 102	$ 8
18	Federal & State Income Taxes	$ 4,825	$ 2,449	$ 0	$ 54	$ 213	$ 41	$ 134	$ 11
19	TOTAL OPERATING EXPENSES	$ (4,936)	$ (3,452)	$ (1)	$ (77)	$ (301)	$ (57)	$ (189)	$ (16)
20	OPERATING INCOME	$ 5,724	$ 3,452	$ 1	$ 77	$ 301	$ 57	$ 189	$ 16

Notes and Source

Line 16: State Income Tax Rate	9.99%
Line 17: Federal Income Tax Rate	35.00%

Pennsylvania Power Company
Summary of Net Operating Income Adjustments

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C.1
Docket No. R-2016-2537355
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Revised

Line No.	Description	Employee Benefits Expense	Pension Expense	OPEB Expense	Affiiate Aircraft Expense	Rate Case Expense	Interest Synchronization	Revenue Normalization Related to Phase III EE&C Plan Using a Five-Year Average of Usage Reductions
		C-8	C-9	C-10	C-11 Revised	C-12	C-13	Exh. LA-PP-2
	Operating Revenues							
1	Retail Sales							$ 788
2	STAS Revenue							
3	Sales for Resale							
4	Other Operating Revenue							
5	Total Operating Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ 788
	Operating Expenses							
6	Price to Compare (PTC)							
7	Distribution							
8	Customer Accounts							
9	Customer Service & Information							
10	Adminstrative & General Expense	$ (42)	$ (1,783)	$ (892)	$ -	$ (49)		
11	Depreciation - Accrual							
12	Amortization							
13	Taxes Other Than Income							
14	PRE-TAX OPERATING EXPENSES	$ (42)	$ (1,783)	$ (892)	$ -	$ (49)	$ -	$ -
15	PRE-TAX OPERATING INCOME	$ 42	$ 1,783	$ 892	$ -	$ 49	$ -	$ 788
16	State Income Tax - Current	$ 4	$ 178	$ 89	$ -	$ 5	$ 108	$ 79
17	Federal Income Tax - Current	$ 13	$ 562	$ 281	$ -	$ 15	$ 340	$ 248
18	Federal & State Income Taxes	$ 17	$ 740	$ 370	$ -	$ 20	$ 448	$ 327
19	TOTAL OPERATING EXPENSES	$ (25)	$ (1,043)	$ (522)	$ -	$ (28)	$ 448	$ 327
20	OPERATING INCOME	$ 25	$ 1,043	$ 522	$ -	$ 28	$ (448)	$ 461

Notes and Source
Line 16: State Income Tax Rate
Line 17: Federal Income Tax Rate

Pennsylvania Power Company
Capital Structure and Cost Rates

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule D
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Revised

Line No.	Description	Capital Amounts	Percent	Cost Rate	Weighted Cost
			(A)	(B)	(C)
	Per Company				
1	Long Term Debt	$ 151,981	49.93%	5.88%	2.94%
2	Preferred Stock	$ -	0.00%	0.00%	0.00%
3	Common Equity	$ 152,390	50.07%	11.50%	5.76%
4	Total Capital Structure	$ 304,371	100.00%		8.70%
	Per OCA				
5	Long-Term Debt	$ 151,981	49.93%	5.66% *	2.83%
6	Preferred Stock	$ -	0.00%	0.00%	0.00%
7	Common Equity	$ 152,390	50.07%	9.15%	4.58%
8	Total Capital Structure	$ 304,371	100.00%		7.41%
9	Difference				-1.297%
10	Weighted Cost of Debt				2.83%

Notes and Source

Lines 1-4: Penn Power Exhibit RAD-1
Lines 5-8: Per the recommendation of OCA witness Dave Parcell

* The Company modified its weighted average cost of capital to reflect a change in the cost rate related to a $50 million debt issuance as discussed in the Rebuttal Testimony of Company witness Joseph Dipre. This change is only being reflected for OCA's recommended rate of return.

Pennsylvania Power Company
Average FPFTY Rate Base

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule B-1
Docket No. R-2016-2537355
Page 1 of 1

Line No.	Description	Original Cost 12/31/16 Per Company (A)	Original Cost 12/31/17 Per Company (B)	Company Proposed (C)	OCA Proposed (D)=Avg(A,B)	OCA Adjustments (E)=(D)-(C)
	Electric Plant in Service					
1	Plant in Service	$ 656,030	$ 698,940	$ 698,940	$ 677,485	$ (21,455)
2	Plant Held For Future Use	$ -	$ -	$ -	$ -	$ -
3	Construction Work in Progress	$ -	$ -	$ -	$ -	$ -
4	Total Electric Plant	$ 656,030	$ 698,940	$ 698,940	$ 677,485	$ (21,455)
	Depreciation and Amortization Reserve:					
5	Plant in Service	$ (188,608)	$ (199,862)	$ (199,862)	$ (194,235)	$ 5,627
6	Plant Held For Future Use	$ -	$ -	$ -	$ -	$ -
7	Excluded Property	$ -		$ -	$ -	$ -
8	Net Electric Plant	$ 467,422	$ 499,078	$ 499,078	$ 483,250	$ (15,828)
	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	$ 5,508	$ 5,508	$ 6,678	$ 1,170
12	Deferred Storm Damage	$ 1,430	$ 1,425	$ 1,425	$ 1,428	$ 3
13	**Total Additions to Rate Base**	$ 41,428	$ 39,084	$ 39,084	$ 40,256	$ 1,172
	Deductions:					
14	Customer Deposits	$ (5,239)	$ (5,239)	$ (5,239)	$ (5,239)	$ -
15	Customer Advances for Construction	$ (33)	$ (33)	$ (33)	$ (33)	$ -
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ (116,813)	$ (118,121)	$ (118,121)	$ (117,467)	$ 654
17	Operating Reserves (Net of Taxes)	$ (1,250)	$ (1,250)	$ (1,250)	$ (1,250)	$ -
18	**Total Rate Base Deductions**	$ (123,335)	$ (124,643)	$ (124,643)	$ (123,989)	$ 654
19	**Total Rate Base**	$ 385,514	$ 413,519	$ 413,519	$ 399,517	$ (14,002)
20					Percentage Difference	-3.39%

Notes and Source
Col A: Amounts from Penn Power Exhibit RAD-3
Cols. B&C: Amounts from Penn Power Exhibit RAD-1

Pennsylvania Power Company
Deferred Storm Damage Expense

Exhibit LA-PP-3
Schedule B-2
Docket No. R-2016-2537355
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)
1	Adjustment to Remove Average Deferred Storm Damage Deferrals From Rate Base	$ (1,428)

Notes and Source

	Description	Amount	Reference
2	Projected Deferred Storm Damage as of 12/31/2016 Per Penn Power	$ 1,430	Penn Power Exhibit RAD-3
3	Projected Deferred Storm Damage as of 12/31/2017 Per Penn Power	$ 1,425	Penn Power Exhibit RAD-1
4	Average Deferred Storm Damage	$ 1,428	

Pennsylvania Power Company
Accumulated Depreciation Related to Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule B-3
Docket No. R-2016-2537355
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	OCA Adjustment to Depreciation Expense	$ (5,901)	A
2	Percentage to Calculate Adjustment Based on Average Rate Base	50%	
3	OCA Adjustment to Decrease Accumulated Depreciation	$ 2,951	

Notes and Source

A: See Schedule C-1

Pennsylvania Power Company
Cash Working Capital

Exhibit LA-PP-3
Schedule B-4
Docket No R-2016-2537355
Page 1 of 2
Revised

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No	Description	Normalized PAPUC Jurisdictional Distribution	Smart Meters	PAPUC Total Distribution	Total Riders	PAPUC Total	OCA Adjustment	OCA Adjusted	Daily Amount	Revenue (Lead) / Lag Days	Expense (Lead) / Lag Days	Net (Lead) / Lag Days	Cash Working Capital
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
	Operating revenues												
1	Electric Revenues	$ 118,985	$ 12,366	$ 131,351	$ 179,335	$ 310,686		$ 310,686	851 19	56 01			$ 47,671
2	Sales for resale	$ -	$ -	$ -	$ 76	$ 76		$ 76	0 21	15 64			$ 3
3	Other operating revenue	$ 3,196	$ -	$ 3,196	$ 180	$ 3,376		$ 3,376	9 25	80 58			$ 745
4	Total operating revenue	$ 122,181	$ 12,366	$ 134,547	$ 179,590	$ 314,137	$ -	$ 314,137	860 65	56 26			$ 48,420
	Operating expenses												
5	Price to Compare	$ -	$ -	$ -	$ 151,782	$ 151,782		$ 151,782	415 84	56 26	32 74	23 52	$ 9,779
6	Distribution	$ 16,772	$ -	$ 16,772	$ 4,380	$ 21,152	$ (138)	$ 21,014	57 57	56 26	34 73	21 53	$ 1,240
7	Customer accounts	$ 4,762	$ -	$ 4,762	$ 2,477	$ 7,239	$ (68)	$ 7,171	19 65	56 26	20 50	35 76	$ 702
8	Customer service & info	$ 5,009	$ -	$ 5,009	$ 7,342	$ 12,351	$ (29)	$ 12,322	33 76	56 26	38 98	17 28	$ 583
9	Admin & gen expense	$ 6,801	$ 3,462	$ 10,264	$ 6,650	$ 16,914	$ (3,597)	$ 13,317	36 48	56 26	12 99	43 27	$ 1,579
10	Depreciation - accrual	$ 20,271	$ 4,116	$ 24,387	$ -	$ 24,387		$ 24,387					$ -
11	Amortization	$ 1,700	$ -	$ 1,700	$ (2,053)	$ (354)		$ (354)					$ -
12	Taxes other than income	$ 7,874	$ 729	$ 8,603	$ 10,580	$ 19,183	$ (27)	$ 19,156	52 48	56 26	(73 56)	129 82	$ 6,813
13	Operating expense before tax	$ 63,189	$ 8,307	$ 71,496	$ 181,158	$ 252,655	$ (3,859)	$ 248,795					$ 20,696
14	Operating income before income tax	$ 58,992	$ 4,059	$ 63,050	$ (1,568)	$ 61,482	$ 3,859	$ 65,342					
	Income taxes												
15	Federal income tax - current	$ 14,901	$ (159)	$ 14,742	$ (494)	$ 14,248		$ 14,248	39 04	56 26	40 94	15 31	$ 598
16	State income tax - current	$ 6,047	$ (50)	$ 5,997	$ (157)	$ 5,840		$ 5,840	16 00	56 26	(23 19)	79 45	$ 1,271
17	Deferred income tax - federal	$ 5,150	$ 1,201	$ 6,351	$ -	$ 6,351		$ 6,351					
18	Deferred income tax - state	$ -	$ -	$ -	-	$ -		$ -					
19	Investment tax credit	$ -	$ -	$ -	-	$ -		$ -	-				$ -
20	Total tax expense	$ 26,099	$ 991	$ 27,090	$ (651)	$ 26,439	$ -	$ 26,439					$ 1,869
21	Total operating expenses	$ 89,288	$ 9,298	$ 98,586	$ 180,508	$ 279,094	$ (3,859)	$ 275,234					
22	**Operating income**	$ 32,893	$ 3,068	$ 35,961	$ (917)	$ 35,043	$ 3,859	$ 38,903					
23	Net Cash Working Capital												$ 22,565
24	Interest on Long Term Debt					$ 12,150	$ (1,079)	$ 11,071 [a]	30 33	56 26	91 25	(34 99)	$ (1,061)
25	Interest Expense on Customer Deposits					$ 231		$ 231	0 63	56 26	182 50	(126 24)	$ (80)
26	Prepayments					$ 504	$ (11) b						$ 493
27	Unamortized Cash Pension Contributions					$ 6,629	$ (6,629)						$ -
28	Total Cash Working Capital per OCA												$ 21,917
29	Cash Working Capital Per Penn Power												$ 28,906
30	OCA Adjustment to Cash Working Capital												$ (6,989)

Notes and Source

Cols A-E from Penn Power Exhibit JLA-1
[a] Synchronized Interest amount from Schedule C-13

[b] Prepaid EEI Dues assessment per OCA-XI-1 calculated below:

		Amount	Reference
31	Prepaid EEI Dues Assessment	$ 170	Penn Power Exhibit JLA-1
32	Less: Lobbying Portion of EEI Dues - 14%	$ (24)	OCA-XI-1
33	Adjusted Prepaid EEI Dues Assessment	$ 146	L31 - L32
34	13 Month Average Balance of Prepaid EEI Dues - Distribution	$ 11	L33 / 13

Pennsylvania Power Company
Cash Working Capital - OCA Adjustments to Expenses

Fully Projected Future Test Year Ended 4/30/2016
(Thousands of Dollars)

Line No	Description	Adjustment No	O&M Expense Adjustment	Revenue	Energy Costs	Payroll Expense	Employee Benefits	Pension Expense	OPEB Expense	Service Company	Payroll Tax Expense	Depreciation & Amortization Expense*	Other O&M Expense
			(A)	(B)	(C)	(D)	(E)	(F)	(J)	(K)	(L)	(M)	(N)
1	Depreciation Expense at Proposed Rates	C-1	$ (5,901)									$ (5,901)	
2	Miscelleneous Expenses	C-2	$ (1)										$ (1)
3	Incentive Compensation Expense	C-3	$ (131)			$ (131)							
4	Stock-Based Compensation Expense	C-4	$ (515)			$ (515)							
5	Supplemental Executive Retirement Plan (SERP) Expense	C-5	$ (98)			$ (98)							
6	Payroll Expense	C-6	$ (322)			$ (322)							
7	Payroll Tax Expense	C-7	$ (27)								$ (27)		
8	Employee Benefits	C-8	$ (42)				$ (42)						
9	Pension Expense	C-9	$ (1,783)					$ (1,783)					
10	Post Retirement Benefits Other Than Pensions (OPEB)	C-10	$ (892)						$ (892)				
11	Affiliate Aircraft Expense	C-11	$ -										$ -
12	Rate Case Expense	C-12	$ (49)										$ (49)
13	Interest Synchronization	C-13	$ -										
14													$ -
15									$ -				
16	TOTAL - sum of column A		$ (9,760)	$ -	$ -	$ (1,066)	$ (42)	$ (1,783)	$ (892)	$ -	$ (27)	$ (5,901)	$ (50)
17	Total per Schedule C 1, line 14		$ (9,760)										
18	Difference		$ -										$ (9,760)
													$ -
19	Cross foot columns B through Q		$ (9,760)										
20	Difference		$ -										

This workpaper shows how the OCA adjustments to operating expenses from Schedule C 1 are posted for CWC purposes

* The impacts of depreciation expense should not flow through CWC as it is a non-cash expense

Pennsylvania Power Company
Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C-1
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Line No.	Description	OCA Adjustment (A)	Reference
	I. OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates using 2017 Average Plant Balances		
1	Company Proposed FPFTY Depreciation Expense Based on 12/31/2017 Plant	$ 21,809	Page 2, Col. E
2	Company Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 21,060	Page 2, Col. G
3	OCA Adjustment to Reflect Depreciation Expense at Company Proposed Rates Using 2017 Average Plant Balances	$ (749)	L2 - L1
	II. OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates Using 2017 Average Plant Balances		
4	Company Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 21,060	Page 3, Col. C
5	OCA Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 15,908	Page 3, Col. E
6	OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates Using 2017 Average Plant Balances	$ (5,152)	L5 - L4
	III. Total OCA Adjustment for Depreciation Expense		
7	Total OCA Adjustment to FPFTY Depreciation Expense	$ (5,901)	L3 + L6

Notes and Source

The Company proposed depreciation expense reflected above does not include $2.578 million of cost of removal/salvage expense at a jurisdictional five-year average as shown on Penn Power Exhibit RAD-2 (page 21), Adjustment No. 9

Pennsylvania Power Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PP-3
Schedule C-1
Docket No R-2016-2537355
Page 2 of 4

