

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**METROPOLITAN EDISON COMPANY  
DOCKET NO. R-2014-2428745**

**PENNSYLVANIA ELECTRIC COMPANY  
DOCKET NO. R-2014-242743**

**PENNSYLVANIA POWER COMPANY  
DOCKET NO. R-2014-242744**

**WEST PENN POWER COMPANY  
DOCKET NO. R-2014-2428742**

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

**List of Topics Addressed**

**Accounting and Financial Data  
Budgets  
Ratemaking Adjustments to Budgeted Test Year Data  
Regulatory Treatment of Storm Damage Costs  
Accelerated Customer Switching Costs  
Other Filing Requirements**

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1 energy costs, non-utility generation (“NUG”) costs, quarterly earnings, and other  
2 financial matters. Also, I am responsible for the administration of the Companies’  
3 retail and wholesale tariffs, the development of retail electric rates, and the  
4 promulgation of rules and regulations ensuring uniform tariff administration and  
5 interpretation.

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

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

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

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

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

17 A. I am testifying in this proceeding on behalf of Met-Ed, Penelec, Penn Power and  
18 West Penn. My testimony equally applies to all of the Companies, unless  
19 otherwise stated.

20

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

2 A. The general purpose of my testimony is to describe and support: (i) various  
3 accounting, rate case, and other financial data that are being submitted in response  
4 to the filing requirements for an electric utility base rate case proceeding; (ii) the  
5 budget level of capital and operation and maintenance (“O&M”) expenses; (iii)  
6 ratemaking adjustments to the budgeted test year rate base and operating income  
7 statement; (iv) the rolling into base rates of smart meter costs; (v) the removal of  
8 universal service costs for West Penn and their proposed recovery through a new  
9 reconciliation rider; (vi) the proposed treatment of deferred storm damage  
10 expenses and recovery of ongoing storm damage costs; and (viii) capital and  
11 O&M costs associated with the Commission’s directive that electric distribution  
12 companies (“EDCs”) accelerate customer switching of electric generation  
13 suppliers (“EGSs”).

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

15 A. Yes. Met-Ed Exhibits RAD-1 through RAD-64, Penelec Exhibits RAD-1 through  
16 RAD-64, Penn Power Exhibits RAD-1 through RAD-64 and West Penn Exhibits  
17 RAD-1 through RAD-64 (collectively, Exhibits RAD-1 through RAD-64) were  
18 prepared by me or under my supervision. Of these, my testimony will focus  
19 primarily on Exhibit RAD-1, which sets forth each Company’s proposed rate base  
20 at April 30, 2016, i.e., the end of the fully projected future test year (“FPFTY”)  
21 being utilized in this proceeding, and RAD-2, which provides a detailed income  
22 statement and support for certain normalization and annualization adjustments to

1 the budgeted FPFTY data. The remaining exhibits, for the most part, comprise  
2 responses to those Commission base rate filing requirements for which I am  
3 responsible.

4 **Q. Please identify those witnesses whose testimony relates to and supports your**  
5 **testimony and exhibits.**

6 A. Kimberlie L. Bortz (Met-Ed/Penelec/Penn Power/West Penn Statement No. 3)  
7 describes and supports the Storm Damage Recovery Riders proposed for all four  
8 Companies and the Universal Service Cost (“USC”) Rider proposed for West  
9 Penn.

10 Kevin M. Siedt (Met-Ed/Penelec/Penn Power/West Penn Statement No. 4)  
11 supports the pro forma levels of energy sales and normalized revenues utilized to  
12 determine the Companies’ need for rate relief. Mr. Siedt also details the  
13 Companies’ proposed rate design and various rider modifications.

14 Hillary E. Stewart (Met-Ed/Penelec/Penn Power/West Penn Statement No. 5)  
15 explains the cost of service study she performed along with how various cost of  
16 service components (e.g., rate base, expenses) attributable to FERC jurisdictional  
17 service were identified and removed from the determination of the Companies’  
18 distribution revenue requirement.

19 Patricia M. Larkin (Met-Ed/Penelec/Penn Power/West Penn Statement No. 6)  
20 supports the Companies’ cash working capital requirements.

1 Laura W. Gifford (Met-Ed/Penelec/Penn Power/West Penn Statement No. 7)  
2 describes and supports the normalization of uncollectible accounts expense, the  
3 unbundling of West Penn’s generation uncollectible accounts expense, and the  
4 proposed roll-in to base rates of smart meter capital and O&M expenses.

5 Michael J. Vilbert (Met-Ed/Penelec/Penn Power/West Penn Statement No. 9)  
6 develops a range of the cost of equity capital to be utilized in the calculation of  
7 the Companies’ overall rates of return.

8 Steven R. Staub (Met-Ed/Penelec/Penn Power/West Penn Statement No. 10)  
9 presents the Companies’ proposed capital structure ratios and weighted average  
10 costs of long-term debt. In addition, he supports the Companies’ requested return  
11 on common equity of 10.9%.

12 **II. ACCOUNTING AND FINANCIAL DATA**

13 **Q. Do the Companies adhere to a system of accounts prescribed by the**  
14 **Commission?**

15 A. Yes. The Companies’ accounting records are maintained in accordance with the  
16 Commission’s regulations at 52 Pa. Code Sec. § 57.41 *et seq.* and in conformity  
17 with the Uniform System of Accounts prescribed by the FERC and adopted by the  
18 Commission.

19 **Q. Are the Companies’ accounting records audited?**

20 A. Yes. The Companies’ financial records are audited at least annually by an  
21 independent certified public accounting firm. In addition, the FERC conducts

1 periodic compliance audits to confirm that the Companies are keeping their  
2 accounts in conformity with the Uniform System of Accounts. In addition to  
3 conducting its own audits, the staff of the PUC reviews the findings of FERC's  
4 audits. Other independent agencies also have the authority to audit the  
5 Companies' records on a recurring basis, including the Internal Revenue Service  
6 ("IRS") and the Securities and Exchange Commission ("SEC"). In addition, the  
7 PUC audit staff and the Pennsylvania Department of Revenue staff perform  
8 annual audits of the cost recovery rider mechanisms and sales and use tax filings.