Line No	Acct No		Per Company Adjusted Plant Balances at 12/31/2016	Per Company Adjusted Plant Balances at 12/31/2017	Average Plant Balances	Accrual Rate ELG Ave Remaining Life Basis Per Penn Power	Accrual Expense Amount Based on 12/31/2017	Accrual Rate ELG Ave Remaining Life Basis Per Penn Power	Accrual Expense Amount Based on Avg Plant Balances	OCA Adjustment
			(A)	(B)	(C)	(D)	(E=BxD)	(F)	(G=CxF)	(H)
		INTANGIBLE PLANT								
1	303	Miscellaneous Intangible Plant	$ 12,119,673	$ 12,799,670	$ 12,459,672	14 29%	$ 1,829,073	14 29%	$ 1,780,487	$ (48,586)
2	303	Smart Meters	$ 4,089,337	$ 6,083,519	$ 5,086,428	14 29%	$ 869,335	14 29%	$ 726,851	$ (142,484)
3		TOTAL INTANGIBLE PLANT	$ 16,209,010	$ 18,883,189	$ 17,546,100		$ 2,698,408		$ 2,507,338	$ (191,070)
		TRANSMISSION PLANT								
4	350 12	Land Rights-subs	$ -	$ 0	$ 0	0 00%	$ -	0 00%	$ -	$ -
5	350 22	Land Rights - lines	$ -	$ 0	$ 0	0 00%	$ -	0 00%	$ -	$ -
6	352 1	Structures	$ 764,598	$ 764,598	$ 764,598	0 80%	$ 6,117	0 80%	$ 6,117	$ -
7	352 2	Clearing Costs	$ 195,216	$ 195,216	$ 195,216	1 35%	$ 2,635	1 35%	$ 2,635	$ -
8	353	Station Equipment	$ 6,417,734	$ 6,417,734	$ 6,417,734	0 80%	$ 51,342	0 80%	$ 51,342	$ -
9	354	Towers and Fixtures	$ 7,576	$ 7,576	$ 7,576	0 05%	$ 4	0 05%	$ 4	$ -
10	355	Poles and Fixtures	$ 2,825,553	$ 2,825,553	$ 2,825,553	1 77%	$ 50,012	1 77%	$ 50,012	$ -
11	356 1	Overhead Conductors	$ 2,591,159	$ 2,591,159	$ 2,591,159	1 57%	$ 40,681	1 57%	$ 40,681	$ -
12	356 2	Clearing Costs	$ 130,852	$ 130,852	$ 130,852	1 57%	$ 2,054	1 57%	$ 2,054	$ -
13	357	Underground Conduit	$ 64,654	$ 64,654	$ 64,654	1 47%	$ 950	1 47%	$ 950	$ -
14	358	Underground Conductors	$ 36,071	$ 36,071	$ 36,071	1 57%	$ 566	1 57%	$ 566	$ -
15	359	Roads & Trails	$ 6,324	$ 6,324	$ 6,324	1 17%	$ 74	1 17%	$ 74	$ -
16		TOTAL TRANSMISSION PLANT	$ 13,039,737	$ 13,039,737	$ 13,039,737		$ 154,435		$ 154,435	$ -
		DISTRIBUTION PLANT								
17	360 12	Land Rights-subs	$ 10,977	$ 10,977	$ 10,977	0 00%	$ -	0 00%	$ -	$ -
18	360 22	Land Rights-lines	$ 5,791,894	$ 5,791,894	$ 5,791,894	0 00%	$ -	0 00%	$ -	$ -
19	361 1	Structures	$ 1,281,777	$ 1,327,843	$ 1,304,810	1 31%	$ 17,395	1 31%	$ 17,093	$ (302)
20	361 2	Clearing Costs	$ 448,649	$ 448,649	$ 448,649	1 37%	$ 6,146	1 37%	$ 6,146	$ -
21	362	Station Equipment	$ 51,806,152	$ 56,320,534	$ 54,063,343	2 76%	$ 1,554,447	2 76%	$ 1,492,148	$ (62,299)
22	364	Poles, Towers and Fixtures	$ 110,793,544	$ 120,242,928	$ 115,518,236	2 24%	$ 2,693,442	2 24%	$ 2,587,608	$ (105,834)
23	365	Overhead Conductors	$ 116,186,220	$ 129,141,372	$ 122,663,796	2 40%	$ 3,099,393	2 40%	$ 2,943,931	$ (155,462)
24	365 1	Clearing Costs	$ 48,591,447	$ 48,591,447	$ 48,591,447	2 33%	$ 1,132,181	2 33%	$ 1,132,181	$ -
25	366	Underground Conduit	$ 7,645,677	$ 7,699,286	$ 7,672,481	1 85%	$ 142,437	1 85%	$ 141,941	$ (496)
26	367	Underground Conductors	$ 66,219,919	$ 70,996,721	$ 68,608,320	2 23%	$ 1,583,227	2 23%	$ 1,529,966	$ (53,261)
27	368	Line Transformers	$ 107,867,565	$ 112,735,325	$ 110,301,445	2 66%	$ 2,998,760	2 66%	$ 2,934,018	$ (64,742)
28	369	Overhead Services	$ 38,808,793	$ 39,459,842	$ 39,134,318	1 35%	$ 532,708	1 35%	$ 528,313	$ (4,395)
29	369 1	Underground Services	$ -	$ -	$ -	0 00%	$ -	0 00%	$ -	$ -
30	370	Meters	$ -	$ -	$ -	0 00%	$ -	0 00%	$ -	$ -
31	370	Smart Grid - 10yr Life	$ 145,735	$ 145,735	$ 145,735	10 00%	$ 14,573	10 00%	$ 14,573	$ -
32	370	Smart Meters non classified - 15yr Life	$ 12,719,801	$ 15,248,339	$ 13,984,070	6 67%	$ 1,017,064	6 67%	$ 932,737	$ (84,327)
33	370	Smart Meter Commercial - 15yr Life	$ 2,971,079	$ 2,971,079	$ 2,971,079	6 67%	$ 198,171	6 67%	$ 198,171	$ -
34	370	Smart Meter Industrial - 15yr Life	$ 80	$ 80	$ 80	6 67%	$ 5	6 67%	$ 5	$ -
35	370	Smart Meter Infrastructure-15yr L	$ 2,414,213	$ 2,414,213	$ 2,414,213	6 67%	$ 161,028	6 67%	$ 161,028	$ -
36	370	Smart Meter Residential - 15yr Life	$ 17,924,425	$ 17,924,425	$ 17,924,425	6 67%	$ 1,195,559	6 67%	$ 1,195,559	$ -
37	371	Inst On Cust Prem	$ 3,792,738	$ 3,792,738	$ 3,792,738	2 04%	$ 77,372	2 04%	$ 77,372	$ -
38	373	Street Lighting and Signal Systems	$ 12,293,578	$ 12,358,996	$ 12,326,287	2 88%	$ 355,939	2 88%	$ 354,997	$ (942)
		TOTAL DISTRIBUTION PLANT	$ 607,714,261	$ 647,622,422	$ 627,668,343		$ 16,779,847		$ 16,247,787	$ (532,060)
		GENERAL PLANT								
39	389 1	Land Rights	$ 311	$ 311	$ 311	0 00%	$ -	0 00%	$ -	$ -
40	390 1	Structures	$ 5,745,175	$ 5,745,477	$ 5,745,326	1 79%	$ 102,844	1 79%	$ 102,841	$ (3)
41	390 2	Clearing	$ 41,299	$ 41,299	$ 41,299	2 22%	$ 917	2 22%	$ 917	$ -
42	390 3	Structure LH	$ 407,069	$ 407,069	$ 407,069	0 00%	$ -	0 00%	$ -	$ -
43	391 1	Office Furniture & Equipment	$ 739,893	$ 739,893	$ 739,893	24 10%	$ 178,314	24 10%	$ 178,314	$ -
44	391 2	Data processing Equip	$ 1,878,444	$ 1,878,444	$ 1,878,444	35 63%	$ 669,290	35 63%	$ 669,290	$ -
45	391 2	Project Evolution	$ 13,028	$ 13,028	$ 13,028	35 63%	$ 4,642	35 63%	$ 4,642	$ -
46	391 2	Data Processing Smart Meters	$ 3,167,936	$ 3,372,007	$ 3,269,971	20 00%	$ 674,401	20 00%	$ 653,994	$ (20,407)
47	392	Transportation	$ 594,878	$ 594,878	$ 594,878	10 04%	$ 59,726	10 04%	$ 59,726	$ -
48	393	Stores Equipment	$ 171,743	$ 171,743	$ 171,743	11 10%	$ 19,063	11 10%	$ 19,063	$ -
49	394	Tools, Shop, & Garage Equipment	$ 2,433,042	$ 2,433,042	$ 2,433,042	8 50%	$ 206,809	8 50%	$ 206,809	$ -
50	395	Laboratory Equipment	$ 72,968	$ 72,968	$ 72,968	6 93%	$ 5,057	6 93%	$ 5,057	$ -
51	396	Power Operated Equipment	$ 461,035	$ 461,035	$ 461,035	5 56%	$ 25,634	5 56%	$ 25,634	$ -
52	397	Communications Equipment	$ 2,379,512	$ 2,502,973	$ 2,441,243	9 01%	$ 225,518	9 01%	$ 219,956	$ (5,562)
53	398	Miscellaneous Equipment	$ 63,790	$ 63,790	$ 63,790	6 42%	$ 4,095	6 42%	$ 4,095	$ -
54		TOTAL GENERAL PLANT	$ 18,170,122	$ 18,497,957	$ 18,334,040		$ 2,176,310		$ 2,150,338	$ (25,972)
55		**GRAND TOTAL**	$ 655,133,130	$ 698,043,305	$ 676,588,219		$ 21,809,000		$ 21,059,898	$ (749,102)

Notes and Source

Col A: Amounts from Penn Power Exhibit RAD-47
Col B: Amounts from Penn Power Exhibit RAD-46
Cols D&F: Depreciation rates from Penn Power Exhibit RAD-53

Pennsylvania Power Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PP-3
Schedule C-1
Docket No R-2016-2537355
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Line No	Acct No		Average Adjusted Depreciable Base	Accrual Rate ELG Ave Remaining Life Basis Per Penn Power	Accrual Expense Amount Per Penn Power	Accrual Rate ASL Ave Remaining Life Basis Per OCA	Accrual Expense Amount Per OCA	OCA Adjustment
			(A)	(B)	(C)	(D)	(E)	(F)
		INTANGIBLE PLANT						
1	303	Miscellaneous Intangible Plant	$ 12,459,672	14 29%	$ 1,780,487	4 30%	$ 535,766	$ (1,244,721)
2	303	Smart Meters	$ 5,086,428	14 29%	$ 726,851	14 29%	$ 726,851	$ -
3		TOTAL INTANGIBLE PLANT	$ 17,546,100		$ 2,507,338		$ 1,262,617	$ (1,244,721)
		TRANSMISSION PLANT						
4	350 12	Land Rights-subs	$ 0	0 00%	$ -	0 00%	$ -	$ -
5	350 22	Land Rights - lines	$ 0	0 00%	$ -	0 00%	$ -	$ -
6	352 1	Structures	$ 764,598	0 80%	$ 6,117	0 71%	$ 5,429	$ (688)
7	352 2	Clearing Costs	$ 195,216	1 35%	$ 2,635	1 27%	$ 2,479	$ (156)
8	353	Station Equipment	$ 6,417,734	0 80%	$ 51,342	0 69%	$ 44,282	$ (7,060)
9	354	Towers and Fixtures	$ 7,576	0 05%	$ 4	0 00%	$ -	$ (4)
10	355	Poles and Fixtures	$ 2,825,553	1 77%	$ 50,012	1 37%	$ 38,710	$ (11,302)
11	356 1	Overhead Conductors	$ 2,591,159	1 57%	$ 40,681	1 15%	$ 29,798	$ (10,883)
12	356 2	Clearing Costs	$ 130,852	1 57%	$ 2,054	1 68%	$ 2,198	$ 144
13	357	Underground Conduit	$ 64,654	1 47%	$ 950	1 59%	$ 1,028	$ 78
14	358	Underground Conductors	$ 36,071	1 57%	$ 566	1 73%	$ 624	$ 58
15	359	Roads & Trails	$ 6,324	1 17%	$ 74	1 14%	$ 72	$ (2)
16		TOTAL TRANSMISSION PLANT	$ 13,039,737		$ 154,435		$ 124,620	$ (29,815)
		DISTRIBUTION PLANT						
17	360 12	Land Rights-subs	$ 10,977	0 00%	$ -	0 00%	$ -	$ -
18	360 22	Land Rights-lines	$ 5,791,894	0 00%	$ -	0 00%	$ -	$ -
19	361 1	Structures	$ 1,304,810	1 31%	$ 17,093	1 03%	$ 13,440	$ (3,653)
20	361 2	Clearing Costs	$ 448,649	1 37%	$ 6,146	1 21%	$ 5,429	$ (717)
21	362	Station Equipment	$ 54,063,343	2 76%	$ 1,492,148	1 67%	$ 902,858	$ (589,290)
22	364	Poles, Towers and Fixtures	$ 115,518,236	2 24%	$ 2,587,608	1 66%	$ 1,917,603	$ (670,005)
23	365	Overhead Conductors	$ 122,663,796	2 40%	$ 2,943,931	1 55%	$ 1,901,289	$ (1,042,642)
24	365 1	Clearing Costs	$ 48,591,447	2 33%	$ 1,132,181	1 59%	$ 772,604	$ (359,577)
25	366	Underground Conduit	$ 7,672,481	1 85%	$ 141,941	1 55%	$ 118,923	$ (23,018)
26	367	Underground Conductors	$ 68,608,320	2 23%	$ 1,529,966	1 76%	$ 1,207,506	$ (322,460)
27	368	Line Transformers	$ 110,301,445	2 66%	$ 2,934,018	1 94%	$ 2,139,848	$ (794,170)
28	369	Overhead Services	$ 39,134,318	1 35%	$ 528,313	1 20%	$ 469,612	$ (58,701)
29	369 1	Underground Services	$ -	0 00%	$ -	0 00%	$ -	$ -
30	370	Meters	$ -	0 00%	$ -	0 00%	$ -	$ -
31	370	Smart Grid - 10yr Life	$ 145,735	10 00%	$ 14,573	6 81%	$ 9,925	$ (4,648)
32	370	Smart Meters non classified - 15yr Life	$ 13,984,070	6 67%	$ 932,737	6 81%	$ 952,315	$ 19,578
33	370	Smart Meter Commercial - 15yr Life	$ 2,971,079	6 67%	$ 198,171	6 81%	$ 202,330	$ 4,159
34	370	Smart Meter Industrial - 15yr Life	$ 80	6 67%	$ 5	6 81%	$ 5	$ -
35	370	Smart Meter Infrastructure-15yr L	$ 2,414,213	6 67%	$ 161,028	6 81%	$ 164,408	$ 3,380
36	370	Smart Meter Residential - 15yr Life	$ 17,924,425	6 67%	$ 1,195,559	6 81%	$ 1,220,653	$ 25,094
37	371	Inst On Cust Prem	$ 3,792,738	2 04%	$ 77,372	1 83%	$ 69,407	$ (7,965)
38	373	Street Lighting and Signal Systems	$ 12,326,287	2 88%	$ 354,997	1 95%	$ 240,363	$ (114,634)
		TOTAL DISTRIBUTION PLANT	$ 627,668,343		$ 16,247,787		$ 12,308,518	$ (3,939,269)
		GENERAL PLANT						
39	389 1	Land Rights	$ 311	0 00%	$ -	0 00%	$ -	$ -
40	390 1	Structures	$ 5,745,326	1 79%	$ 102,841	1 08%	$ 62,050	$ (40,791)
41	390 2	Clearing	$ 41,299	2 22%	$ 917	1 87%	$ 772	$ (145)
42	390 3	Structure LH	$ 407,069	0 00%	$ -	0 00%	$ -	$ -
43	391 1	Office Furniture & Equipment	$ 739,893	24 10%	$ 178,314	7 70%	$ 56,972	$ (121,342)
44	391 2	Data processing Equip	$ 1,878,444	35 63%	$ 669,290	47 36%	$ 889,631	$ 220,341
45	391 2	Project Evolution	$ 13,028	35 63%	$ 4,642	20 09%	$ 2,617	$ (2,025)
46	391 2	Data Processing Smart Meters	$ 3,269,971	20 00%	$ 653,994	20 09%	$ 656,937	$ 2,943
47	392	Transportation	$ 594,878	10 04%	$ 59,726	5 01%	$ 29,803	$ (29,923)
48	393	Stores Equipment	$ 171,743	11 10%	$ 19,063	6 56%	$ 11,266	$ (7,797)
49	394	Tools, Shop, & Garage Equipment	$ 2,433,042	8 50%	$ 206,809	10 65%	$ 259,119	$ 52,310
50	395	Laboratory Equipment	$ 72,968	6 93%	$ 5,057	8 25%	$ 6,020	$ 963
51	396	Power Operated Equipment	$ 461,035	5 56%	$ 25,634	5 13%	$ 23,651	$ (1,983)
52	397	Communications Equipment	$ 2,441,243	9 01%	$ 219,956	7 99%	$ 195,055	$ (24,901)
53	398	Miscellaneous Equipment	$ 63,790	6 42%	$ 4,095	28 72%	$ 18,320	$ 14,225
54		TOTAL GENERAL PLANT	$ 18,334,040		$ 2,150,338		$ 2,212,213	$ 61,875
55		**GRAND TOTAL**	$ 676,588,219		$ 21,059,898		$ 15,907,968	$ (5,151,930)