9 **Q. Have original cost determinations been made of the Companies' utility**  
10 **plant?**

11 A. Yes. For Met-Ed, an original cost determination was made as of December 31,  
12 1944, for which approval orders were issued by the PUC on December 11, 1945  
13 at EOC Docket No. 27 and for Edison Light and Power Company (which was  
14 subsequently merged with Met-Ed) on November 12, 1946 at Docket No. 11. In  
15 1948, the Company filed with the Commission a basic plan for maintaining its  
16 continuing property records. The PUC accepted and approved that plan on April  
17 19, 1948.

18 For Penelec, an original cost determination was made as of December 31, 1943,  
19 by Commission Order dated January 15, 1945 at Docket Nos. EOC 32, MGOC  
20 17, EOC 7, EOC 13, EOC 14, EOC 22 and EOC 44. Original cost determinations  
21 were also made for the following major companies which were later merged into  
22 Penelec: Pennsylvania Edison Company at Docket Nos. EOC 31 and MGOC 16

1 by Order dated November 1, 1946 approving balances at July 2, 1946; Northern  
2 Pennsylvania Power Company at Docket No. EOC 29 by Order dated January 2,  
3 1946 approving balances at December 31, 1944; and Home Electric Company at  
4 Docket No. EOC 21 by Order dated August 20, 1945 approving balances at  
5 January 1, 1938.

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

15 For West Penn, an original cost determination was made as of December 31,  
16 1943, by Order of this Commission dated July 10, 1945 at Docket No. 50.

17 The Companies have, since the dates noted above, maintained their continuing  
18 property records in accordance with the approved plans.

19

1 **III. BUDGETS**

2 **Q. Mr. D'Angelo, are you familiar with the process by which Met-Ed, Penelec,**  
3 **Penn Power and West Penn budget future capital expenditures, revenues and**  
4 **operating expenses?**

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

10 **Q. How were those budgets utilized to develop the Companies' claimed revenue**  
11 **requirements in these proceedings?**

12 A. They provided the starting point for determining the Companies' claimed rate  
13 base at April 30, 2016 and operating income for the twelve months ending that  
14 date. Specifically, I consolidated budgeted monthly data for the months of May  
15 through December from the 2015 forecast and the months of January through  
16 April from the 2016 forecast to develop the "Per Budget" amounts set forth in  
17 Column 1 of Exhibits RAD-1 and RAD-2.

18 **Q. Did you update any of the budgeted data for purposes of these rate filings?**

19 A. Yes. Since the completion of the capital budget, certain revisions were made to  
20 the forecasted capital structures of the Companies and those changes have been  
21 reflected by Mr. Staub in his testimony and exhibits. Also, the Companies made  
22 certain changes to the test year for: (1) updated tax depreciation (Exhibits RAD-

1 33); (2) the provision for deferred income taxes (Exhibits RAD-41); and (3)  
2 accumulated deferred income taxes (Exhibits RAD-35).

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

5 A. In my opinion, the budgeted levels of capital and expense are reasonable  
6 estimates of what Met-Ed, Penelec, Penn Power and West Penn can expect to  
7 experience during the FPFTY prior to recognition of the appropriate ratemaking  
8 adjustments reflected in Exhibits RAD-1 and RAD-2.

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

10 **A. Rate Base at April 30, 2016 (Exhibits RAD-1)**

11 **Q. Please generally describe Met-Ed, Penelec, Penn Power and West Penn**  
12 **Exhibits RAD-1.**

13 A. These exhibits, which are essentially identical in format, set forth, for each  
14 Company, its proposed overall distribution rate base and smart meter rate base at  
15 April 30, 2016. Column 1 on page 1 of Exhibits RAD-1 provides budgeted  
16 amounts; column 2 adjusts various components; and column 3 reflects the  
17 adjusted rate base. The remaining columns on page 1 break the adjusted rate base  
18 into separate distribution and smart meter rate base elements.

19 The adjustments to the budgeted rate base data, along with a detailed explanation  
20 of each adjustment, are contained on pages 2 through 11 of Met-Ed, Penelec, and

1 West Penn, and Penn Power Exhibits RAD-1 and are referenced on page 1 by  
2 adjustment number. The adjustments are designed to accomplish the following:

- 3 • Remove FERC gross plant and depreciation reserves (Met-Ed, Penelec  
4 and West Penn);
- 5 • Reflect adjusted depreciation reserves applicable to rate base;
- 6 • Eliminate American Transmission Systems, Inc. (“ATSI”) plant and  
7 depreciation reserves in accordance with the settlement at Docket No.  
8 A-110450F0016 (Penn Power);
- 9 • Eliminate plant held for future use;
- 10 • Reflect the roll-in to base rates of smart meter investment and related  
11 depreciation reserves;
- 12 • Reflect cash working capital requirements;
- 13 • Reflect material and supplies (“M&S”) inventories;
- 14 • Reflect unamortized deferred storm damage expenses as an addition to  
15 rate base (Met-Ed, Penelec and West Penn);
- 16 • Reflect the transfer of unrecovered legacy meter investment from plant  
17 in service to a regulatory asset account;
- 18 • Adjust accumulated deferred income taxes – liberalized depreciation;  
19 and
- 20 • Adjust operating reserves, net of tax, to remove FERC jurisdictional  
21 allocations (Met-Ed, Penelec and West Penn).

22

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

2 A. This adjustment eliminates from plant in service accounts: (1) Asset Retirement  
3 Costs (“ARC”); (2) FERC Transmission Plant, including allocated portions of  
4 Intangible and General Plant, based on the results of a separations study described  
5 by Ms. Stewart in Met-Ed/Penelec/Penn Power/West Penn Statement No. 5; (3)  
6 legacy meters, as directed by the Commission in the Final Order in the  
7 Companies’ Smart Meter Deployment Plan at Docket Nos. M-2013-2341990  
8 (Met-Ed), M-2013-2341991 (Penelec), M-2013-2341993 (Penn Power), and M-  
9 2013-2341994 (West Penn); and (4) in the case of Penn Power, ATSI plant in  
10 accordance with the settlement at Docket No. A-110450F0016.