Notes and Source

Col A: See page 2, column C

Col B: Depreciation rates from Penn Power Exhibit RAD-53

Cols D-F: OCA proposed depreciation rates sponsored by OCA witness James Garren

Pennsylvania Power Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PP-3
Schedule C-1
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Line No	Acct No		Per Company Adjusted Plant Balances at 12/31/2017	Accrual Rate ELG Ave Remaining Life Basis Per Penn Power	Accrual Expense Amount Per Penn Power	Accrual Rate ASL Ave Remaining Life Basis Per OCA	Accrual Expense Amount Per OCA	OCA Adjustment
			(A)	(B)	(C)	(D)	(E)	(F)
		INTANGIBLE PLANT						
1	303	Miscellaneous Intangible Plant	$ 12,799,670	14 29%	$ 1,829,073	4 30%	$ 550,386	$ (1,278,687)
2	303	Smart Meters	$ 6,083,519	14 29%	$ 869,335	14 29%	$ 869,335	$ -
3		TOTAL INTANGIBLE PLANT	$ 18,883,189		$ 2,698,408		$ 1,419,721	$ (1,278,687)
		TRANSMISSION PLANT						
4	350 12	Land Rights-subs	$ 0	0 00%	$ -	0 00%	$ -	$ -
5	350 22	Land Rights - lines	$ 0	0 00%	$ -	0 00%	$ -	$ -
6	352 1	Structures	$ 764,598	0 80%	$ 6,117	0 71%	$ 5,429	$ (688)
7	352 2	Clearing Costs	$ 195,216	1 35%	$ 2,635	1 27%	$ 2,479	$ (156)
8	353	Station Equipment	$ 6,417,734	0 80%	$ 51,342	0 69%	$ 44,282	$ (7,060)
9	354	Towers and Fixtures	$ 7,576	0 05%	$ 4	0 00%	$ -	$ (4)
10	355	Poles and Fixtures	$ 2,825,553	1 77%	$ 50,012	1 37%	$ 38,710	$ (11,302)
11	356 1	Overhead Conductors	$ 2,591,159	1 57%	$ 40,681	1 15%	$ 29,798	$ (10,883)
12	356 2	Clearing Costs	$ 130,852	1 57%	$ 2,054	1 68%	$ 2,198	$ 144
13	357	Underground Conduit	$ 64,654	1 47%	$ 950	1 59%	$ 1,028	$ 78
14	358	Underground Conductors	$ 36,071	1 57%	$ 566	1 73%	$ 624	$ 58
15	359	Roads & Trails	$ 6,324	1 17%	$ 74	1 14%	$ 72	$ (2)
16		TOTAL TRANSMISSION PLANT	$ 13,039,737		$ 154,435		$ 124,620	$ (29,815)
		DISTRIBUTION PLANT						
17	360 12	Land Rights-subs	$ 10,977	0 00%	$ -	0 00%	$ -	$ -
18	360 22	Land Rights-lines	$ 5,791,894	0 00%	$ -	0 00%	$ -	$ -
19	361 1	Structures	$ 1,327,843	1 31%	$ 17,395	1 03%	$ 13,677	$ (3,718)
20	361 2	Clearing Costs	$ 448,649	1 37%	$ 6,146	1 21%	$ 5,429	$ (717)
21	362	Station Equipment	$ 56,320,534	2 76%	$ 1,554,447	1 67%	$ 940,553	$ (613,894)
22	364	Poles, Towers and Fixtures	$ 120,242,928	2 24%	$ 2,693,442	1 66%	$ 1,996,033	$ (697,409)
23	365	Overhead Conductors	$ 129,141,372	2 40%	$ 3,099,393	1 55%	$ 2,001,691	$ (1,097,702)
24	365 1	Clearing Costs	$ 48,591,447	2 33%	$ 1,132,181	1 59%	$ 772,604	$ (359,577)
25	366	Underground Conduit	$ 7,699,286	1 85%	$ 142,437	1 55%	$ 119,339	$ (23,098)
26	367	Underground Conductors	$ 70,996,721	2 23%	$ 1,583,227	1 76%	$ 1,249,542	$ (333,685)
27	368	Line Transformers	$ 112,735,325	2 66%	$ 2,998,760	1 94%	$ 2,187,065	$ (811,695)
28	369	Overhead Services	$ 39,459,842	1 35%	$ 532,708	1 20%	$ 473,518	$ (59,190)
29	369 1	Underground Services	$ -	0 00%	$ -	0 00%	$ -	$ -
30	370	Meters	$ -	0 00%	$ -	0 00%	$ -	$ -
31	370	Smart Grid - 10yr Life	$ 145,735	10 00%	$ 14,573	6 81%	$ 9,925	$ (4,648)
32	370	Smart Meters non classified - 15yr Life	$ 15,248,339	6 67%	$ 1,017,064	6 81%	$ 1,038,412	$ 21,348
33	370	Smart Meter Commercial - 15yr Life	$ 2,971,079	6 67%	$ 198,171	6 81%	$ 202,330	$ 4,159
34	370	Smart Meter Industrial - 15yr Life	$ 80	6 67%	$ 5	6 81%	$ 5	$ -
35	370	Smart Meter Infrastructure-15yr L	$ 2,414,213	6 67%	$ 161,028	6 81%	$ 164,408	$ 3,380
36	370	Smart Meter Residential - 15yr Life	$ 17,924,425	6 67%	$ 1,195,559	6 81%	$ 1,220,653	$ 25,094
37	371	Inst On Cust Prem	$ 3,792,738	2 04%	$ 77,372	1 83%	$ 69,407	$ (7,965)
38	373	Street Lighting and Signal Systems	$ 12,358,996	2 88%	$ 355,939	1 95%	$ 241,000	$ (114,939)
		TOTAL DISTRIBUTION PLANT	$ 647,622,422		$ 16,779,847		$ 12,705,591	$ (4,074,256)
		GENERAL PLANT						
39	389 1	Land Rights	$ 311	0 00%	$ -	0 00%	$ -	$ -
40	390 1	Structures	$ 5,745,477	1 79%	$ 102,844	1 08%	$ 62,051	$ (40,793)
41	390 2	Clearing	$ 41,299	2 22%	$ 917	1 87%	$ 772	$ (145)
42	390 3	Structure LH	$ 407,069	0 00%	$ -	0 00%	$ -	$ -
43	391 1	Office Furniture & Equipment	$ 739,893	24 10%	$ 178,314	7 70%	$ 56,972	$ (121,342)
44	391 2	Data processing Equip	$ 1,878,444	35 63%	$ 669,290	47 36%	$ 889,631	$ 220,341
45	391 2	Project Evolution	$ 13,028	35 63%	$ 4,642	20 09%	$ 2,617	$ (2,025)
46	391 2	Data Processing Smart Meters	$ 3,372,007	20 00%	$ 674,401	20 09%	$ 677,436	$ 3,035
47	392	Transportation	$ 594,878	10 04%	$ 59,726	5 01%	$ 29,803	$ (29,923)
48	393	Stores Equipment	$ 171,743	11 10%	$ 19,063	6 56%	$ 11,266	$ (7,797)
49	394	Tools, Shop, & Garage Equipment	$ 2,433,042	8 50%	$ 206,809	10 65%	$ 259,119	$ 52,310
50	395	Laboratory Equipment	$ 72,968	6 93%	$ 5,057	8 25%	$ 6,020	$ 963
51	396	Power Operated Equipment	$ 461,035	5 56%	$ 25,634	5 13%	$ 23,651	$ (1,983)
52	397	Communications Equipment	$ 2,502,973	9 01%	$ 225,518	7 99%	$ 199,988	$ (25,530)
53	398	Miscellaneous Equipment	$ 63,790	6 42%	$ 4,095	28 72%	$ 18,320	$ 14,225
54		TOTAL GENERAL PLANT	$ 18,497,957		$ 2,176,310		$ 2,237,646	$ 61,336
55		**GRAND TOTAL**	$ 698,043,305		$ 21,809,000		$ 16,487,578	$ (5,321,422)

Notes and Source

Col A: Amounts from Penn Power Exhibit RAD-46

Col B: Depreciation rates from Penn Power Exhibit RAD-53

Col D: OCA proposed depreciation rates sponsored by OCA witness James Garren

Pennsylvania Power Company
Miscelleneous Expenses

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C-2
Docket No. R-2016-2537355
Page 1 of 1

Line No.	Description	Amount (A)
1	Adjustment to Miscellaneous Expense	$ (1)

Notes and Source

Col. A: OCA's recommended adjustment is calculated below

	Description	Amount	Reference
2	Projected Amount for Athletic and Employee Organizations and Associations	$ 1,226	OCA-I-76

Pennsylvania Power Company
Incentive Compensation Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C-3
Docket No. R-2016-2537355
Page 1 of 3

Line No.	Description	Amount (A)	Reference
1	Adjustment to Penn Power's Short-Term Incentive Plan Expense	$ (131)	A

Notes and Source

A: Amount derived from the response to OCA-I-41 and calculated below:

	Description	Amount	Reference
2	Met-Ed Short-Term Incentive Plan Expense for the 12 months ended December 31, 2017 (Non-Bargaining employees)	$ 436	Exh. RAD-27
3	Financial Key Performance Indicator Percentage*	30%	
4	Portion of Penn Power Short-Term Incentive Plan Expense Related to Financial Performance	$ 131	

* This percentage was taken from the 2016 Short-Term Incentive Program Plan, which was provided in response to OCA-I-41

Pennsylvania Power Company
Stock-Based Compensation Expense

Exhibit LA-PP-3
Schedule C-4
Docket No. R-2016-2537355
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Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove Stock-Based Compensation Expense Charged to Penn Power	$ (20)	A
2	Adjustment to Remove Stock-Based Compensation Expense Allocated to Penn Power from the Service Company	$ (495)	B
3	Total Adjustment to Remove Stock-Based Compensation Expense	$ (515)	

Notes and Source

A: Amount direct charged to Penn Power from the response to OCA-I-31 and calculated below:

	Description	Amount
4	LTIP Performance Shares	$ (535)
5	LTIP Restricted Stock Units	$ 17,565
6	LTIP Restricted Stock Units - Dividends	$ 2,908
7	Total Stock-Based Compensation Expense direct charged to Penn Power	$ 19,938

B: Amount allocated to Penn Power from the Service Company from the response to OCA-I-32 and calculated below:

	Description	Amount
8	LTIP Performance Shares	$ 9,065,529
9	LTIP Restricted Stock Units	$ 17,773,409
10	LTIP Restricted Stock Units - Dividends	$ 2,600,425
11	Total Stock-Based Compensation Expense allocated to FirstEnergy from the Service Company	$ 29,439,363
12	Penn Power Allocation Percentage	1.68%
13	Total Stock-Based Compensation Expense allocated to Penn Power from the Service Company	$ 494,581

Pennsylvania Power Company
Supplemental Executive Retirement Plan (SERP) Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C-5
Docket No. R-2016-2537355
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove SERP Expense	$ (98)	A

Notes and Source

A: Amount from the response to OCA-I-44

Pennsylvania Power Company
Payroll Expense

Exhibit LA-PP-3
Schedule C-6
Docket No R-2016-2537355
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No	Description	Amount	Reference
1	OCA Adjustment to Distribution Related Payroll Expense	$ (138)	Line 38
2	OCA Adjustment to Customer Accounts Related Payroll Expense	$ (68)	Line 39
3	OCA Adjustment to Customer Service Related Payroll Expense	$ (29)	Line 40
4	OCA Adjustment to A & G Related Payroll Expense	$ (87)	Line 41
5	Total OCA Recommended Adjustment to Payroll Expense	$ (322)	

Notes and Source
Col B: OCA's recommended payroll expense adjustment is calculated below using information from Penn Power Exhibit RAD-2, Adjustment No 5

	Description	Allocation Percentage (A)	Per Company (B)	Per OCA (C)	OCA Adjustment (D)	Reference
	Bargaining Employees					
6	Straight Time Per Budget For 1/1/2017 through 6/30/2017		$ 5,384	$ 5,384	$ -	
7	Straight Time 2 5% Increase Effective 3/1/2017		$ 135	$ 112	$ (23)	L6 x 2 5%
8	Straight Time Per Budget for the 12 Months Ending 12/31/2017 as Adjusted		$ 11,038	$ 11,015		
9	Straight Time 2 5% Increase Effective 3/1/2018		$ 276	$ -	$ (276)	L8 x 2 5%
	Non-Bargaining Employees					
10	Straight Time Per Budget For 1/1/2017 through 2/28/2017		$ 693	$ 693	$ -	
11	Straight Time 3% Increase Effective 3/1/2017		$ 21	$ 17	$ (4)	L10 x 3%
12	Straight Time Per Budget for the 12 Months Ending 12/31/2017 as Adjusted		$ 4,394	$ 4,390		
13	Straight Time 3% Increase Effective 3/1/2018		$ 132	$ -	$ (132)	L12 x 3%
14	Total Company Payroll Adjustment		$ 563	$ 129	$ (434)	L7 + L9 + L11 + L13
15	O&M Allocation Percentage		45 69%	45 69%		
16	Total O&M Payroll Adjustment		$ 257	$ 59	$ (198)	L14 * L15
	Allocation of Bargaining and Non-Payroll Adjustment					
17	Price to Compare	0 00%	$ -	$ -	$ -	
18	Transmission	0 00%	$ -	$ -	$ -	Not Included in Cost of Service
19	Distribution	61 18%	$ 157	$ 36	$ (121)	Penn Power Exhibit RAD-2, Adjustment No 5
20	Customer Accounts	18 53%	$ 48	$ 11	$ (37)	Penn Power Exhibit RAD-2, Adjustment No 6
21	Customer Service	14 74%	$ 38	$ 9	$ (29)	Penn Power Exhibit RAD-2, Adjustment No 7
22	Administrative & General	5 54%	$ 14	$ 3	$ (11)	Penn Power Exhibit RAD-2, Adjustment No 8
23	Total Allocation of Bargaining and Non-Bargaining Payroll Adjustment	100 00%	$ 257	$ 59	$ (198)	See Line 16
	Service Company					
26	Straight Time Per Budget For 1/1/2017 through 2/28/2017		$ 616	$ 616	$ -	
27	Straight Time 3% Increase Effective 3/1/2017		$ 18	$ 15	$ (3)	
28	Straight Time Per Budget for the 12 Months Ending 12/31/2017 as Adjusted		$ 4,004	$ 4,001		
29	Straight Time 3% Increase Effective 3/1/2018		$ 120	$ -	$ (120)	
31	Total Service Company Payroll Adjustment		$ 139	$ 15	$ (123)	
	Allocation of Service Company Payroll Adjustment					
32	Price to Compare	0 00%	$ -	$ -	$ -	
33	Transmission	0 00%	$ -	$ -	$ -	Not Included in Cost of Service
34	Distribution	13 95%	$ 19	$ 2	$ (17)	Penn Power Exhibit RAD-2, Adjustment No 5
35	Customer Accounting and Information	25 08%	$ 35	$ 4	$ (31)	Penn Power Exhibit RAD-2, Adjustment No 6
36	Administrative & General	60 97%	$ 85	$ 9	$ (76)	Penn Power Exhibit RAD-2, Adjustment No 8
37	Total Allocation of Service Company Payroll Adjustment	100 00%	$ 139	$ 15	$ (123)	See Line 31
	Total Allocation of OCA Recommended Payroll Adjustment					
38	Distribution		$ 176	$ 38	$ (138)	L21 + L34
39	Customer Accounts/Customer Accounting and Information		$ 83	$ 15	$ (68)	L22 + L35
40	Customer Service		$ 38	$ 9	$ (29)	L23
41	Administrative & General		$ 99	$ 12	$ (87)	L24 + L36
42	Total OCA Recommended Adjustment to Payroll Expense		$ 396	$ 74	$ (322)	Excludes Transmission

Pennsylvania Power Company
Payroll Tax Expense

Exhibit LA-PP-3
Schedule C-7
Docket No. R-2016-2537355
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	OCA Adjustment to Payroll Tax Expense	$ (27)	A

Notes and Source

A: OCA recommended adjustment to Payroll Tax Expense calculated as follows:

		Amount	Reference
	OCA Recommended Payroll Adjustment		
2	Distribution	$ (138)	Sch. C-6, Line 26
3	Customer Accounts/Customer Accounting and Information	$ (68)	Sch. C-6, Line 27
4	Customer Service	$ (29)	Sch. C-6, Line 28
5	Administrative & General	$ (87)	Sch. C-6, Line 29
6	Total OCA Recommended Adjustment to Payroll Expense	$ (322)	
7	Effective Payroll Tax Rate	2.727%	See below
8	OCA Adjustment to Payroll Tax Expense	$ (9)	
	Payroll Tax Related to Incentive and Stock-Based Compensation		
9	OCA Adjustment to Incentive Compensation Expense	$ (131)	Sch. C-3
10	OCA Adjustment to Stock-Based Compensation Expense	$ (515)	Sch. C-4
11	Total OCA Adjustments to Incentive and Stock-Based Compensation Expense	$ (646)	
12	Effective Payroll Tax Rate	2.727%	See below
13	Payroll Tax Adjustment Related to Incentive and Stock-Based Compensation Expense	$ (18)	
14	Total OCA Adjustment to Payroll Tax Expense	$ (27)	L8 + L13
	Effective Payroll Tax Rate Calculated as follows:		
15	Total Budgeted Payroll Tax Expense For 12 Months Ending 4/30/2016	$ 495	Penn Power Exhibit RAD-2, Adjustment No. 11, Supporting Schedule No. 1
16	Total Budgeted Payroll Expense for 12 Months Ending 4/30/2016	$ 18,151	Penn Power Exhibit RAD-2, Adjustment No. 11, Supporting Schedule No. 1
17	Effective Payroll Tax Rate	2.727%	L15 / L16

Pennsylvania Power Company
Employee Benefits

Exhibit LA-PP-3
Schedule C-8
Docket No. R-2016-2537355
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	Penn Power Proposed Increase to Employee Benefits Expense	$ 54	A
2	OCA Recommended Increase to Employee Benefits Expense	$ 12	B
3	OCA Adjustment to Employee Benefits Expense	$ (42)	L2 - L1

Notes and Source

A: Company amount from Penn Power Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 3

		Amount
4	Total increase due to payroll adjustment per Company	$ 122
5	Less pension costs	$ (68)
6	Less OPEB costs	$ -
7	Net Increase to Employee Benefits Expense	$ 54

B: OCA's recommended adjustment calculated below using information from Penn Power Exhibit RAD-2, Adjustment No. 8

	Description	Effective Rate	OCA Payroll Expense Adjustment Per Sch. C-6	Employee Benefits Adjustment
8	Worker's Compensation	0.722%	$ 59	$ -
9	Pension Costs	26.566%	$ 59	$ -
10	OPEB Costs	0.050%	$ 59	$ -
11	Life Insurance	0.160%	$ 59	$ -
12	Medical Insurance	9.878%	$ 59	$ 6
13	Savings Plan	3.030%	$ 59	$ 2
14	Other	7.394%	$ 59	$ 4
15	Total			$ 12

Summary of Employee Benefit Rates (Penn Power Exhibit RAD-27)

	Description	Total Amount	Total Payroll	Effective Rate
16	Worker's Compensation	$ 131	$ 18,151	0.722%
17	Pension Costs	$ 4,822	$ 18,151	26.566%
18	OPEB Costs	$ 9	$ 18,151	0.050%
19	Life Insurance	$ 29	$ 18,151	0.160%
20	Medical Insurance	$ 1,793	$ 18,151	9.878%
21	Savings Plan	$ 550	$ 18,151	3.030%
22	Other	$ 1,342	$ 18,151	7.394%

Pension and OPEB expense are adjusted for on Schedule's C-9 and C-10

Pennsylvania Power Company
Pension Expense

Exhibit LA-PP-3
Schedule C-9
Docket No. R-2016-2537355
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	O&M Pension Expense for the FPFTY Ending 12/31/2017 Per Company	$ 1,950	A
2	O&M Pension Expense for the FPFTY Ending 12/31/2017 Per OCA	$ 167	B
3	OCA Adjustment to O&M Pension Expense for the FPFTY Ending 12/31/2017	$ (1,783)	L2 - L1

Notes and Source

A: Amount from Penn Power Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 2
B: Amount from OCA-I-55, Revised Confidential Attachment A*

* The amount reflected on Line 2 is also included in Penn Power's public filing on Exhibit RAD-2 (page 19), Adjustment No. 8

Pennsylvania Power Company
Post Retirement Benefits Other Than Pensions (OPEB)

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C-10
Docket No. R-2016-2537355
Page 1 of 1

Line No.	Description	Amount (A)	Reference
1	O&M OPEB Expense for the FPFTY Ending 12/31/2017 Per Company	$ 8	A
2	O&M OPEB Expense for the FPFTY Ending 12/31/2017 Per OCA	$ (884)	B
3	OCA Adjustment to O&M OPEB Expense for the FPFTY Ending 12/31/2017	$ (892)	L2 - L1

Notes and Source

A: Amount from Penn Power Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 1
B: Amount from OCA-I-56, Revised Confidential Attachment A*

* The amount reflected on Line 2 is also included in Penn Power's public filing on Exhibit RAD-2 (page 18), Adjustment No. 8

Pennsylvania Power Company
Affiliate Aircraft Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C-11
Docket No. R-2016-2537355
Page 1 of 1
Revised

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove Affiliate Aircraft Expense	$ -	A

Notes and Source

A: OCA removed this adjustment as discussed in the Surrebuttal Testimony of OCA witness Ralph C. Smith

Pennsylvania Power Company
Rate Case Expense

Exhibit LA-PP-3
Schedule C-12
Docket No. R-2016-2537355
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	Amortization of Rate Case Expense Per Company	$ 81	A
2	OCA Recommended Amortization of Rate Case Expense	$ 32	A
3	OCA Adjustment to Rate Case Expense	$ (49)	L2 - L1

Notes and Source

A: Amounts for rate case expense calculated below using information from Penn Power Exhibit RAD-2, Adjustment No. 8 and Exhibit RAD-23

	Description	Rate Case Expense Per Penn Power Exhibit RAD-23	Rate Case Expense Per OCA	OCA Adjustment
4	Legal Fees	$ 85	$ 85	
5	Expert Witnesses	$ 13	$ 13	
6	Other	$ 63	$ 63	
7	Total Rate Case Expense	$ 162	$ 162	
8	Amortization Period (Years)	2	5	
9	Amortization of Rate Case Expense	$ 81	$ 32	$ (49)

Pennsylvania Power Company
Interest Synchronization

Fully Projected Future Test Year Ended 4/30/2016
(Thousands of Dollars)

Exhibit LA-PP-3
Schedule C-13
Docket No. R-2016-2537355
Page 1 of 1
Revised

Line No.	Description	Amount (A)	Reference
1	Adjusted Rate Base, per OCA	$ 391,762	Schedule B
2	Weighted Cost of Debt, per OCA	2.83%	Per OCA - Schedule D
3	Going-Level Interest Deduction for Tax Purposes	$ 11,071	L1 x L2
4	Interest Deduction per Company	$ 12,150	Note A
5	Decrease in Deductible Interest	$ (1,079)	L3 - L4
6	State Income Tax Rate	9.99%	
7	Increase to State Income Tax	$ 108	L5 x L6
8	Federal Taxable Income	$ (971)	L5 + L7
9	Federal Income Tax Rate	35.00%	
10	Increase to Federal Income Tax Expense	$ 340	L8 x L9
11	Overall Increase (Decrease) to Income Tax Expense	$ 448	L7 + L10

Notes and Source:
Note A: Amount from Penn Power Exhibit RAD-2, Adjustment No. 12 and Penn Power Exhibit RAD-31

Pennsylvania Power Company
Application of Act 40 Revenue Use Differential

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PP-3
Schedule E-1
Docket No. R-2016-2537355
Page 1 of 2
Revised

Line No.	Description	2017 FPFTY Year-End Rate Base (A)	2017 Average FPFTY Rate Base (B)	Reference
	Part I. Fifty Percent to Support Infrastructure Related to Rate-Base Eligible Capital Investment as Determined by the Commission			
1	Revenue Use Amount Total	$ (4,904,519)	$ (4,904,519)	A
2	Revenue Use Amount 50%	$ (2,452,260)	$ (2,452,260)	
	Estimated Impact on FPFTY:			
3	January 1, 2017	$ -	$ -	
4	December 31, 2017 (11/12ths)*	$ (2,247,905)	$ (2,247,905)	
5	Estimated FPFTY Impact	$ (2,247,905)	$ (1,123,952)	
6	Applied to Rate Base as Customer-Supplied Revenue Use Differential to Support Rate Base Eligible Infrastructure Capital Investment		$ (1,123,952)	

Notes and Source

A: Total Revenue Use amount from Schedule E, page 1, Line 13

* New base rates in this case are anticipated to be in effect by late January 2017. The suspension period ends January 27, 2017.

Pennsylvania Power Company
Application of Act 40 Revenue Use Differential

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-PP-3
Schedule E-1
Docket No. R-2016-2537355
Page 2 of 2
Revised

Line No.	Description	2017 FPFTY Year-End Rate Base (A)	2017 Average FPFTY Rate Base (B)	Reference
	Part II. Fifty Percent for "General Corporate Purposes" Applied as Ratepayer-Provided Support for Working Capital in Rate Base			
1	Revenue Use Amount Total	$ (4,904,519)	$ (4,904,519)	A
2	Revenue Use Amount 50%	$ (2,452,260)	$ (2,452,260)	
	Estimated Impact on FPFTY:			
3	January 1, 2017	$ -	$ -	
4	December 31, 2017 (11/12ths)*	$ (2,247,905)	$ (2,247,905)	
5	Estimated FPFTY Impact	$ (2,247,905)	$ (1,123,952)	
6	Applied to Rate Base as Customer-Supplied Revenue Use Differential to Support Rate Base Working Capital		$ (1,123,952)	

Notes and Source

A: Total Revenue Use amount from Schedule E, page 1, Line 15

* New base rates in this case are anticipated to be in effect by late January 2017. The suspension period ends January 27, 2017.

West Penn Power Company
Docket No. R-2016-2537359
Exhibit LA-WP-3
Revenue Requirement and Adjustment Schedules
Accompanying the Direct Testimony of Ralph Smith

Number	Description	No. of Pages	Revised	Confidential	Applies to This Utility	Page No.
	Revenue Requirement Summary Schedules					
A	Calculation of Revenue Deficiency (Sufficiency)	2	Yes	No	**Yes**	2-3
A-1	Gross Revenue Conversion Factor	1	Yes	No	**Yes**	4
B	Adjusted Rate Base	1	Yes	No	**Yes**	5
B.1	Summary of Rate Base Adjustments	1	Yes	No	**Yes**	6
C	Adjusted Net Operating Income	1	Yes	No	**Yes**	7
C.1	Summary of Net Operating Income Adjustments	2	Yes	No	**Yes**	8-9
D	Capital Structure and Cost Rates	1	No	No	**Yes**	10
	Rate Base Adjustments					
B-1	Average FPFTY Rate Base	1	No	No	**Yes**	11
B-2	Deferred Storm Damage Expense	1	No	No	**Yes**	12
B-3	Accumulated Depreciation Related to Depreciation Expense at Proposed Rates	1	No	No	**Yes**	13
B-4	Cash Working Capital	2	Yes	No	**Yes**	14-15
	Net Operating Income Adjustments					
C-1	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	4	No	No	No	16-19
C-2	Miscelleneous Expenses	1	No	No	**Yes**	20
C-3	Incentive Compensation Expense	1	No	No	**Yes**	21
C-4	Stock-Based Compensation Expense	1	No	No	No	22
C-5	Supplemental Executive Retirement Plan (SERP) Expense	1	No	No	**Yes**	23
C-6	Payroll Expense	1	No	No	**Yes**	24
C-7	Payroll Tax Expense	1	No	No	**Yes**	25
C-8	Employee Benefits	1	No	No	**Yes**	26
C-9	Pension Expense	1	No	No	No	27
C-10	Post Retirement Benefits Other Than Pensions (OPEB)	1	No	No	No	28
C-11	Affiliate Aircraft Expense	1	Yes	No	**Yes**	29
C-12	Rate Case Expense	1	No	No	**Yes**	30
C-13	Interest Synchronization	1	Yes	No	**Yes**	31
	Total Pages (including Contents page)	31				

West Penn Power Company
Calculation of Revenue Deficiency (Sufficiency)

Future Projected Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule A
Docket No. R-2016-2537359
Page 1 of 2
Revised

Line No.	Description	Reference	Per Company (A)	Per OCA (B)	Difference (C)
1	Adjusted rate base	B	$ 1,364,215	$ 1,285,196	$ (79,019)
2	Rate of return	D	7.90%	7.02%	
3	Net operating income required (Calculated)		$ 107,809	$ 90,240	$ (17,569)
4	Adjusted net operating income	C	$ 56,454	$ 74,470	$ 18,016
5	Net operating income deficiency		$ 51,355	$ 15,770	$ (35,585)
6	Gross revenue conversion factor	A-1	1.81618	1.81618	
7	Revenue deficiency (Sufficiency)		$ 93,270	$ 28,641	$ (64,629)
8	Per Company Column Difference (Rounding)		$ -		$ -
9	Revenue deficiency (Sufficiency)		$ 93,270	$ 28,641	$ (64,629)
10	DSS and HPS Riders		$ 4,958	$ 4,958	
11	Total Base Rate Increase		$ 98,228	$ 33,599	
12	Less: Smart Meter Roll In		$ -	$ -	
13	Less: DSIC Roll In		$ (3,744)	$ (3,744)	
14	Net Increase in Revenue		$ 94,484	$ 29,855	$ (64,629)

Notes and Source

15	Operating Revenue at Current Rates	C	$ 370,307	$ 373,078
16	Percentage Increase	L14 / L15	25.5%	8.0%

West Penn Power Company
Revenue Requirement Reconciliation

Future Projected Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule A
Docket No. R-2016-2537359
Page 2 of 2
Revised

Line No.	Description	Schedule Reference	Component	OCA Adjustments (A)	OCA Multiplier (B)	OCA Revenue Requirement Amount (C)
		D	ROR Difference		-0.8810%	
	Rate Base	A-1	GRCF		x 1.816184	
1	Rate Base per West Penn's Filing	B		$ 1,364,215	-1.600%	$ (21,828)
		D	Rate of Return		7.023%	
	Effect of OCA Adjustments to Rate Base	A-1	GRCF		x 1.816184	
2	Average FPFTY Rate Base	B-1		$ (34,574)	12.76%	$ (4,410)
3	Deferred Storm Damage Expense	B-2		$ (11,496)	12.76%	$ (1,466)
4	Accumulated Depreciation Related to Depreciation Expense at Proposed Rates	B-3		$ 7,208	12.76%	$ 919
5	Cash Working Capital	B-4		$ (40,157)	12.76%	$ (5,122)
6	Total OCA Rate Base Adjustments			$ (79,019)		
7	**OCA Adjusted Original Cost Rate Base**	B		$ 1,285,196		
	Net Operating Income		Pre-Tax Operating Income Amount	Net Operating IncomeAmount Sch C.1	OCA GRCF Sch. A-1	
	Effect of OCA Adjustments on NOI					
8	Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances	C-1	$ (14,416)	$ 8,434	1.816184	$ (15,318)
9	Miscelleneous Expenses	C-2	$ (35)	$ 21	1.816184	$ (37)
10	Incentive Compensation Expense	C-3	$ (638)	$ 373	1.816184	$ (678)
11	Stock-Based Compensation Expense	C-4	$ (2,889)	$ 1,690	1.816184	$ (3,070)
12	Supplemental Executive Retirement Plan (SERP) Expense	C-5	$ (130)	$ 76	1.816184	$ (138)
13	Payroll Expense	C-6	$ (1,245)	$ 729	1.816184	$ (1,323)
14	Payroll Tax Expense	C-7	$ (154)	$ 90	1.816184	$ (164)
15	Employee Benefits	C-8	$ (121)	$ 71	1.816184	$ (129)
16	Pension Expense	C-9	$ (7,216)	$ 4,222	1.816184	$ (7,667)
17	Post Retirement Benefits Other Than Pensions (OPEB)	C-10	$ (2,328)	$ 1,362	1.816184	$ (2,473)
18	Affiliate Aircraft Expense	C-11	$ -	$ -	1.816184	$ -
19	Rate Case Expense	C-12	$ (212)	$ 124	1.816184	$ (225)
20	Interest Synchronization	C-13	$ -	$ (796)	1.816184	$ 1,446
21	Revenue Normalization Related to Phase III EE&C Plan 5-Year Avg of Usage Reductions	Exh. LA-WP-2*	$ -	$ 1,621	1.816184	$ (2,944)
22	Total OCA Adjustments to Operating Income	C.1	$ (29,383)	$ 18,016		
23	Net Operating Income per Company Filing	C		$ 56,454		
24	**OCA Adjusted Net Operating Income**	C		$ 74,470		
	Gross Revenue Conversion Factor Difference:					
25	Per OCA	A-1			1.816184	
26	Per Company	A-1			1.816181	
27	Difference				0.000003	
28	Company Adjusted NOI Deficiency	A			$ 51,355	
29	GRCF Difference					$ 0
30	OCA REVENUE REQUIREMENT ADJUSTMENTS ABOVE					$ (64,627)
31	Company Requested Base Rate Revenues	A				$ 93,270
32	Reconciled Revenue Requirement					$ 28,643
33	Revenue Requirement Calculated on Schedule A	A				$ 28,641
34	Unidentified Difference					$ 2
35	Unidentified Difference as percent of OCA base rate revenue increase					0.01%

Notes and Source

Pre-tax return computed using Gross Revenue Conversion Factor

*Exhibit LA-WP-2 was filed in conjunction with the Supplemental Direct Testimony of OCA witness Ralph C. Smith that was served on August 17, 2016.