11 **Q. What are ARC costs?**

12 A. An ARC applies to all legal obligations associated with the retirement of long-  
13 lived assets that result from construction under Financial Account Standards  
14 Board Statement No. 143 (“FAS-143).” FAS-143 requires that the fair value of a  
15 liability for an asset’s retirement obligation (“ARO”) be recognized in the period  
16 in which it is incurred. The associated ARC is capitalized as part of the carrying  
17 amount of the long-lived assets. An ARC increases the carrying amount of a  
18 long-lived asset when a liability for an ARO is recognized and is depreciated over  
19 the life of the asset. The ARC and related depreciation reserve are excluded from  
20 rate base, while the associated depreciation expense is excluded from the income  
21 statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18, Asset  
22 Retirement Obligations.

1 **Q. What is the Companies' position on Plant Held for Future Use?**

2 A. Historically, the Companies claimed in rate base those investments in Plant Held  
3 for Future Use that were expected to be utilized within ten years of the test period.  
4 The ten-year window reflected the Commission's prior policy of allowing such  
5 investments where definitive plans for utilizing the investment within the ten-year  
6 period existed. Under current Commission policy, investments in Plant Held for  
7 Future Use are excluded from rate base, but allowed to accrue carrying charges  
8 provided they satisfy the ten-year test. Adjustment No. 2 is designed to comply  
9 with that policy.

10 **Q. Please describe Adjustment No. 3 to Depreciation Reserve - Electric Plant in**  
11 **Service.**

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

14 **Q. What is the purpose of Adjustment No. 4?**

15 A. This adjustment includes the Companies' cash working capital requirements  
16 described by Ms. Larkin in Met-Ed/Penelec/Penn Power/West Penn Statement  
17 No. 6 and computed by her in Met-Ed, Penelec, Penn Power and West Penn  
18 Exhibits PML-1.

19 **Q. Please describe Adjustment No. 5 to M&S inventories.**

20 A. This adjustment includes each Company's allocated portion of the materials and  
21 supplies inventory maintained by the FirstEnergy Service Company at March 31,

1           2014. The historic test year-end balance was used because the Companies do not  
2           budget M&S inventories. Met-Ed, Penelec, Penn Power and West Penn Exhibits  
3           RAD-13 provide a monthly breakdown of M&S inventories for the thirteen  
4           months ended March 31, 2014.

5   **Q.    What is the purpose of Adjustment No. 6?**

6   A.    Adjustment No. 6 includes in claimed rate base certain storm damage costs, the  
7           recognition of which has been deferred in accordance with Commission order.  
8           The specific costs deferred, and citations to the Commission orders approving  
9           their deferral, are provided for Met-Ed, Penelec, and West Penn on page 7 of the  
10          exhibits.

11 **Q.    Please describe the adjustment for legacy meters.**

12 A.    In its March 6, 2014 Order at Docket Nos. M-2013-2341990, et al., approving the  
13          Companies' Smart Meter Deployment Plans, the Commission directed that the  
14          cost of removing legacy meters (i.e., meters to be replaced by the installation of  
15          smart meters) be charged to the regulatory asset account containing the legacy  
16          meters and recovered, along with the unrecovered investment in those meters,  
17          over the remaining lives of those meters. As noted previously, Adjustment No. 1  
18          transfers the investment in legacy meters that will remain unrecovered as of April  
19          30, 2016, to a regulatory asset account. Adjustment No. 7 adds back to rate base  
20          the regulatory asset account, net of accrued depreciation, plus the estimated cost  
21          of removal.

1 **Q. Please describe the adjustment of Accumulated Deferred Income Taxes –**  
2 **Liberalized Depreciation.**

3 A. Adjustment No. 8 adjusts the budgeted deferred tax balances for liberalized  
4 depreciation, excluding the impact of Statement of Financial Accounting  
5 Standards (“SFAS”) No. 109 deferrals, to eliminate: (1) deferred income taxes  
6 associated with Three Mile Island Unit No. 2 (Met-Ed and Penelec); (2) deferred  
7 income taxes associated with other generation (Met-Ed); (3) other excludable  
8 items (capital leases); (4) remaining state income tax deferrals including the  
9 benefit of those income taxes; and (5) an allocated portion of the remaining  
10 federal deferred income taxes associated with FERC Transmission Plant (Met-Ed,  
11 Penelec and West Penn).

12 **Q. Please describe the adjustment proposed to operating reserves.**

13 A. Adjustment No. 9 adjusts operating reserves, net of accumulated deferred income  
14 taxes, to eliminate an allocated portion associated with FERC transmission  
15 operations (Met-Ed, Penelec and West Penn).

16 **Q. After taking into account the foregoing adjustments, what is Met-Ed's**  
17 **claimed distribution rate base?**

18 A. Met-Ed’s claimed distribution rate base equals \$1,412,965,000, of which  
19 \$28,109,000 represents the roll-in of smart meter investment.

20

1 **Q. What is Penelec's claimed distribution rate base?**

2 A. Penelec's claimed distribution rate base equals \$1,540,298,000, of which  
3 \$30,884,000 represents the roll-in of smart meter investment.

4 **Q. What is Penn Power's claimed distribution rate base?**

5 A. Penn Power's claimed distribution rate base equals \$358,929,000, of which  
6 \$24,326,000 represents the roll-in of smart meter investment.

7 **Q. What is West Penn's claimed distribution rate base?**

8 A. West Penn's claimed distribution rate base equals \$1,287,287,000, of which  
9 \$87,918,000 represents the roll-in smart meter investment.