West Penn Power Company
Gross Revenue Conversion Factor

Exhibit LA-WP-3
Schedule A-1
Docket No. R-2016-2537359
Page 1 of 1
Revised

Future Projected Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Company Proposed Amounts (A)	Company Proposed Derived Percentages (B)	Company Proposed as Percentages (C)	Effective Current Income Tax Rate (B1)	Revised OCA Proposed (D)
1	Gross Revenue	$ 93,270		100.00000%		100.00000%
2	Taxes Other Than Income	$ 5,493	5.89%	5.889400%		5.88940%
3	Taxable Income	$ 87,777		94.11060%		94.11060%
4	State Income Taxes	$ 8,769	9.99%	9.40170%	9.99%	9.40174%
5	Income Before Federal Income Taxes	$ 79,008		84.70890%		84.70886%
6	Federal Income Taxes	$ 27,653	35.00%	29.64840%	35.00%	29.64835%
7	Change in Net Operating Income	$ 51,355		55.06050%		55.06050%
8	Gross Revenue Conversion Factor	1.81618		1.81618		1.81618

Notes and Source

Col. A: West Penn Exhibit RAD-2
Col. B: Derived from Column A

Components of Revenue Requirement Increase

		West Penn	Percent	OCA	Percent
9	Net Income	$ 51,355	55.06%	$ 15,770	55.06050%
10	Taxes Other Than Income	$ 5,493	5.89%	$ 1,687	5.88940%
11	Current State Income Taxes	$ 8,769	9.40%	$ 2,693	9.40174%
12	Current Federal Income Taxes	$ 27,653	29.65%	$ 8,492	29.64835%
13	Total Revenue Increase	$ 93,270	100.00%	$ 28,642	100.0000%
14	Total Revenue Increase (From Schedule A)			$ 28,641	

West Penn Power Company
Adjusted Rate Base

Future Projected Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule B
Docket No. R-2016-2537359
Page 1 of 1
Revised

Line No.	Description	Company Proposed (A)	OCA Adjustments (B)	OCA Proposed (C)
	Electric Plant in Service			
1	Plant in Service	$ 2,422,304	$ (71,373)	$ 2,350,931
2	Plant Held For Future Use	$ -	$ -	$ -
3	Construction Work in Progress	$ -	$ -	$ -
4	Total Electric Plant	$ 2,422,304	$ (71,373)	$ 2,350,931
	Depreciation and Amortization Reserve:			
5	Plant in Service	$ (878,013)	$ 33,115	$ (844,898)
6	Plant Held For Future Use	$ -	$ -	$ -
7	Excluded Property		$ -	$ -
8	Total Depreciation and Amortization Reserve	$ (878,013)	$ 33,115	$ (844,898)
9	Net Electric Plant	$ 1,544,291	$ (38,258)	$ 1,506,033
	Additions:			
10	Cash Working Capital	$ 123,226	$ (40,157)	$ 83,069
11	M&S Inventories	$ 13,639	$ -	$ 13,639
12	Legacy Meters	$ 50,187	$ 5,785	$ 55,972
13	Deferred Storm Damage	$ 9,548	$ (9,548)	$ -
14	**Total Additions to Rate Base**	$ 196,600	$ (43,921)	$ 152,679
	Deductions:			
15	Customer Deposits	$ (23,633)	$ -	$ (23,633)
16	Customer Advances for Construction	$ (538)	$ -	$ (538)
17	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ (350,389)	$ 3,160	$ (347,229)
18	Operating Reserves (Net of Taxes)	$ (2,116)	$ -	$ (2,116)
19	**Total Rate Base Deductions**	$ (376,676)	$ 3,160	$ (373,516)
20	**Total Rate Base**	$ 1,364,215	$ (79,019)	$ 1,285,196

Notes and Source
Col.A: West Penn Exhibit RAD-1
Col.B: Schedule B.1

West Penn Power Company
Summary of Adjustments to Rate Base

Future Projected Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule B.1
Docket No. R-2016-2537359
Page 1 of 1
Revised

Line No.	Description	OCA Adjustments	Average FPFTY Rate Base	Deferred Storm Damage Expense	Accumulated Depreciation	Cash Working Capital - Operating Expenses	Application of Act 40 Revenue Use Differential
			B-1	B-2	B-3	B-4	N/A
	Utility Plant in Service						
1	Plant in Service	$ (71,373)	$ (71,373)				
2	Plant Held For Future Use	$ -					
3	Construction Work in Progress	$ -					
4	Total Electric Plant	$ (71,373)	$ (71,373)	$ -	$ -	$ -	$ -
	Depreciation and Amortization Reserve:						
5	Plant in Service	$ 33,115	$ 25,907		$ 7,208		
6	Plant Held For Future Use	$ -					
7	Excluded Property	$ -					
8	Total Depreciation and Amortization Reserve	$ 33,115	$ 25,907	$ -	$ 7,208	$ -	$ -
	Additions:						
9	Cash Working Capital	$ (40,157)				$ (40,157)	
10	M&S Inventories	$ -					
11	Legacy Meters	$ 5,785	$ 5,785				
12	Deferred Storm Damage	$ (9,548)	$ 1,948	$ (11,496)			
13	**Total Additions to Rate Base**	$ (43,921)	$ 7,733	$ (11,496)	$ -	$ (40,157)	$ -
	Deductions:						
14	Customer Deposits	$ -					
15	Customer Advances for Construction	$ -					
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ 3,160	$ 3,160				
17	Operating Reserves (Net of Taxes)	$ -					
18	**Total Rate Base Deductions**	$ 3,160	$ 3,160	$ -	$ -	$ -	$ -
19	**Total Rate Base**	$ (79,019)	$ (34,574)	$ (11,496)	$ 7,208	$ (40,157)	$ -

West Penn Power Company
Adjusted Net Operating Income

Future Projected Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C
Docket No. R-2016-2537359
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Revised

Line No.	Description	Per Company (A)	OCA Adjustments (B)	OCA Proposed (C)	OCA Revenue Requirement Change (D)	Revenue Requirement Impact (E)
	Operating Revenues					
1	Retail Sales	$ 353,142	$ 2,771	$ 355,913		
2	STAS Revenue	$ -	$ -	$ -		
3	Sales for Resale	$ -	$ -	$ -		
4	Other Operating Revenue	$ 17,165	$ -	$ 17,165		
5	Total Operating Revenue	$ 370,307	$ 2,771	$ 373,078	$ 28,642	$ 401,720
	Operating Expenses					
6	Price to Compare (PTC)	$ -	$ -	$ -		$ -
7	Distribution	$ 61,194	$ (525)	$ 60,669		$ 60,669
8	Customer Accounts	$ 22,565	$ (237)	$ 22,328		$ 22,328
9	Customer Service & Information	$ 16,793	$ (91)	$ 16,702		$ 16,702
10	Adminstrative & General Expense	$ 39,181	$ (13,961)	$ 25,220		$ 25,220
11	Depreciation - Accrual	$ 78,455	$ (14,416)	$ 64,039		$ 64,039
12	Amortization	$ 19,223	$ -	$ 19,223		$ 19,223
13	Taxes Other Than Income	$ 24,724	$ (154)	$ 24,570	$ 1,687	$ 26,257
14	Operating Expense Before Tax	$ 262,135	$ (29,383)	$ 232,752	$ 1,687	$ 234,438
15	**Operating Income Before Tax**	$ 108,172	$ 32,155	$ 140,327	$ 26,955	$ 167,282
	Income Taxes:					
16	Federal Income Tax - Current	$ 19,765	$ 3,404	$ 23,169	$ 2,693	$ 25,862
17	State Income Tax - Current	$ 11,156	$ 10,734	$ 21,890	$ 8,492	$ 30,382
18	Deferred Income Tax - Federal	$ 21,592	$ -	$ 21,592		$ 21,592
19	Deferred Income Tax - State	$ -		$ -		$ -
20	Investment Tax Credit	$ (795)		$ (795)		$ (795)
21	**Total Tax Expense**	$ 51,718	$ 14,138	$ 65,856	$ 11,185	$ 77,041
22	**Total Operating Expenses**	**$ 313,853**	**$ (15,245)**	**$ 298,608**	**$ 12,872**	**$ 311,480**
28	**Operating Income**	$ 56,454	$ 18,016	$ 74,470	$ 15,770	$ 90,240

Notes and Source

Col.A: West Penn Exhibit RAD-2
Col.B: Schedule C.1
Col.C: Col.A + Col.B

West Penn Power Company
Summary of Net Operating Income Adjustments

Future Projected Test Year Ended 12/31/2017

(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C.1
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Line No.	Description	OCA Adjustments	Depreciation Expense at Proposed Rates	Miscellaneous Expense	Incentive Compensation Expense	Stock-Based Compensation Expense	SERP Expense	Payroll Expense	Payroll Tax Expense
			C-1	C-2	C-3	C-4	C-5	C-6	C-7
			N/A						
	Operating Revenues								
1	Retail Sales	$ 2,771							
2	STAS Revenue	$ -							
3	Sales for Resale	$ -							
4	Other Operating Revenue	$ -							
5	Total Operating Revenue	$ 2,771	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Operating Expenses								
6	Price to Compare (PTC)	$ -							
7	Distribution	$ (525)						$ (525)	
8	Customer Accounts	$ (237)						$ (237)	
9	Customer Service & Information	$ (91)						$ (91)	
10	Adminstrative & General Expense	$ (13,961)		$ (35)	$ (638)	$ (2,889)	$ (130)	$ (392)	
11	Depreciation - Accrual	$ (14,416)	$ (14,416)						
12	Amortization	$ -							
13	Taxes Other Than Income	$ (154)							$ (154)
14	PRE-TAX OPERATING EXPENSES	$ (29,383)	$ (14,416)	$ (35)	$ (638)	$ (2,889)	$ (130)	$ (1,245)	$ (154)
15	PRE-TAX OPERATING INCOME	$ 32,155	$ 14,416	$ 35	$ 638	$ 2,889	$ 130	$ 1,245	$ 154
16	State Income Tax - Current	$ 3,404	$ 1,440	$ 3	$ 64	$ 289	$ 13	$ 124	$ 15
17	Federal Income Tax - Current	$ 10,734	$ 4,542	$ 11	$ 201	$ 910	$ 41	$ 392	$ 49
18	Federal & State Income Taxes	$ 14,138	$ 5,982	$ 14	$ 265	$ 1,199	$ 54	$ 516	$ 64
19	TOTAL OPERATING EXPENSES	$ (15,245)	$ (8,434)	$ (21)	$ (373)	$ (1,690)	$ (76)	$ (729)	$ (90)
20	OPERATING INCOME	$ 18,016	$ 8,434	$ 21	$ 373	$ 1,690	$ 76	$ 729	$ 90

Notes and Source

Line 16: State Income Tax Rate	9.99%
Line 17: Federal Income Tax Rate	35.00%

West Penn Power Company
Summary of Net Operating Income Adjustments

Future Projected Test Year Ended 12/31/2017

(Thousands of Dollars)

Exhibit LA-WP-3
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Line No.	Description	Employee Benefits Expense	Pension Expense	OPEB Expense	Affiiate Aircraft Expense	Rate Case Expense	Interest Synchronization	Revenue Normalization Related to Phase III EE&C Plan Using a Five-Year Average of Usage Reductions
		C-8	C-9	C-10	C-11 Revised	C-12	C-13	Exh. LA-WP-2
	Operating Revenues							
1	Retail Sales							$ 2,771
2	STAS Revenue							
3	Sales for Resale							
4	Other Operating Revenue							
5	Total Operating Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,771
	Operating Expenses							
6	Price to Compare (PTC)							
7	Distribution							
8	Customer Accounts							
9	Customer Service & Information							
10	Adminstrative & General Expense	$ (121)	$ (7,216)	$ (2,328)	$ -	$ (212)		
11	Depreciation - Accrual							
12	Amortization							
13	Taxes Other Than Income							
14	PRE-TAX OPERATING EXPENSES	$ (121)	$ (7,216)	$ (2,328)	$ -	$ (212)	$ -	$ -
15	PRE-TAX OPERATING INCOME	$ 121	$ 7,216	$ 2,328	$ -	$ 212	$ -	$ 2,771
16	State Income Tax - Current	$ 12	$ 721	$ 233	$ -	$ 21	$ 192	$ 277
17	Federal Income Tax - Current	$ 38	$ 2,273	$ 733	$ -	$ 67	$ 605	$ 873
18	Federal & State Income Taxes	$ 50	$ 2,994	$ 966	$ -	$ 88	$ 796	$ 1,150
19	TOTAL OPERATING EXPENSES	$ (71)	$ (4,222)	$ (1,362)	$ -	$ (124)	$ 796	$ 1,150
20	OPERATING INCOME	$ 71	$ 4,222	$ 1,362	$ -	$ 124	$ (796)	$ 1,621

Notes and Source
Line 16: State Income Tax Rate
Line 17: Federal Income Tax Rate

West Penn Power Company
Capital Structure and Cost Rates

Exhibit LA-WP-3
Schedule D
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Future Projected Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Capital Amounts	Percent	Cost Rate	Weighted Cost
			(A)	(B)	(C)
	Per Company				
1	Long Term Debt	$ 725,000	49.68%	4.87%	2.42%
2	Preferred Stock	$ -	0.00%	0.00%	0.00%
3	Common Equity	$ 734,329	50.32%	10.90%	5.49%
4	Total Capital Structure	$ 1,459,329	100.00%		7.90%
	Per OCA				
5	Long-Term Debt	$ 725,000	49.68%	4.87%	2.42%
6	Preferred Stock	$ -	0.00%	0.00%	0.00%
7	Common Equity	$ 734,329	50.32%	9.15%	4.59%
8	Total Capital Structure	$ 1,459,329	100.00%		7.02%
9	Difference				-0.881%
10	Weighted Cost of Debt				2.42%

Notes and Source

Lines 1-4: West Penn Exhibit RAD-1
Lines 5-8: Per the recommendation of OCA witness Dave Parcell

West Penn Power Company
Average FPFTY Rate Base

Future Projected Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule B-1
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Line No.	Description	Original Cost 12/31/16 Per Company (A)	Original Cost 12/31/17 Per Company (B)	Company Proposed (C)	OCA Proposed (D)=Avg(A,B)	OCA Adjustments (E)=(D)-(C)
	Electric Plant in Service					
1	Plant in Service	$ 2,279,558	$ 2,422,304	$ 2,422,304	$ 2,350,931	$ (71,373)
2	Plant Held For Future Use	$ -	$ -	$ -	$ -	$ -
3	Construction Work in Progress	$ -	$ -	$ -	$ -	$ -
4	Total Electric Plant	$ 2,279,558	$ 2,422,304	$ 2,422,304	$ 2,350,931	$ (71,373)
	Depreciation and Amortization Reserve:					
5	Plant in Service	$ (826,199)	$ (878,013)	$ (878,013)	$ (852,106)	$ 25,907
6	Plant Held For Future Use	$ -	$ -	$ -	$ -	$ -
7	Excluded Property	$ -		$ -	$ -	$ -
8	Net Electric Plant	$ 1,453,359	$ 1,544,291	$ 1,544,291	$ 1,498,825	$ (45,466)
	Additions:					
9	Cash Working Capital	$ 123,226	$ 123,226	$ 123,226	$ 123,226	$ -
10	M&S Inventories	$ 13,639	$ 13,639	$ 13,639	$ 13,639	$ -
11	Legacy Meters	$ 61,756	$ 50,187	$ 50,187	$ 55,972	$ 5,785
12	Deferred Storm Damage	$ 13,444	$ 9,548	$ 9,548	$ 11,496	$ 1,948
13	**Total Additions to Rate Base**	$ 212,065	$ 196,600	$ 196,600	$ 204,333	$ 7,733
	Deductions:					
14	Customer Deposits	$ (23,633)	$ (23,633)	$ (23,633)	$ (23,633)	$ -
15	Customer Advances for Construction	$ (538)	$ (538)	$ (538)	$ (538)	$ -
16	Accumulated Deferred Income Taxes - Liberalized Depreciation	$ (344,069)	$ (350,389)	$ (350,389)	$ (347,229)	$ 3,160
17	Operating Reserves (Net of Taxes)	$ (2,116)	$ (2,116)	$ (2,116)	$ (2,116)	$ -
18	**Total Rate Base Deductions**	$ (370,356)	$ (376,676)	$ (376,676)	$ (373,516)	$ 3,160
19	**Total Rate Base**	$ 1,295,068	$ 1,364,215	$ 1,364,215	$ 1,329,642	$ (34,574)
20					Percentage Difference	-2.53%

Notes and Source
Col A: Amounts from West Penn Exhibit RAD-3
Cols. B&C: Amounts from West Penn Exhibit RAD-1

West Penn Power Company
Deferred Storm Damage Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)
1	Adjustment to Remove Average Deferred Storm Damage Deferrals From Rate Base	$ (11,496)

Notes and Source

	Description	Amount	Reference
2	Projected Deferred Storm Damage as of 12/31/2016 Per West Penn	$ 13,444	West Penn Exhibit RAD-3
3	Projected Deferred Storm Damage as of 12/31/2017 Per West Penn	$ 9,548	West Penn Exhibit RAD-1
4	Average Deferred Storm Damage	$ 11,496	

West Penn Power Company
Accumulated Depreciation Related to Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule B-3
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Line No.	Description	Amount (A)	Reference
1	OCA Adjustment to Depreciation Expense	$ (14,416)	A
2	Percentage to Calculate Adjustment Based on Average Rate Base	50%	
3	OCA Adjustment to Decrease Accumulated Depreciation	$ 7,208	

Notes and Source

A: See Schedule C-1

West Penn Power Company
Cash Working Capital

Exhibit LA-WP-3
Schedule B-4
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Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Normalized PAPUC Jurisdictional Distribution (A)	Smart Meters (B)	PAPUC Total Distribution (C)	Total Riders (D)	PAPUC Total (E)	OCA Adjustment (F)	OCA Adjusted (G)	Daily Amount (H)	Revenue (Lead) / Lag Days (I)	Expense (Lead) / Lag Days (J)	Net (Lead) / Lag Days (K)	Cash Working Capital (L)
	Operating revenues												
1	Electric Revenues	$ 407,154	$ 39,258	$ 446,412	$ 656,076	$ 1,102,488		$ 1,102,488	3,020.52	59.81			$ 180,643
2	Sales for resale	$ -	$ -	$ -	$ 154	$ 154		$ 154	0.42	31.97			$ 13
3	Other operating revenue	$ 17,165	$ -	$ 17,165	$ -	$ 17,165		$ 17,165	47.03	19.11			$ 899
4	Total operating revenue	$ 424,319	$ 39,258	$ 463,577	$ 656,230	$ 1,119,807	$ -	$ 1,119,807	3,067.97	59.18			$ 181,555
	Operating expenses												
5	Price to Compare	$ -	$ -	$ -	$ 531,113	$ 531,113		$ 531,113	1,455.10	59.18	33.28	25.90	$ 37,690
6	Distribution	$ 61,194	$ -	$ 61,194	$ 37,801	$ 98,995	$ (525)	$ 98,470	269.78	59.18	32.94	26.24	$ 7,078
7	Customer accounts	$ 22,565	$ -	$ 22,565	$ 10,448	$ 33,013	$ (237)	$ 32,776	89.80	59.18	24.57	34.61	$ 3,108
8	Customer service & info	$ 16,793	$ -	$ 16,793	$ 29,670	$ 46,463	$ (91)	$ 46,372	127.05	59.18	31.67	27.50	$ 3,494
9	Admin & gen expense	$ 22,840	$ 16,341	$ 39,181	$ 23,326	$ 62,507	$ (13,961)	$ 48,546	133.00	59.18	26.02	33.16	$ 4,410
10	Depreciation - accrual	$ 64,846	$ 13,609	$ 78,455	$ -	$ 78,455		$ 78,455					$ -
11	Amortization	$ 19,223	$ -	$ 19,223	$ (9,824)	$ 9,399		$ 9,399					$ -
12	Taxes other than income	$ 27,911	$ 2,316	$ 30,227	$ 38,709	$ 68,936	$ (154)	$ 68,782	188.44	59.18	(58.49)	117.67	$ 22,175
13	Operating expense before tax	$ 235,372	$ 32,266	$ 267,638	$ 661,243	$ 928,881	$ (14,968)	$ 913,913					$ 77,955
14	Operating income before income tax	$ 188,947	$ 6,993	$ 195,939	$ (5,013)	$ 190,926	$ 14,968	$ 205,894					
	Income taxes												
15	Federal income tax - current	$ 53,622	$ (6,207)	$ 47,415	$ (1,609)	$ 45,806		$ 45,806	125.50	59.18	24.86	34.32	$ 4,307
16	State income tax - current	$ 21,892	$ (1,968)	$ 19,924	$ (501)	$ 19,423		$ 19,423	53.21	59.18	20.13	39.05	$ 2,078
17	Deferred income tax - federal	$ 13,204	$ 8,388	$ 21,592	$ -	$ 21,592		$ 21,592					
18	Deferred income tax - state	$ -	$ -	$ -	-	$ -		$ -					
19	Investment tax credit	$ (795)	$ -	$ (795)	-	$ (795)		$ (795)	-				$ -
20	Total tax expense	$ 87,923	$ 213	$ 88,136	$ (2,110)	$ 86,026	$ -	$ 86,026					$ 6,385
21	Total operating expenses	$ 323,295	$ 32,479	$ 355,774	$ 659,133	$ 1,014,907	$ (14,968)	$ 999,939					
22	**Operating income**	$ 101,024	$ 6,780	$ 107,804	$ (2,903)	$ 104,901	$ 14,968	$ 119,868					
23	Net Cash Working Capital												$ 84,340
24	Interest on Long Term Debt					$ 33,008	$ (1,919)	$ 31,089 [a]	85.18	59.18	91.25	(32.07)	$ (2,732)
25	Interest Expense on Customer Deposits					$ 1,054		$ 1,054	2.89	59.18	182.50	(123.32)	$ (356)
26	Prepayments					$ 1,854	$ (38) b						$ 1,816
27	Unamortized Cash Pension Contributions					$ 38,903	$ (38,903)						$ -
28	Total Cash Working Capital per OCA												$ 83,068
29	Cash Working Capital Per West Penn												$ 123,226
30	OCA Adjustment to Cash Working Capital												$ (40,157)

Notes and Source

Cols. A-E from West Penn Exhibit JLA-1

[a] Synchronized Interest amount from Schedule C-13

[b] Prepaid EEI Dues assessment per OCA-XI-1 calculated below:

		Amount	Reference
31	Prepaid EEI Dues Assessment	$ 682	West Penn Exhibit JLA-1
32	Less: Lobbying Portion of EEI Dues - 14%	$ (95)	OCA-XI-1
33	Adjusted Prepaid EEI Dues Assessment	$ 587	L31 - L32
34	13 Month Average Balance of Prepaid EEI Dues	$ 45	L33 / 13
35	Eliminate Transmission Related Portion - 16.10%	$ (7)	West Penn Exhibit JLA-1
36	Prepaid EEI Dues Assessement Related to Distribution	$ 38	L34 + L35

West Penn Power Company
Cash Working Capital - OCA Adjustments to Expenses

Fully Projected Future Test Year Ended 4/30/2016
(Thousands of Dollars)

Exhibit LA-WP-3
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Line No.	Description	Adjustment No.	O&M Expense Adjustment	Revenue	Energy Costs	Payroll Expense	Employee Benefits	Pension Expense	OPEB Expense	Service Company	Payroll Tax Expense	Depreciation & Amortization Expense*	Other O&M Expense
			(A)	(B)	(C)	(D)	(E)	(F)	(J)	(K)	(L)	(M)	(N)
1	Depreciation Expense at Proposed Rates	C-1	$ (14,416)									$ (14,416)	
2	Miscelleneous Expenses	C-2	$ (35)										$ (35)
3	Incentive Compensation Expense	C-3	$ (638)			$ (638)							
4	Stock-Based Compensation Expense	C-4	$ (2,889)			$ (2,889)							
5	Supplemental Executive Retirement Plan (SERP) Expense	C-5	$ (130)			$ (130)							
6	Payroll Expense	C-6	$ (1,245)			$ (1,245)							
7	Payroll Tax Expense	C-7	$ (154)								$ (154)		
8	Employee Benefits	C-8	$ (121)				$ (121)						
9	Pension Expense	C-9	$ (7,216)					$ (7,216)					
10	Post Retirement Benefits Other Than Pensions (OPEB)	C-10	$ (2,328)						$ (2,328)				
11	Affiliate Aircraft Expense	C-11	$ -										$ -
12	Rate Case Expense	C-12	$ (212)										$ (212)
13	Interest Synchronization	C-13	$ -										
14													
15			$ -						$ -				
16	TOTAL - sum of column A		$ (29,383)	$ -	$ -	$ (4,902)	$ (121)	$ (7,216)	$ (2,328)	$ -	$ (154)	$ (14,416)	$ (246)
17	Total per Schedule C.1, line 14		$ (29,383)										
18	Difference		$ -										$ (29,383)
													$ -
19	Cross foot columns B through Q		$ (29,383)										
20	Difference		$ -										

This workpaper shows how the OCA adjustments to operating expenses from Schedule C.1 are posted for CWC purposes

* The impacts of depreciation expense should not flow through CWC as it is a non-cash expense

West Penn Power Company
Depreciation Expense at Proposed Rates Using FPFTY Average Plant Balances

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	OCA Adjustment (A)	Reference
	I. OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates using 2017 Average Plant Balances		
1	Company Proposed FPFTY Depreciation Expense Based on 12/31/2017 Plant	$ 69,719	Page 2, Col. E
2	Company Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 66,445	Page 2, Col. G
3	OCA Adjustment to Reflect Depreciation Expense at Company Proposed Rates Using 2017 Average Plant Balances	$ (3,274)	L2 - L1
	II. OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates Using 2017 Average Plant Balances		
4	Company Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 66,445	Page 3, Col. C
5	OCA Proposed FPFTY Depreciation Expense Based on Average FPFTY Plant	$ 55,303	Page 3, Col. E
6	OCA Adjustment to Reflect Depreciation Expense at OCA Proposed Rates Using 2017 Average Plant Balances	$ (11,142)	L5 - L4
	III. Total OCA Adjustment for Depreciation Expense		
7	Total OCA Adjustment to FPFTY Depreciation Expense	$ (14,416)	L3 + L6

Notes and Source

The Company proposed depreciation expense reflected above does not include $14.420 million of cost of removal/salvage expense at a jurisdictional five-year average as shown on West Penn Exhibit RAD-2 (page 21), Adjustment No. 9

West Penn Power Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-WP-3
Schedule C-1
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Page 2 of 4

Line No.	Acct No		Per Company Adjusted Plant Balances at 12/31/2016	Per Company Adjusted Plant Balances at 12/31/2017	Average Plant Balances	Accrual Rate ELG Ave Remaining Life Basis Per West Penn	Accrual Expense Amount Based on 12/31/2017	Accrual Rate ELG Ave Remaining Life Basis Per West Penn	Accrual Expense Amount Based on Avg. Plant Balances	OCA Adjustment
			(A)	(B)	(C)	(D)	(E=BxD)	(F)	(G=CxF)	(H)
		INTANGIBLE PLANT								
1	303	Software misc 5 yr	$ 1,024,243	$ 1,024,243	$ 1,024,243	20.00%	$ 204,849	20.00%	$ 204,849	$ -
2	303	Software misc 7 yr	$ 29,194,088	$ 31,999,420	$ 30,596,754	14.29%	$ 4,572,717	14.29%	$ 4,372,276	$ (200,441)
3	303	Software Smart Meters 7 yr	$ 17,041,430	$ 24,847,998	$ 20,944,714	14.29%	$ 3,550,779	14.29%	$ 2,993,000	$ (557,779)
4	303.1	Software Smart Meters 10 yr	$ 26,332,200	$ 26,332,200	$ 26,332,200	10.00%	$ 2,633,220	10.00%	$ 2,633,220	$ -
5		TOTAL INTANGIBLE PLANT	$ 73,591,961	$ 84,203,861	$ 78,897,911		$ 10,961,565		$ 10,203,345	$ (758,220)
		TRANSMISSION PLANT								
6	350.11	Land Rights-subs	$ -	$ 0	$ 0	1.68%	$ -	1.68%	$ -	$ -
7	350.11	Land Rights-lines	$ -	$ 0	$ 0	1.68%	$ -	1.68%	$ -	$ -
8	352	Structures	$ -	$ -	$ -	1.70%	$ -	1.70%	$ -	$ -
9	353	Station Equipment	$ 246,226	$ 246,226	$ 246,226	1.50%	$ 3,693	1.50%	$ 3,693	$ -
10	354	Towers and Fixtures	$ -	$ -	$ -	0.93%	$ -	0.93%	$ -	$ -
11	355	Poles and Fixtures	$ 768,369	$ 768,369	$ 768,369	1.84%	$ 14,138	1.84%	$ 14,138	$ -
12	356	Overhead Conductors	$ 544,947	$ 544,947	$ 544,947	0.88%	$ 4,796	0.88%	$ 4,796	$ -
13	356.1	Clearing Costs	$ 7,730,183	$ 7,730,183	$ 7,730,183	1.47%	$ 113,634	1.47%	$ 113,634	$ -
14	358	Underground Conductors	$ 26,748	$ 26,748	$ 26,748	2.89%	$ 773	2.89%	$ 773	$ -
15	359	Roads & Trails		$ -	$ -	2.89%	$ -	2.89%	$ -	$ -
16		TOTAL TRANSMISSION PLANT	$ 9,316,474	$ 9,316,473	$ 9,316,473		$ 137,034		$ 137,034	$ -
		DISTRIBUTION PLANT								
17	360.12	Land Rights-subs	$ 10,258,899	$ 10,258,899	$ 10,258,899	1.66%	$ 170,298	1.66%	$ 170,298	$ -
18	360.12	Land Rights-lines	$ 570,689	570,689	$ 570,689	1.66%	$ 9,473	1.66%	$ 9,473	$ -
19	361	Structures	$ 21,946,652	22,002,299	$ 21,974,476	1.34%	$ 294,831	1.34%	$ 294,458	$ (373)
20	361.2	Clearing and Grading	$ 26,475	26,475	$ 26,475	1.34%	$ 355	1.34%	$ 355	$ -
21	362	Station Equipment	$ 319,167,609	324,142,557	$ 321,655,083	1.58%	$ 5,121,452	1.58%	$ 5,082,150	$ (39,302)
22	364	Poles, Towers and Fixtures	$ 369,270,339	390,614,113	$ 379,942,226	1.88%	$ 7,343,545	1.88%	$ 7,142,914	$ (200,631)
23	365	Overhead Conductors	$ 355,076,942	379,066,869	$ 367,071,906	2.09%	$ 7,922,498	2.09%	$ 7,671,803	$ (250,695)
24	365.1	Clearing Costs	$ 179,034,589	180,658,966	$ 179,846,778	1.45%	$ 2,619,555	1.45%	$ 2,607,778	$ (11,777)
25	366	Underground Conduit	$ 21,394,810	21,394,810	$ 21,394,810	2.39%	$ 511,336	2.39%	$ 511,336	$ -
26	367	Underground Conductors	$ 154,912,099	163,956,897	$ 159,434,498	2.40%	$ 3,934,966	2.40%	$ 3,826,428	$ (108,538)
27	368	Line Transformers	$ 386,177,435	405,397,508	$ 395,787,472	2.49%	$ 10,094,398	2.49%	$ 9,855,108	$ (239,290)
28	369	Overhead Services	$ 110,095,741	115,249,743	$ 112,672,742	2.40%	$ 2,765,994	2.40%	$ 2,704,146	$ (61,848)
30	370	Meters	$ -	-	$ -	0.00%	$ -	0.00%	$ -	$ -
32	370.3	Smart Meters non classified 15 yr Life	$ 2,299,491	2,299,491	$ 2,299,491	6.67%	$ 153,376	6.67%	$ 153,376	$ -
33	370.3	Smart Meter Commercial - 15yr Life	$ 2,854,646	2,854,646	$ 2,854,646	6.67%	$ 190,405	6.67%	$ 190,405	$ -
34	370.3	Smart Meter Industrial - 15yr Life	$ 14,722	14,722	$ 14,722	6.67%	$ 982	6.67%	$ 982	$ -
35	370.3	Smart Meter Infrastructure-15yr L	$ 774,598	774,598	$ 774,598	6.67%	$ 51,666	6.67%	$ 51,666	$ -
36	370.3	Smart Meter Residential - 15yr Life	$ 33,673,973	75,375,206	$ 54,524,590	6.67%	$ 5,027,526	6.67%	$ 3,636,790	$ (1,390,736)
37	371	Installed on Customer Premises	$ 8,736,307	8,895,132	$ 8,815,720	3.87%	$ 344,242	3.87%	$ 341,168	$ (3,074)
38	372	Installed on Customer Premises LH	$ 296,547	296,547	$ 296,547	1.63%	$ 4,834	1.63%	$ 4,834	$ -
39	373	Street Lighting & Signal Systems	$ 37,025,081	39,363,381	$ 38,194,231	3.49%	$ 1,373,782	3.49%	$ 1,332,979	$ (40,803)
40		TOTAL DISTRIBUTION PLANT	$ 2,013,607,644	$ 2,143,213,548	$ 2,078,410,596		$ 47,935,514		$ 45,588,447	$ (2,347,067)
		GENERAL PLANT								
41	389.1	Land Rights	$ 251,614	$ 251,614	$ 251,614	1.37%	$ 3,447	1.37%	$ 3,447	$ -
42	390.1	Structures	$ 99,938,537	$ 99,938,537	$ 99,938,537	3.42%	$ 3,417,898	3.42%	$ 3,417,898	$ -
43	390.3	Lease Holds	$ 1,532,162	$ 1,532,162	$ 1,532,162	0.00%	$ -	0.00%	$ -	$ -
44	391.1	Office Furniture & Equipment	$ 8,367,727	$ 8,367,727	$ 8,367,727	6.70%	$ 560,638	6.70%	$ 560,638	$ -
45	391.2	Office Machines	$ 503,836	$ 503,836	$ 503,836	14.77%	$ 74,417	14.77%	$ 74,417	$ -
46	391.3	Data Processing	$ 16,801,867	$ 18,460,811	$ 17,631,339	9.86%	$ 1,820,236	9.86%	$ 1,738,450	$ (81,786)
47	391.4	Computers	$ 1,328,213	$ 1,328,213	$ 1,328,213	0.00%	$ -	0.00%	$ -	$ -
48	391.5	Data Processing Smart Meters	$ 9,134,698	$ 10,004,521	$ 9,569,610	20.00%	$ 2,000,904	20.00%	$ 1,913,922	$ (86,982)
49	392	Transportation	$ 3,708,165	$ 3,708,165	$ 3,708,165	7.48%	$ 277,371	7.48%	$ 277,371	$ -
50	393	Stores Equipment	$ 663,901	$ 663,901	$ 663,901	5.02%	$ 33,328	5.02%	$ 33,328	$ -
51	394	Tools, Shop, & Garage Equipment	$ 11,935,573	$ 11,935,573	$ 11,935,573	6.91%	$ 824,748	6.91%	$ 824,748	$ -
52	395	Laboratory Equipment	$ 1,505,271	$ 1,505,271	$ 1,505,271	5.07%	$ 76,317	5.07%	$ 76,317	$ -
53	396	Power Operated Equipment	$ 179,566	$ 179,568	$ 179,567	1.98%	$ 3,555	1.98%	$ 3,555	$ -
54	397	Communications Equipment	$ 17,090,925	$ 17,090,925	$ 17,090,925	8.34%	$ 1,425,383	8.34%	$ 1,425,383	$ -
55	398	Miscellaneous Equipment	$ 2,063,094	$ 2,063,094	$ 2,063,094	8.09%	$ 166,904	8.09%	$ 166,904	$ -
56		TOTAL GENERAL PLANT	$ 175,005,149	$ 177,533,918	$ 176,269,534		$ 10,685,146		$ 10,516,378	$ (168,768)
57		**GRAND TOTAL**	$ 2,271,521,228	$ 2,414,267,800	$ 2,342,894,514		$ 69,719,259		$ 66,445,204	$ (3,274,055)