10 **Q. What is contained on page 11 of Exhibits RAD-I?**

11 A. This page sets forth, for each Company, its claimed overall rate of return,  
12 including its proposed capital structure ratios, weighted average cost of long-term  
13 debt and requested return on common equity. Those findings, which are  
14 presented and supported by Mr. Staub and Dr. Vilbert, are summarized below:

1. Met-Ed	Capital Structure Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	50.0%	5.21%	2.60%
Preferred Stock	0.0%	---	---
Common Equity	<u>50.0%</u>	10.9%	<u>5.45%</u>
	100.0%		8.05%

2. Penelec	Capital Structure Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	50.1%	5.72%	2.87%
Preferred Stock	---	---	---
Common Equity	<u>49.9%</u>	10.9%	<u>5.44%</u>
	100.0%		8.31%

15

3. Penn Power	Capital Structure Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	49.9%	6.12%	3.05%
Preferred Stock	---	---	---
Common Equity	<u>50.1%</u>	10.9%	<u>5.46%</u>
	100.0%		8.51%

4. West Penn	Capital Structure Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	49.9%	5.38%	2.68%
Preferred Stock	---	---	---
Common Equity	<u>50.1%</u>	10.9%	<u>5.46%</u>
	100.0%		8.14%

1           **B. Statement of Operating Income For the 12 Months Ending April 30,**  
2           **2016 (Exhibits RAD-2)**

3           **Q. What is contained in Met-Ed, Penelec, Penn Power and West Penn Exhibits**  
4           **RAD-2?**

5           A. Met-Ed, Penelec, Penn Power and West Penn Exhibits RAD-2 contain the  
6           budgeted and pro forma statements of net utility operating income for the FPPTY  
7           ending April 30, 2016. The first three pages summarize the budgeted and  
8           adjusted results of operations at present and proposed rates; the next five pages  
9           break down each Company's revenue requirement by component part (e.g.,  
10          distribution, smart meter roll-in); and the remaining pages, starting at page 9,  
11          document the specific adjustments made to normalize and annualize the budgeted  
12          data.

13          The adjustments are designed to accomplish the following:

- 14                   • Annualize number of customers, usage and sales at end-of-test-year
- 15                    levels;
- 16

17

- 1 • Roll into base rates revenues associated with the State Tax Adjustment  
2 Surcharge (“STAS”);
- 3 • Eliminate non-jurisdictional “Other Operating Revenues,” as  
4 applicable;
- 5 • Annualize payroll and employee benefit costs to reflect anticipated  
6 employee levels and benefits;
- 7 • Calculate net negative salvage based on a five-year average of actual  
8 net salvage, consistent with Commission practice;
- 9 • Normalize pension expense to reflect a ten-year average of cash  
10 contributions consistent with the approach approved by the  
11 Commission in prior proceedings;
- 12 • Normalize other post-employment benefits (“OPEBs”) to reflect the  
13 actual ongoing level of service costs charged to expense consistent  
14 with the approach used in the past with Commission approval;
- 15 • Normalize depreciation accruals to reflect utility plant in service as of  
16 the end of the FPFTY;
- 17 • Normalize rate case expenses to reflect a two-year cost recovery  
18 period;
- 19 • Eliminate non-jurisdictional O&M expenses;
- 20 • Normalize O&M expenses associated with serving new customers;
- 21 • Eliminate the Universal Service program costs included in West  
22 Penn’s budget, as such costs will be recovered through West Penn’s  
23 proposed USC Rider;
- 24 • Amortize the unrecovered investment in “legacy” meters being  
25 replaced by smart meters over a five-year period;
- 26 • Amortize deferred storm damage O&M expenses over a three-year  
27 period (Met-Ed, Penelec and West Penn);
- 28 • Amortize West Penn’s residual merger credit balance to residential  
29 customers over two years;
- 30 • Remove default service-related uncollectible accounts expense from  
31 distribution revenue requirement (West Penn); and
- 32

- 1                           • Adjust taxes other than income including, for Penn Power, rolling the  
2                           5.9% Gross Receipts Tax (“GRT”) into base rates and all of its  
3                           applicable cost recovery riders.

4   **Q.    What level of GRT has been collected in Penn Power’s base rates and its**  
5           **various cost recovery riders?**

6   A.    The Commonwealth of Pennsylvania requires Penn Power to pay GRT at the  
7           statutory rate of 5.9%. However, Penn Power has been recovering GRT in base  
8           rates and cost recovery riders at a 4.4% tax rate and has been recovering the  
9           remaining 1.5% of the statutory rate in its STAS.

10 **Q.    How does rolling the STAS into base rates impact the Penn Power’s various**  
11 **cost recovery riders?**

12 A.    Rolling the STAS into Penn Power’s base rates requires each of the Company’s  
13           cost recovery riders to recover fully that rider’s GRT revenue requirement.  
14           Consequently, each cost recovery rider reflects a shortfall in its GRT recovery,  
15           which is made up through an applicable increase in revenue requirements shown  
16           on page 2 of Penn Power Exhibit RAD-2. However, the revenue requirements for  
17           the Price-To-Compare (“PTC”), USC, Energy Efficiency Conservation Charge  
18           (“EE&C-C”), Default Service Support, and Solar Photovoltaic Requirements  
19           Charge (“SPVRC”) Riders will be updated. Specifically, the actual rates to be  
20           imposed under the various cost recovery riders will have their respective GRT  
21           component updated as part of the Penn Power compliance filing at the time new  
22           base rates approved in this proceeding are implemented. Because the SMT-C

1 Rider is being rolled into base rates, its revenue requirement will reflect GRT at  
2 the statutory 5.9% rate.

3 **Q. Are the Companies seeking to recover any acquisition premium or other**  
4 **transaction costs associated with the FirstEnergy/GPU or**  
5 **FirstEnergy/Allegheny mergers as part of the revenue requirements in this**  
6 **case?**

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

10 **Q. Please describe Adjustment No. 1.**

11 A. This is an adjustment to base operating revenues to: (1) annualize changes in  
12 number of customers; (2) roll-in STAS revenues; (3) normalize the sales and  
13 revenue effects of energy efficiency measures implemented or to be implemented  
14 under the Companies' Energy Efficiency and Conservation Plans and to reflect  
15 behind-the-meter generation; (4) normalize Other Revenue (Met-Ed, Penn Power,  
16 and West Penn); (5) street lighting (Penelec); and (6) eliminate unbilled revenue.  
17 Parts (1) through (5) of this adjustment are discussed in detail by Mr. Siedt in  
18 Met-Ed/Penelec/Penn Power/West Penn Statement No. 4. I address item (6). By  
19 way of background, unbilled revenue has been included in the budget projection  
20 to reflect revenues for service rendered but not billed as of the end of each  
21 accounting period. Items that produce unbilled revenue include such things as  
22 increases in rates and increases in the number of customers. In developing pro

1           forma revenues for ratemaking purposes, separate adjustments are being made to  
2           annualize and normalize the revenue effect of such factors. Therefore, to  
3           eliminate any duplication of revenue for ratemaking purposes, unbilled revenue  
4           must be eliminated, which is done in Adjustment No. 1.

5   **Q.    Please describe Adjustment No. 2.**

6   A.    This adjustment eliminates revenues projected to be billed under the Companies’  
7           STAS Riders. Because all state taxes are included in distribution base rate  
8           revenue requirement, no revenues will be billed under the STAS Rider. As the  
9           Companies did not forecast any charge under their STAS Rider, the adjustment is  
10          zero.

11 **Q.    Please describe Adjustment No. 3.**

12 A.    This adjustment eliminates non-jurisdictional FERC transmission revenues from  
13          electric revenues projected for the FPFTY.

14 **Q.    What is the purpose of Adjustment No. 4 to Distribution Expense?**

15 A.    This adjustment: (1) normalizes each of the Companies’ and FirstEnergy Service  
16          Company’s payroll expense to reflect year-end wage and employee levels; (2)  
17          eliminates non-jurisdictional transmission expenses; and (3) excludes the  
18          transmission portion of the amortization of gains or losses to reacquire debt,  
19          where applicable, based on the results of the separations study described by Ms.  
20          Stewart in Met-Ed/Penelec/Penn Power/West Penn Statement No. 5.

1 Supporting Schedule No. 1 develops the payroll expense to reflect year end wage  
2 and employee levels for both Company and FirstEnergy Service Company  
3 employees. The O&M payroll expense for each Company and FirstEnergy  
4 Service Company is then allocated to individual Price to Compare, Transmission,  
5 Distribution, Customer Accounts, Customer Service and Administrative and  
6 General components. These amounts are later utilized in subsequent adjustments.

7 **Q. Please describe Adjustment No. 5 to Customer Accounts Expense.**

8 A. Customer Accounts expense is adjusted to reflect year end wage and employee  
9 levels for each Company and FirstEnergy Service Company personnel (developed  
10 in Adjustment No. 4), increased costs associated with added new customers and  
11 interest on customer deposits.

12 Supporting Schedule No. 1 develops the Other O&M expenses associated with  
13 serving new customers reflected in Adjustment No. 1. The Commission has  
14 previously approved an adjustment to customer accounts expense in recognition  
15 of this increased cost. This cost is estimated by determining the ratio of non-  
16 payroll customer account expense to distribution revenues from customers and  
17 applying this ratio to the additional revenue received from increased customers.

18 Supporting Schedule No. 1 also captures the cost of interest the Companies are  
19 required to pay on customer deposits since the customer deposits are deducted  
20 from rate base.

1 **Q. What is the purpose of Adjustment No. 6 to Customer Service and**  
2 **Informational Expense?**

3 A. Customer Service and Informational Expense is adjusted to reflect year end wage  
4 and employee levels for each Company and FirstEnergy Service Company that  
5 were developed in Adjustment No. 4, Supporting Schedule No. 1.

6 **Q. Please describe Adjustment No. 7 to Administrative and General Expense.**

7 A. Administrative and General Expense is adjusted to reflect: (1) year-end wage and  
8 employee levels for each Company and FirstEnergy Service Company that were  
9 developed in Adjustment No. 4, Supporting Schedule No. 1; (2) OPEBs at the  
10 service cost level; (3) pension expense at the ten-year average cash contribution  
11 level; (4) employee benefit expense at year-end personal and wage levels; (5) the  
12 elimination of non-jurisdictional administrative and general expenses based on the  
13 results of the separations study sponsored by Ms. Stewart (Met-Ed/Penelec/Penn  
14 Power/West Penn Statement No. 5); (6) inclusion of rate case expenses incurred  
15 in the current proceeding normalized over a two-year period; (7) the elimination  
16 of budgeted rate case expenses; and (8) the amortization of costs to allow for  
17 accelerated, three day, customer switching from one supplier to another based  
18 upon information contained in Exhibits RAD-64.

19 Supporting Schedule No. 1 adjusts the budgeted level of OPEB expenses to the  
20 service cost level. The budgeted OPEB expense consists of the current service  
21 cost, adjustments to prior years' service costs, and the financing component. The  
22 service cost represents the actuarial present value of benefit liabilities accrued

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

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

13 Supporting Schedule No. 3 uses the O&M payroll expense developed in  
14 Adjustment No. 4, Supporting Schedule No. 1 to normalize the employee benefits  
15 costs charged to Administrative and General expense.

16 **Q. Please describe Adjustment No. 8 to Depreciation Expense.**

17 A. Budgeted Depreciation Expense is adjusted: (1) to reflect the application of  
18 average remaining life depreciation rates to claimed plant in service; (2) to  
19 remove depreciation expense attributable to non-jurisdictional assets; (3) to  
20 restate the cost of removal/salvage expense on a five-year average basis consistent

1 with Commission practice; and (4) to amortize the unrecovered investment in  
2 legacy meters at April 30, 2016 over five years.

3 **Q. Please describe Adjustment No. 9.**

4 A. This adjustment increases expenses to amortize storm damage expenses that have  
5 been deferred with the Commission's prior approval. The specific costs deferred,  
6 and a citation to the Commission Order approving their deferral, is provided for  
7 each Company on page 24 of the exhibits. This adjustment also eliminates credits  
8 that were budgeted in this account for rate case expenses and legacy meters. The  
9 underlying expenses were inadvertently budgeted to Administrative and General  
10 Expense but were removed from the budget in Adjustment No. 7.

11 **Q. Please describe Adjustment No. 10.**

12 A. Taxes Other Than Income Taxes included in the budget were adjusted to: (1)  
13 eliminate non-jurisdictional payroll taxes; (2) reflect GRT at 5.9% for normalized  
14 sales revenues; (3) eliminate non-jurisdictional expense portions of Capital Stock  
15 Tax, the Public Utility Reality Tax, and other real estate taxes; and (4) adjust  
16 payroll tax expense based on annualized payroll and employee levels.

17 The adjustments to remove the non-jurisdictional portion of payroll taxes, the  
18 Capital Stock Tax, Public Utility Reality Tax, and other real estate taxes are based  
19 on the results of the separation study performed by Ms. Stewart.