Notes and Source
Col. A: Amounts from West Penn Exhibit RAD-47
Col. B: Amounts from West Penn Exhibit RAD-46
Cols D&F: Depreciation rates from West Penn Exhibit RAD-53

West Penn Power Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-WP-3
Schedule C-1
Docket No. R-2016-2537359
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Line No.	Acct No		Average Adjusted Depreciable Base	Accrual Rate ELG Ave Remaining Life Basis Per West Penn	Accrual Expense Amount Per West Penn	Accrual Rate ASL Ave Remaining Life Basis Per OCA	Accrual Expense Amount Per OCA	OCA Adjustment
			(A)	(B)	(C)	(D)	(E)	(F)
		INTANGIBLE PLANT						
1	303	Software misc 5 yr	$ 1,024,243	20.00%	$ 204,849	20.00%	$ 204,849	$ -
2	303	Software misc 7 yr	$ 30,596,754	14.29%	$ 4,372,276	14.29%	$ 4,372,276	$ -
3	303	Software Smart Meters 7 yr	$ 20,944,714	14.29%	$ 2,993,000	10.00%	$ 2,094,471	$ (898,529)
4	303.1	Software Smart Meters 10 yr	$ 26,332,200	10.00%	$ 2,633,220	10.00%	$ 2,633,220	$ -
5		TOTAL INTANGIBLE PLANT	$ 78,897,911		$ 10,203,345		$ 9,304,816	$ (898,529)
		TRANSMISSION PLANT						
6	350.11	Land Rights-subs	$ 0	1.68%	$ -	1.68%	$ -	$ -
7	350.11	Land Rights-lines	$ 0	1.68%	$ -	1.68%	$ -	$ -
8	352	Structures	$ -	1.70%	$ -	1.30%	$ -	$ -
9	353	Station Equipment	$ 246,226	1.50%	$ 3,693	1.16%	$ 2,856	$ (837)
10	354	Towers and Fixtures	$ -	0.93%	$ -	0.86%	$ -	$ -
11	355	Poles and Fixtures	$ 768,369	1.84%	$ 14,138	1.36%	$ 10,450	$ (3,688)
12	356	Overhead Conductors	$ 544,947	0.88%	$ 4,796	0.80%	$ 4,360	$ (436)
13	356.1	Clearing Costs	$ 7,730,183	1.47%	$ 113,634	1.38%	$ 106,677	$ (6,957)
14	358	Underground Conductors	$ 26,748	2.89%	$ 773	2.55%	$ 682	$ (91)
15	359	Roads & Trails	$ -	2.89%	$ -	2.55%	$ -	$ -
16		TOTAL TRANSMISSION PLANT	$ 9,316,473		$ 137,034		$ 125,025	$ (12,009)
		DISTRIBUTION PLANT						
17	360.12	Land Rights-subs	$ 10,258,899	1.66%	$ 170,298	1.51%	$ 154,909	$ (15,389)
18	360.12	Land Rights-lines	$ 570,689	1.66%	$ 9,473	1.51%	$ 8,617	$ (856)
19	361	Structures	$ 21,974,476	1.34%	$ 294,458	1.17%	$ 257,101	$ (37,357)
20	361.2	Clearing and Grading	$ 26,475	1.34%	$ 355	1.17%	$ 310	$ (45)
21	362	Station Equipment	$ 321,655,083	1.58%	$ 5,082,150	1.19%	$ 3,827,695	$ (1,254,455)
22	364	Poles, Towers and Fixtures	$ 379,942,226	1.88%	$ 7,142,914	1.43%	$ 5,433,174	$ (1,709,740)
23	365	Overhead Conductors	$ 367,071,906	2.09%	$ 7,671,803	1.36%	$ 4,992,178	$ (2,679,625)
24	365.1	Clearing Costs	$ 179,846,778	1.45%	$ 2,607,778	1.37%	$ 2,463,901	$ (143,877)
25	366	Underground Conduit	$ 21,394,810	2.39%	$ 511,336	2.11%	$ 451,430	$ (59,906)
26	367	Underground Conductors	$ 159,434,498	2.40%	$ 3,826,428	1.99%	$ 3,172,747	$ (653,681)
27	368	Line Transformers	$ 395,787,472	2.49%	$ 9,855,108	2.00%	$ 7,915,749	$ (1,939,359)
28	369	Overhead Services	$ 112,672,742	2.40%	$ 2,704,146	1.99%	$ 2,242,188	$ (461,958)
30	370	Meters	$ -	0.00%	$ -	0.00%	$ -	$ -
32	370.3	Smart Meters non classified 15 yr Life	$ 2,299,491	6.67%	$ 153,376	6.41%	$ 147,397	$ (5,979)
33	370.3	Smart Meter Commercial - 15yr Life	$ 2,854,646	6.67%	$ 190,405	6.41%	$ 182,983	$ (7,422)
34	370.3	Smart Meter Industrial - 15yr Life	$ 14,722	6.67%	$ 982	6.41%	$ 944	$ (38)
35	370.3	Smart Meter Infrastructure-15yr L	$ 774,598	6.67%	$ 51,666	6.41%	$ 49,652	$ (2,014)
36	370.3	Smart Meter Residential - 15yr Life	$ 54,524,590	6.67%	$ 3,636,790	6.41%	$ 3,495,026	$ (141,764)
37	371	Installed on Customer Premises	$ 8,815,720	3.87%	$ 341,168	4.14%	$ 364,971	$ 23,803
38	372	Installed on Customer Premises LH	$ 296,547	1.63%	$ 4,834	1.63%	$ 4,834	$ -
39	373	Street Lighting & Signal Systems	$ 38,194,231	3.49%	$ 1,332,979	1.96%	$ 748,607	$ (584,372)
40		TOTAL DISTRIBUTION PLANT	$ 2,078,410,596		$ 45,588,447		$ 35,914,413	$ (9,674,034)
		GENERAL PLANT						
41	389.1	Land Rights	$ 251,614	1.37%	$ 3,447	1.27%	$ 3,195	$ (252)
42	390.1	Structures	$ 99,938,537	3.42%	$ 3,417,898	3.48%	$ 3,477,861	$ 59,963
43	390.3	Lease Holds	$ 1,532,162	0.00%	$ -	0.00%	$ -	$ -
44	391.1	Office Furniture & Equipment	$ 8,367,727	6.70%	$ 560,638	4.84%	$ 404,998	$ (155,640)
45	391.2	Office Machines	$ 503,836	14.77%	$ 74,417	10.78%	$ 54,314	$ (20,103)
46	391.3	Data Processing	$ 17,631,339	9.86%	$ 1,738,450	12.81%	$ 2,258,575	$ 520,125
47	391.4	Computers	$ 1,328,213	0.00%	$ -	0.00%	$ -	$ -
48	391.5	Data Processing Smart Meters	$ 9,569,610	20.00%	$ 1,913,922	12.14%	$ 1,161,751	$ (752,171)
49	392	Transportation	$ 3,708,165	7.48%	$ 277,371	5.74%	$ 212,849	$ (64,522)
50	393	Stores Equipment	$ 663,901	5.02%	$ 33,328	4.17%	$ 27,685	$ (5,643)
51	394	Tools, Shop, & Garage Equipment	$ 11,935,573	6.91%	$ 824,748	6.48%	$ 773,425	$ (51,323)
52	395	Laboratory Equipment	$ 1,505,271	5.07%	$ 76,317	4.05%	$ 60,963	$ (15,354)
53	396	Power Operated Equipment	$ 179,567	1.98%	$ 3,555	2.09%	$ 3,753	$ 198
54	397	Communications Equipment	$ 17,090,925	8.34%	$ 1,425,383	7.95%	$ 1,358,729	$ (66,654)
55	398	Miscellaneous Equipment	$ 2,063,094	8.09%	$ 166,904	7.81%	$ 161,128	$ (5,776)
56		TOTAL GENERAL PLANT	$ 176,269,534		$ 10,516,378		$ 9,959,226	$ (557,152)
57		**GRAND TOTAL**	$ 2,342,894,514		$ 66,445,204		$ 55,303,480	$ (11,141,724)

Notes and Source
Col. A: See page 2, column C
Col. B: Depreciation rates from West Penn Exhibit RAD-53
Cols. D-F: OCA proposed depreciation rates sponsored by OCA witness James Garren

West Penn Power Company
Depreciation Expense at Proposed Rates

Fully Projected Future Test Year Ended 12/31/2017

Exhibit LA-WP-3
Schedule C-1
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Line No.	Acct No		Per Company Adjusted Plant Balances at 12/31/2017	Accrual Rate ELG Ave Remaining Life Basis Per West Penn	Accrual Expense Amount Per West Penn	Accrual Rate ASL Ave Remaining Life Basis Per OCA	Accrual Expense Amount Per OCA	OCA Adjustment
			(A)	(B)	(C)	(D)	(E)	(F)
		INTANGIBLE PLANT						
1	303	Software misc 5 yr	$ 1,024,243	20.00%	$ 204,849	20.00%	$ 204,849	$ -
2	303	Software misc 7 yr	$ 31,999,420	14.29%	$ 4,572,717	14.29%	$ 4,572,717	$ -
3	303	Software Smart Meters 7 yr	$ 24,847,998	14.29%	$ 3,550,779	10.00%	$ 2,484,800	$ (1,065,979)
4	303.1	Software Smart Meters 10 yr	$ 26,332,200	10.00%	$ 2,633,220	10.00%	$ 2,633,220	$ -
5		TOTAL INTANGIBLE PLANT	$ 84,203,861		$ 10,961,565		$ 9,895,586	$ (1,065,979)
		TRANSMISSION PLANT						
6	350.11	Land Rights-subs	$ 0	1.68%	$ -	1.68%	$ -	$ -
7	350.11	Land Rights-lines	$ 0	1.68%	$ -	1.68%	$ -	$ -
8	352	Structures	$ -	1.70%	$ -	1.30%	$ -	$ -
9	353	Station Equipment	$ 246,226	1.50%	$ 3,693	1.16%	$ 2,856	$ (837)
10	354	Towers and Fixtures	$ -	0.93%	$ -	0.86%	$ -	$ -
11	355	Poles and Fixtures	$ 768,369	1.84%	$ 14,138	1.36%	$ 10,450	$ (3,688)
12	356	Overhead Conductors	$ 544,947	0.88%	$ 4,796	0.80%	$ 4,360	$ (436)
13	356.1	Clearing Costs	$ 7,730,183	1.47%	$ 113,634	1.38%	$ 106,677	$ (6,957)
14	358	Underground Conductors	$ 26,748	2.89%	$ 773	2.55%	$ 682	$ (91)
15	359	Roads & Trails	$ -	2.89%	$ -	2.55%	$ -	$ -
16		TOTAL TRANSMISSION PLANT	$ 9,316,473		$ 137,034		$ 125,025	$ (12,009)
		DISTRIBUTION PLANT						
17	360.12	Land Rights-subs	$ 10,258,899	1.66%	$ 170,298	1.51%	$ 154,909	$ (15,389)
18	360.12	Land Rights-lines	570,689	1.66%	$ 9,473	1.51%	$ 8,617	$ (856)
19	361	Structures	22,002,299	1.34%	$ 294,831	1.17%	$ 257,427	$ (37,404)
20	361.2	Clearing and Grading	26,475	1.34%	$ 355	1.17%	$ 310	$ (45)
21	362	Station Equipment	324,142,557	1.58%	$ 5,121,452	1.19%	$ 3,857,296	$ (1,264,156)
22	364	Poles, Towers and Fixtures	390,614,113	1.88%	$ 7,343,545	1.43%	$ 5,585,782	$ (1,757,763)
23	365	Overhead Conductors	379,066,869	2.09%	$ 7,922,498	1.36%	$ 5,155,309	$ (2,767,189)
24	365.1	Clearing Costs	180,658,966	1.45%	$ 2,619,555	1.37%	$ 2,475,028	$ (144,527)
25	366	Underground Conduit	21,394,810	2.39%	$ 511,336	2.11%	$ 451,430	$ (59,906)
26	367	Underground Conductors	163,956,897	2.40%	$ 3,934,966	1.99%	$ 3,262,742	$ (672,224)
27	368	Line Transformers	405,397,508	2.49%	$ 10,094,398	2.00%	$ 8,107,950	$ (1,986,448)
28	369	Overhead Services	115,249,743	2.40%	$ 2,765,994	1.99%	$ 2,293,470	$ (472,524)
30	370	Meters	-	0.00%	$ -	0.00%	$ -	$ -
32	370.3	Smart Meters non classified 15 yr Life	2,299,491	6.67%	$ 153,376	6.41%	$ 147,397	$ (5,979)
33	370.3	Smart Meter Commercial - 15yr Life	2,854,646	6.67%	$ 190,405	6.41%	$ 182,983	$ (7,422)
34	370.3	Smart Meter Industrial - 15yr Life	14,722	6.67%	$ 982	6.41%	$ 944	$ (38)
35	370.3	Smart Meter Infrastructure-15yr L	774,598	6.67%	$ 51,666	6.41%	$ 49,652	$ (2,014)
36	370.3	Smart Meter Residential - 15yr Life	75,375,206	6.67%	$ 5,027,526	6.41%	$ 4,831,551	$ (195,975)
37	371	Installed on Customer Premises	8,895,132	3.87%	$ 344,242	4.14%	$ 368,258	$ 24,016
38	372	Installed on Customer Premises LH	296,547	1.63%	$ 4,834	1.63%	$ 4,834	$ -
39	373	Street Lighting & Signal Systems	39,363,381	3.49%	$ 1,373,782	1.96%	$ 771,522	$ (602,260)
40		TOTAL DISTRIBUTION PLANT	$ 2,143,213,548		$ 47,935,514		$ 37,967,411	$ (9,968,103)
		GENERAL PLANT						
41	389.1	Land Rights	$ 251,614	1.37%	$ 3,447	1.27%	$ 3,195	$ (252)
42	390.1	Structures	$ 99,938,537	3.42%	$ 3,417,898	3.48%	$ 3,477,861	$ 59,963
43	390.3	Lease Holds	$ 1,532,162	0.00%	$ -	0.00%	$ -	$ -
44	391.1	Office Furniture & Equipment	$ 8,367,727	6.70%	$ 560,638	4.84%	$ 404,998	$ (155,640)
45	391.2	Office Machines	$ 503,836	14.77%	$ 74,417	10.78%	$ 54,314	$ (20,103)
46	391.3	Data Processing	$ 18,460,811	9.86%	$ 1,820,236	12.81%	$ 2,364,830	$ 544,594
47	391.4	Computers	$ 1,328,213	0.00%	$ -	0.00%	$ -	$ -
48	391.5	Data Processing Smart Meters	$ 10,004,521	20.00%	$ 2,000,904	12.14%	$ 1,214,549	$ (786,355)
49	392	Transportation	$ 3,708,165	7.48%	$ 277,371	5.74%	$ 212,849	$ (64,522)
50	393	Stores Equipment	$ 663,901	5.02%	$ 33,328	4.17%	$ 27,685	$ (5,643)
51	394	Tools, Shop, & Garage Equipment	$ 11,935,573	6.91%	$ 824,748	6.48%	$ 773,425	$ (51,323)
52	395	Laboratory Equipment	$ 1,505,271	5.07%	$ 76,317	4.05%	$ 60,963	$ (15,354)
53	396	Power Operated Equipment	$ 179,568	1.98%	$ 3,555	2.09%	$ 3,753	$ 198
54	397	Communications Equipment	$ 17,090,925	8.34%	$ 1,425,383	7.95%	$ 1,358,729	$ (66,654)
55	398	Miscellaneous Equipment	$ 2,063,094	8.09%	$ 166,904	7.81%	$ 161,128	$ (5,776)
56		TOTAL GENERAL PLANT	$ 177,533,918		$ 10,685,146		$ 10,118,279	$ (566,867)
57		**GRAND TOTAL**	$ 2,414,267,800		$ 69,719,259		$ 58,106,301	$ (11,612,958)