1 Supporting Schedule No. 1 shows the calculation of Federal Insurance  
2 Contributions Act (“FICA”) tax associated with the annualized O&M payroll  
3 expense developed in Adjustment No. 4.

4 **Q. Please describe briefly the computation of federal and state income taxes as**  
5 **reflected in Adjustment No. 11.**

6 A. This schedule begins with the computation of the \$57,147,000 net operating  
7 income before income taxes from data shown on page 1 of Met-Ed Exhibit RAD-  
8 2 (line 5 less line 14 of column 3 on page 1); \$100,404,000 net operating income  
9 before income taxes from data shown on page 1 of Penelec Exhibit RAD-2 (line 5  
10 less line 14 of column 3 on page 1); \$22,637,000 net operating income before  
11 income taxes from data shown on page 1 of Penn Power Exhibit RAD-2 (line 5  
12 less line 14 of column 3 on page 1), and \$67,368,000 net operating income before  
13 income taxes from data shown on page 1 of West Penn Exhibit RAD-2 (line 5 less  
14 line 14 of column 3 on page 1). The revenues and expenses used to calculate the  
15 federal and state income taxes in Adjustment No. 11 are divided into columns  
16 corresponding to the components shown on pages 1-3 of these exhibits  
17 (Distribution, PTC, USC, EE&C-C, Smart Meter Technologies Charge Rider,  
18 DSS Rider, SPVRC, NUG and Storm Cost Recovery Rider) to derive net  
19 operating income before income taxes. From that amount, interest was deducted.  
20 Interest was calculated by multiplying the adjusted rate base by the weighted  
21 average cost of long-term debt. The resulting figure is net income before income  
22 taxes a shown on line 10.

1 Two adjustments (lines 11 and 14) were made to increase taxable income. The  
2 first reflects the five-year amortization of net salvage. The second increases net  
3 income by adding back the cash pension contribution included in pro forma O&M  
4 expenses, which is not a current deduction for tax purposes.

5 The remaining two adjustments (lines 12 and 13) are deductions from taxable  
6 income. The first adjusts depreciation to reflect accelerated depreciation, where  
7 permitted, on eligible property as of April 30, 2016. The second reflects cost of  
8 removal (\$6,080,000 for Met-Ed; \$8,872,000 for Penelec; \$527,000 for Penn  
9 Power; \$4,938,000 for West Penn) that may be claimed as a current deduction for  
10 tax purposes. The net amount of these adjustments is included in the net income  
11 before federal and state income taxes to determine the income subject to state  
12 income tax. The state and federal income tax calculations then follow. The state  
13 and federal income taxes are computed at the statutory rates of 9.99% and 35%,  
14 respectively.

15 **Q. Please describe Adjustment No. 12.**

16 A. This adjustment eliminates from the budgeted Provision for Deferred Income  
17 Taxes all deferred taxes except the federal deferred taxes associated with  
18 liberalized depreciation. Additionally, federal deferred taxes for liberalized  
19 depreciation are adjusted to reflect plant in service as of the end of the FPFTY.  
20 Detailed calculations of the federal deferrals are provided in Exhibits RAD-41.

1 The computation for post-1969 through 1980 “expansion” property is based on  
2 the difference between accelerated depreciation (calculated using the Sum of the  
3 Years Digits (“SYD”) method and taxable lives based on the Asset Depreciation  
4 Range (“ADR”)) and straight-line depreciation using “guideline” lives. The  
5 computation for 1981 and subsequent property begins by determining the  
6 difference between tax depreciation using the Accelerated Cost Recovery System  
7 (“ACRS”) and the Modified Accelerated Cost Recovery System (“MACRS”) and  
8 straight line depreciation (using book rates and tax basis).

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

12 The state deferred taxes associated with liberalized depreciation pertain only to  
13 FERC jurisdictional property and have been eliminated. The deferred taxes  
14 associated with other miscellaneous items have been eliminated because the  
15 associated income has not been included in the calculation of taxable income used  
16 to compute federal and state taxes included in each Company’s revenue  
17 requirement.

18 **Q. Please describe Adjustment No. 13.**

19 A. This adjustment eliminates the non-jurisdictional portion of investment tax credits  
20 based on the results of the separation study performed by Ms. Stewart.

21

1 **Q. What is Met-Ed's claimed additional distribution revenue requirement?**

2 A. Reflecting all of the adjustments to the budget data discussed above, Met-Ed's net  
3 utility operating income for the FPFTY at present rates is \$29,730,000 (page 1,  
4 column 13, line 23). This amount, compared to the \$113,767,000 shown on page  
5 3, column 33, line 23, shows that \$84,037,000 in additional return is required for  
6 Met-Ed to achieve an overall return of 8.05% on its distribution rate base. This  
7 translates into an additional base rate revenue requirement, or revenue deficiency  
8 under existing rates, of \$152,643,000, as shown on page 2, column 23, line 1.

9 **Q. What is Penelec's claimed additional distribution revenue requirement?**

10 A. Reflecting all of the adjustments to the budget data discussed above, Penelec's net  
11 utility operating income for the FPFTY at present rates is \$61,695,000 (page 1,  
12 column 14, line 23), after excluding (\$726,000) allocated to the New York  
13 jurisdiction. This amount, compared to the \$127,934,000 shown on page 3,  
14 column 34, line 23, shows that \$66,239,000 in additional return is required for  
15 Penelec to achieve an overall return of 8.31% on its Pennsylvania jurisdictional  
16 distribution rate base. This translates into an additional base rate revenue  
17 requirement, or revenue deficiency under existing rates, of \$120,316,000, as  
18 shown on page 2, column 24, line 1.

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

20 A. Reflecting all of the adjustments to the budget data discussed above, Penn Power's  
21 net utility operating income for the FPFTY at present rates is \$14,278,000 (page  
22 1, column 13, line 23). This amount, compared to the \$30,550,000 shown on

1 page 3, column 33, line 23, shows that \$16,272,000 in additional return is  
2 required for Penn Power to achieve an overall return of 8.51% on its distribution  
3 rate base. This translates into an additional base rate revenue requirement, or  
4 revenue deficiency under existing rates, of \$29,557,000, as shown on page 2,  
5 column 23, line 1.