Notes and Source

Col. A: Amounts from West Penn Exhibit RAD-46
Col B: Depreciation rates from West Penn Exhibit RAD-53
Col. D: OCA proposed depreciation rates sponsored by OCA witness James Garren

West Penn Power Company
Miscelleneous Expenses

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C-2
Docket No. R-2016-2537359
Page 1 of 1

Line No.	Description	Amount (A)
1	Adjustment to Miscellaneous Expense	$ (35)

Notes and Source

Col. A: OCA's recommended adjustment is calculated below

	Description		Amount	Reference
2	Projected Amount for Employee Gifts, Awards, Luncheon/Dinners, Picnics		$ 30,120	OCA-I-77
3	Projected Amount for Athletic and Employee Organizations and Associations		$ 4,522	OCA-I-76
4		Total	$ 34,642	

West Penn Power Company
Incentive Compensation Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C-3
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Page 1 of 3

Line No.	Description	Amount (A)	Reference
1	Adjustment toWest Penn's Short-Term Incentive Plan Expense	$ (638)	A

Notes and Source

A: Amount derived from the response to OCA-I-41 and calculated below:

	Description	Amount	Reference
2	Met-Ed Short-Term Incentive Plan Expense for the 12 months ended December 31, 2017 (Non-Bargaining employees)	$ 2,125	Exh. RAD-27
3	Financial Key Performance Indicator Percentage*	30%	
4	Portion of West Penn Short-Term Incentive Plan Expense Related to Financial Performance	$ 638	

* This percentage was taken from the 2016 Short-Term Incentive Program Plan which was provided in response to OCA-I-41

West Penn Power Company
Stock-Based Compensation Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C-4
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Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove Stock-Based Compensation Expense Charged to West Penn	$ (296)	A
2	Adjustment to Remove Stock-Based Compensation Expense Allocated to West Penn from the Service Company	$ (2,594)	B
3	Total Adjustment to Remove Stock-Based Compensation Expense	$ (2,889)	

Notes and Source

A: Amount direct charged to West Penn from the response to OCA-I-31 and calculated below:

	Description	Amount
4	LTIP Performance Shares	$ 89,433
5	LTIP Restricted Stock Units	$ 178,794
6	LTIP Restricted Stock Units - Dividends	$ 27,522
7	Total Stock-Based Compensation Expense direct charged to West Penn	$ 295,749

B: Amount allocated to West Penn from the Service Company from the response to OCA-I-32 and calculated below:

	Description	Amount
8	LTIP Performance Shares	$ 9,065,529
9	LTIP Restricted Stock Units	$ 17,773,409
10	LTIP Restricted Stock Units - Dividends	$ 2,600,425
11	Total Stock-Based Compensation Expense allocated to FirstEnergy from the Service Company	$ 29,439,363
12	West Penn Allocation Percentage	8.81%
13	Total Stock-Based Compensation Expense allocated to West Penn from the Service Company	$ 2,593,608

West Penn Power Company
Supplemental Executive Retirement Plan (SERP) Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C-5
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Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove SERP Expense	$ (130)	A

Notes and Source

A: Amount from the response to OCA-I-44

West Penn Power Company
Payroll Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount	Reference
1	OCA Adjustment to Distribution Related Payroll Expense	$ (525)	Line 28
2	OCA Adjustment to Customer Accounts Related Payroll Expense	$ (237)	Line 29
3	OCA Adjustment to Customer Service Related Payroll Expense	$ (91)	Line 30
4	OCA Adjustment to A & G Related Payroll Expense	$ (392)	Line 31
5	Total OCA Recommended Adjustment to Payroll Expense	$ (1,245)	

Notes and Source

Col. B: OCA's recommended payroll expense adjustment is calculated below using information from West Penn Exhibit RAD-2, Adjustment No. 5

	Description	Allocation Percentage (A)	Per Company (B)	Per OCA (C)	OCA Adjustment (D)	Reference
	Bargaining Employees					
	UWUA 102					
6	Straight Time Per Budget For 1/1/2017 through 4/30/2017		$ 10,324	$ 10,324	$ -	
7	Straight Time 2.5% Increase Effective 5/1/2017		$ 258	$ 172	$ (86)	L6 x 2.5%
8	Straight Time Per Budget for the 12 Months Ending 12/31/2017 as Adjusted		$ 31,897	$ 31,811		
9	Straight Time 2.5% Increase Effective 5/1/2018		$ 797	$ -	$ (797)	L8 x 2.5%
	Non-Bargaining Employees					
10	Straight Time Per Budget For 1/1/2017 through 2/28/2017		$ 3,512	$ 3,512	$ -	
11	Straight Time 3% Increase Effective 3/1/2017		$ 105	$ 88	$ (17)	L10 x 3%
12	Straight Time Per Budget for the 12 Months Ending 12/31/2017 as Adjusted		$ 22,314	$ 22,297		
13	Straight Time 3% Increase Effective 3/1/2018		$ 669	$ -	$ (669)	L12 x 3%
14	Total Company Payroll Adjustment		$ 1,829	$ 260	$ (1,569)	L7 + L9 + L11 + L13
15	O&M Allocation Percentage		50.50%	50.50%		
16	Total O&M Payroll Adjustment		$ 924	$ 131	$ (793)	L10 * L11
	Allocation of Payroll Adjustment					
17	Price to Compare	0.00%	$ -	$ -	$ -	
18	Transmission	9.51%	$ 88	$ 12	$ (76)	Not Included in Cost of Service
19	Distribution	50.97%	$ 471	$ 67	$ (404)	West Penn Exhibit RAD-2, Adjustment No. 5
20	Customer Accounts	18.09%	$ 167	$ 24	$ (143)	West Penn Exhibit RAD-2, Adjustment No. 6
21	Customer Service	11.43%	$ 106	$ 15	$ (91)	West Penn Exhibit RAD-2, Adjustment No. 7
22	Administrative & General	10.00%	$ 92	$ 13	$ (79)	West Penn Exhibit RAD-2, Adjustment No. 8
23	Total Allocation of Payroll Adjustment	100.00%	$ 924	$ 131	$ (793)	See Line 12
	Service Company					
24	Straight Time Per Budget For 1/1/2017 through 2/28/2017		$ 2,711	$ 2,711	$ -	
25	Straight Time 3% Increase Effective 3/1/2017		$ 81	$ 68	$ (13)	
26	Straight Time Per Budget for the 12 Months Ending 12/31/2017 as Adjusted		$ 17,918	$ 17,905		
27	Straight Time 3% Increase Effective 3/1/2018		$ 538	$ -	$ (538)	
28	Total Service Company Payroll Adjustment		$ 619	$ 68	$ (551)	
	Allocation of Service Company Payroll Adjustment					
29	Price to Compare	0.00%	$ -	$ -	$ -	
30	Transmission	4.15%	$ 26	$ 3	$ (23)	Not Included in Cost of Service
31	Distribution	22.01%	$ 136	$ 15	$ (121)	West Penn Exhibit RAD-2, Adjustment No. 5
32	Customer Accounting and Information	16.89%	$ 105	$ 11	$ (94)	West Penn Exhibit RAD-2, Adjustment No. 6
33	Administrative & General	56.95%	$ 352	$ 39	$ (313)	West Penn Exhibit RAD-2, Adjustment No. 8
34	Total Allocation of Service Company Payroll Adjustment	100.00%	$ 619	$ 68	$ (551)	See Line 28
	Total Allocation of OCA Recommended Payroll Adjustment					
35	Distribution		$ 607	$ 82	$ (525)	L19 + L31
36	Customer Accounts/Customer Accounting and Information		$ 272	$ 35	$ (237)	L20 + L32
37	Customer Service		$ 106	$ 15	$ (91)	L21
38	Administrative & General		$ 444	$ 52	$ (392)	L22 + L33
39	Total OCA Recommended Adjustment to Payroll Expense		$ 1,429	$ 184	$ (1,245)	Excludes Transmission

West Penn Power Company
Payroll Tax Expense

Exhibit LA-WP-3
Schedule C-7
Docket No. R-2016-2537359
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Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	OCA Adjustment to Payroll Tax Expense	$ (154)	A

Notes and Source

A: OCA recommended adjustment to Payroll Tax Expense calculated as follows:

	OCA Recommended Payroll Adjustment	Amount	Reference
2	Distribution	$ (525)	Sch. C-6, Line 35
3	Customer Accounts/Customer Accounting and Information	$ (237)	Sch. C-6, Line 36
4	Customer Service	$ (91)	Sch. C-6, Line 37
5	Administrative & General	$ (392)	Sch. C-6, Line 38
6	Total OCA Recommended Adjustment to Payroll Expense	$ (1,245)	
7	Effective Payroll Tax Rate	3.233%	See below
8	OCA Adjustment to Payroll Tax Expense	$ (40)	
	Payroll Tax Related to Incentive and Stock-Based Compensation		
9	OCA Adjustment to Incentive Compensation Expense	$ (638)	Sch. C-3
10	OCA Adjustment to Stock-Based Compensation Expense	$ (2,889)	Sch. C-4
11	Total OCA Adjustments to Incentive and Stock-Based Compensation Expense	$ (3,527)	
12	Effective Payroll Tax Rate	3.233%	See below
13	Payroll Tax Adjustment Related to Incentive and Stock-Based Compensation Expense	$ (114)	
14	Total OCA Adjustment to Payroll Tax Expense	$ (154)	L8 + L13
	Effective Payroll Tax Rate Calculated as follows:		
15	Total Budgeted Payroll Tax Expense For 12 Months Ending 4/30/2016	$ 2,105	West Penn Exhibit RAD-2, Adjustment No. 11, Supporting Schedule No. 1
16	Total Budgeted Payroll Expense for 12 Months Ending 4/30/2016	$ 65,107	West Penn Exhibit RAD-2, Adjustment No. 11, Supporting Schedule No. 1
17	Effective Payroll Tax Rate	3.233%	L15 / L16

West Penn Power Company
Employee Benefits

Exhibit LA-WP-3
Schedule C-8
Docket No. R-2016-2537359
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	West Penn Proposed Increase to Employee Benefits Expense	$ 141	A
2	OCA Recommended Increase to Employee Benefits Expense	$ 20	B
3	OCA Adjustment to Employee Benefits Expense	$ (121)	L2 - L1

Notes and Source

A: Company amount from West Penn Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 3

		Amount
4	Total increase due to payroll adjustment per Company	$ 399
5	Less pension costs	$ (256)
6	Less OPEB costs	$ (2)
7	Net Increase to Employee Benefits Expense	$ 141

B: OCA's recommended adjustment calculated below using information from West Penn Exhibit RAD-2, Adjustment No. 8

	Description	Effective Rate	OCA Payroll Expense Adjustment Per Sch. C-6	Employee Benefits Adjustment
8	Worker's Compensation	0.676%	$ 131	$ 1
9	Pension Costs	27.662%	$ 131	$ -
10	OPEB Costs	0.172%	$ 131	$ -
11	Life Insurance	0.151%	$ 131	$ -
12	Medical Insurance	9.409%	$ 131	$ 12
13	Savings Plan	2.975%	$ 131	$ 4
14	Other	2.152%	$ 131	$ 3
15	Total			$ 20

Summary of Employee Benefit Rates (West Penn Exhibit RAD-27)

	Description	Total Amount	Total Payroll	Effective Rate
16	Worker's Compensation	$ 440	$ 65,107	0.676%
17	Pension Costs	$ 18,010	$ 65,107	27.662%
18	OPEB Costs	$ 112	$ 65,107	0.172%
19	Life Insurance	$ 98	$ 65,107	0.151%
20	Medical Insurance	$ 6,126	$ 65,107	9.409%
21	Savings Plan	$ 1,937	$ 65,107	2.975%
22	Other	$ 1,401	$ 65,107	2.152%

Pension and OPEB expense are adjusted for on Schedule's C-9 and C-10

West Penn Power Company
Pension Expense

Exhibit LA-WP-3
Schedule C-9
Docket No. R-2016-2537359
Page 1 of 1

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	O&M Pension Expense for the FPFTY Ending 12/31/2017 Per Company	$ 9,148	A
2	O&M Pension Expense for the FPFTY Ending 12/31/2017 Per OCA	$ 1,932	B
3	OCA Adjustment to O&M Pension Expense for the FPFTY Ending 12/31/2017	$ (7,216)	L2 - L1

Notes and Source

A: Amount from West Penn Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 2
B: Amount from OCA-I-55, Revised Confidential Attachment A*

* The amount reflected on Line 2 is also included in West Penn's public filing on Exhibit RAD-2 (page 19), Adjustment No. 8

West Penn Power Company
Post Retirement Benefits Other Than Pensions (OPEB)

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C-10
Docket No. R-2016-2537359
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Line No.	Description	Amount (A)	Reference
1	O&M OPEB Expense for the FPFTY Ending 12/31/2017 Per Company	$ 74	A
2	O&M OPEB Expense for the FPFTY Ending 12/31/2017 Per OCA	$ (2,254)	B
3	OCA Adjustment to O&M OPEB Expense for the FPFTY Ending 12/31/2017	$ (2,328)	L2 - L1

Notes and Source

A: Amount from West Penn Exhibit RAD-2, Adjustment No. 8, Supporting Schedule No. 1
B: Amount from OCA-I-56, Revised Confidential Attachment A*

* The amount reflected on Line 2 is also included in West Penn's public filing on Exhibit RAD-2 (page 18), Adjustment No. 8

West Penn Power Company
Affiliate Aircraft Expense

Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C-11
Docket No. R-2016-2537359
Page 1 of 1
Revised

Line No.	Description	Amount (A)	Reference
1	Adjustment to Remove Affiliate Aircraft Expense	$ -	A

Notes and Source

A: OCA removed this adjustment as discussed in the Surrebuttal Testimony of OCA witness Ralph C. Smith

West Penn Power Company
Rate Case Expense

Exhibit LA-WP-3
Schedule C-12
Docket No. R-2016-2537359
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Fully Projected Future Test Year Ended 12/31/2017
(Thousands of Dollars)

Line No.	Description	Amount (A)	Reference
1	Amortization of Rate Case Expense Per Company	$ 353	A
2	OCA Recommended Amortization of Rate Case Expense	$ 141	A
3	OCA Adjustment to Rate Case Expense	$ (212)	L2 - L1

Notes and Source

A: Amounts for rate case expense calculated below using information from West Penn Exhibits RAD-2, Adjustment No. 8 and Exhibit RAD-23

	Description	Rate Case Expense Per West Penn Exhibit RAD-23	Rate Case Expense Per OCA	OCA Adjustment
4	Legal Fees	$ 373	$ 373	
5	Expert Witnesses	$ 57	$ 57	
6	Other	$ 276	$ 276	
7	Total Rate Case Expense	$ 706	$ 706	
8	Amortization Period (Years)	2	5	
9	Amortization of Rate Case Expense	$ 353	$ 141	$ (212)

West Penn Power Company
Interest Synchronization

Fully Projected Future Test Year Ended 4/30/2016
(Thousands of Dollars)

Exhibit LA-WP-3
Schedule C-13
Docket No. R-2016-2537359
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Revised

Line No.	Description		Amount (A)	Reference
1	Adjusted Rate Base, per OCA	$	1,285,196	Schedule B
2	Weighted Cost of Debt, per OCA		2.42%	Per OCA - Schedule D
3	Going-Level Interest Deduction for Tax Purposes	$	31,089	L1 x L2
4	Interest Deduction per Company	$	33,008	Note A
5	Decrease in Deductible Interest	$	(1,919)	L3 - L4
6	State Income Tax Rate		9.99%	
7	Increase to State Income Tax	$	192	L5 x L6
8	Federal Taxable Income	$	(1,727)	L5 + L7
9	Federal Income Tax Rate		35.00%	
10	Increase to Federal Income Tax Expense	$	605	L8 x L9
11	Overall Increase (Decrease) to Income Tax Expense	$	796	L7 + L10

Notes and Source:
Note A: Amount from West Penn Exhibit RAD-2, Adjustment No. 12 and West Penn Exhibit RAD-31

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537349, *et al.*
v.	:	
Metropolitan Edison Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537352, *et al.*
v.	:	
Pennsylvania Electric Company	:	
Pennsylvania Public Utility Commission, *et. at.*	:	R-2016-2537355, *et. al.*
v.	:	
Pennsylvania Power Company	:	
Pennsylvania Public Utility Commission, *et. al.*	:	R-2016-2537359, *et al.*
v.	:	
West Penn Power Company	:	

VERIFICATION

I, Ralph C. Smith, hereby state that the facts above set forth in my Surrebuttal Testimony, OCA Statement No. 1-SR, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Signature: Ralph C. Smith

Ralph C. Smith

Consultant Address: Larkin & Associates
15728 Farmington Road
Livonia, MI 48154

DATED: August 31, 2016