6 **Q. What is West Penn's claimed additional distribution revenue requirement?**

7 A. Reflecting all of the adjustments to the budget data discussed above, West Penn's  
8 net utility operating income for the FPFTY at present rates is \$61,502,000 (page  
9 1, column 11, line 23). This amount, compared to the \$104,785,000 shown on  
10 page 3, column 27, line 23, shows that \$43,283,000 in additional return is  
11 required for West Penn to achieve an overall return of 8.14% on its distribution  
12 rate base. This translates into an additional base rate revenue requirement, or  
13 revenue deficiency under existing rates, of \$78,619,000, as shown on page 2,  
14 column 19, line 1.

15 **Q. What is contained in Exhibits RAD-3, RAD-4, RAD-5 and RAD-6?**

16 A. Exhibits RAD-3 and RAD-5 set forth each Company's rate base at March 31,  
17 2015 and 2014, respectively. Exhibits RAD-4 and RAD-6 set forth each  
18 Company's operating income statements with normalizing adjustments for the  
19 future test year (twelve months ended March 31, 2015) and the historic test year  
20 (twelve months ending March 31, 2014), respectively.

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

4 **V. REGULATORY TREATMENT OF STORM DAMAGE COSTS**

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

7 A. As in the case of other operating expenses, utilities have been allowed to include a  
8 normal, ongoing level of storm damage costs in their base rate revenue  
9 requirement. In addition, utilities have been permitted to request authorization to  
10 defer, for accounting purposes, extraordinary storm damage costs, with the  
11 understanding that rate recovery of the deferred costs would be addressed in a  
12 future base rate proceeding. In accordance with that policy and prior rulings by  
13 the Commission, the Companies have included in their FPFTY revenue  
14 requirement a normalized level of storm damage costs and, in the case of Met-Ed,  
15 Penelec and West Penn, rate recovery of previously authorized deferrals (see  
16 Exhibits RAD-1, p. 7 and Exhibits RAD-2, p. 24).

17 **Q. Are the Companies proposing any changes to the recovery of storm damage**  
18 **expense in this filing?**

19 A. Yes. The Companies are proposing to institute a Storm Damage Recovery Rider  
20 to provide for the annual true-up of actual storm damage O&M expenses. The  
21 Riders would impose either a charge, if actual storm damage expenses exceeded  
22 the base rate amount, or a credit if actual storm damage expenses were less than

1 the base rate amount. Ms. Bortz, in Met-Ed/Penelec/Penn Power/West Penn  
2 Statement No. 3, describes the Storm Damage Recovery Riders proposed by the  
3 Companies.

4 **Q. What is the normalized, ongoing amount of storm damage O&M expense**  
5 **budgeted for the twelve months ending April 30, 2016?**

6 A. Met-Ed, Penelec, Penn Power and West Penn Exhibits RAD-63 set forth budgeted  
7 storm damage expense for the twelve months ending April 30, 2016, and the  
8 twelve months ending March 31, 2015, and actual storm damage expense for the  
9 twelve months ended March 31, 2014, along with three additional historical  
10 calendar years. The level of storm damage O&M expense to be recovered  
11 through base rates is \$6,625,000 at Met-Ed, \$5,111,000 at Penelec, \$657,000 at  
12 Penn Power, and \$5,276,000 at West Penn.

13 **VI. COSTS ASSOCIATED WITH IMPLEMENTATION OF ACCELERATED**  
14 **CUSTOMER SWITCHING**

15 **Q. You noted previously that the Commission had ordered EDCs to accelerate**  
16 **the processing of supplier switching requests. What led to this directive?**

17 A. Weather conditions earlier this year were unusually harsh and resulted in  
18 unanticipated fluctuations in wholesale and retail energy prices. Customers with  
19 variable rate supply contracts were adversely impacted by these developments  
20 and, in response, the Commission launched a Rulemaking with the goal of  
21 ensuring that customers could quickly switch electric suppliers to mitigate their  
22 exposure to the types of price fluctuations they had experienced.

1 **Q. How did the Commission proceed with the Rulemaking?**

2 A. On March 18, 2014 at Docket No. L-2014-2409383, the Commission issued a  
3 Secretarial Letter informing EDCs, the Office of Consumer Advocate and the  
4 Office of Small Business Advocate of a proposed Rulemaking to amend existing  
5 Regulations at 52 Pa. Code, Chapter 57. The Rulemaking directed EDCs to take  
6 the necessary steps to permit retail customers to switch suppliers within three days  
7 or less. The Commission recognized the proposed changes were significant and  
8 provided for a comment period.

9 **Q. What was the outcome of the Commission's Rulemaking at Docket No. L-**  
10 **2014-2409383?**

11 A. The Commission revised its regulations to facilitate accelerated customer  
12 switching in its Order at Docket No. L-2014-2409383, entered April 3, 2014. The  
13 Rulemaking Order ensures customers may easily and quickly switch electric  
14 suppliers in an effort to mitigate potential price impacts related to variable priced  
15 contracts and fluctuations in the wholesale and retail energy markets. The  
16 Rulemaking Order also allows for the recovery in an EDC's next base rate  
17 proceeding of the cost incurred to comply with the accelerated switching  
18 requirements.

19 **Q. What is contained in the Companies' respective Exhibits RAD-64?**

20 A. Exhibits RAD-64 identify the incremental O&M expenses and capital  
21 expenditures to be incurred by each Company to comply with the Commission's  
22 three-day switching requirement. Those costs are then added to each Company's

1 revenue requirement through an adjustment to Administrative and General  
2 expense on page 18 of Exhibits RAD-2. As indicated on page 1 of Exhibits RAD-  
3 64, the Companies are proposing that the additional capital expenditures be  
4 amortized over five years.

5 **VII. OTHER FILING REQUIREMENTS**

6 **Q. Would you briefly describe Met-Ed, Penelec, Penn Power and West Penn**  
7 **Exhibits RAD-7 through RAD-62?**

8 A. Yes. 52 Pa. Code § 53.53 contains the data requirements to be filed in a major  
9 rate case. Met-Ed, Penelec, Penn Power and West Penn Exhibits RAD-7 through  
10 RAD-60 contain the Companies' responses to various data requests assigned to  
11 me. Each exhibit cites the specific filing requirement to which it is responding  
12 and is followed by the Companies' response.

13 Met-Ed, Penelec, Penn Power, and West Penn Exhibits RAD-61 list the types of  
14 advertising included in expenses for the test year and the immediately preceding  
15 year, in accordance with Section 1316(c) of the Public Utility Code, 66 Pa. Code  
16 Sec. § 1316(c). Met-Ed, Penelec, Penn Power and West Penn Exhibits RAD-62  
17 respond to the PUC Statement of Policy at 52 Pa. Code § 69.36, entitled  
18 "Performance criteria regarding energy supply alternatives." This Statement of  
19 Policy identifies six areas for review in rate proceedings pertaining to an electric  
20 utility's efforts to encourage the development of cost effective energy supply  
21 alternatives. Met-Ed, Penelec, Penn Power and West Penn Exhibits RAD-62

1 address five of the six identified areas. Mr. Siedt addresses the remaining area in  
2 Met-Ed/Penelec/Penn Power/West Penn Statement No. 4.

3 **VIII. CONCLUSION**

4 **Q. Please summarize your testimony and recommendations.**

5 A. Inclusive of the roll-in of smart meter costs, Met-Ed has supported an increase in  
6 base rate revenue requirements of \$152,643,000; Penelec an increase of  
7 \$120,316,000; Penn Power an increase of \$29,557,000; and West Penn an  
8 increase of \$78,620,000 (including the separate USC Rider).

9 In addition, West Penn is proposing a separate reconciling cost recovery rider for  
10 universal service costs as explained by Ms. Bortz in Met-Ed/Penelec/Penn  
11 Power/West Penn Statement No. 3. If the USC Rider is not adopted by the  
12 Commission, an additional revenue requirement of \$29,565,000 (see West Penn  
13 Exhibit RAD-2, page 7) would need to be reflected in West Penn's base  
14 distribution rates.

15 Finally, and as previously discussed, the Companies are proposing to implement  
16 Storm Damage Recovery Riders to provide for the recovery of storm damage  
17 expenses in excess of – or the crediting of storm damage expenses falling below –  
18 a normalized level of storm damage costs reflected in base distribution rates. Ms.  
19 Bortz describes these Riders in Met-Ed/Penelec/Penn Power/West Penn Statement  
20 No. 3.

21

1 Q. Mr. D'Angelo, does this complete your direct testimony?

2 A. Yes, it does.

Resume: Education and Experience of Richard A. D'Angelo

Education:

1972 Bachelor of Science Degree in Economics - Brooklyn College  
1976 Master of Business Administration Degree in Finance - Pace University

Experience:

9/72 - 11/76 Accountant and Supervisor - Bankers Trust Company  
11/76 - 2/81 Employed as Accountant within Regulatory Accounting Area -  
Metropolitan Edison Company ("Met-Ed")  
2/81 - 2/82 Senior Accountant within Regulatory Accounting Area with special  
emphasis on rate-related matters (Met-Ed)  
2/82 - 2/83 Supervisor - Rates and Financing (Met-Ed)  
2/83 - 3/95 Manager - Rate Revenue Requirements within the Rate Department  
(Met-Ed)  
3/95 - 8/96 Manager - Regulatory Liaison within the Regulatory Affairs and  
Pricing Department (Met-Ed/Penelec)  
8/96 - 11/01 Manager - Rate Activity within the Rate Department (GPU Energy)  
11/01 - Present Manager - Rates & Regulatory Affairs- Pennsylvania (FirstEnergy  
Service Company)

Prepared and presented testimony in the following rate-related cases:

Pa. P.U.C. Cases: Docket Nos. P-2011-2273650  
P-2011-2273668  
P-2011-2273669  
P-2011-2273670  
A-2010-2176520  
A-2010-2176732  
P-2010-2157862  
P-2009-2093053  
P-2009-2093054  
P-00072305  
P-00072259  
P-00062235  
R-00061366  
R-00061367  
P-00062213

P-00062214  
P-00052149  
P-00062214  
P-00052188  
A-110550F0160  
R-00016851C0001  
R-00016852C0001  
R-00016853C0001  
A-110300F.0095  
A-110400F.0040  
P-00001860  
P-00001861  
P-00001837 (Phase 2)  
P-00001838 (Phase 2)  
R-00974008 (Phase 1)  
R-00974009 (Phase 1)  
P-00971215  
P-00971216  
P-00971217  
P-00971223  
P-00971278  
P-00961015  
P-00950968  
A-110300 F0067  
R-922314  
P-0092087  
P-00900450  
R-860384  
R-842770  
R-832549  
R-822249  
I-900005  
P-890366  
M-FACE 8707  
M-FACE 8602  
M-FACE 8506  
M-FACE 8404  
M-FACE 8203

Met-Ed/Penelec/Penn Power/West Penn Statement No. 2

Witness: R. A. D'Angelo

Appendix A

Page 3 of 3

M-FACE 8104  
M-870171 C001

NJ B.P.U Case: Docket No. EO03121014  
Docket No. ER12111052

FERC Cases: Docket Nos. ER-90-388-000 and ER-90-522-000  
ER-87-34-001  
ER-83-173

Assisted in development and preparation in the following rate cases:

Pa. P.U.C. Cases: Docket Nos. R-811601  
R-80051196  
R.I.D. 626

FERC Case: Docket No. ER-79-58

**WEST PENN POWER COMPANY**  
**Rate Base At Original Cost**  
**Normalized To Year-End Conditions at April 30, 2016**  
**(\$000)**

Line No.	Description	Adjustments			Pa Jurisdictional Normalized Rate Base			
		Per Budget (1)	and Normalizations (2)	Adj No. (3)	Total (4)	Smart Meter Costs (5)	PA Jurisdictional Total (6) = (4) + (5)	
Electric Plant:								
1	Plant in service	\$ 2,733,835	\$ (524,177)	1	\$ 2,209,658	\$ 2,103,503	\$ 106,155	\$ 2,209,658
2	Plant held for future use	1,474	(1,474)	2	-	-	-	-
3	Construction work in progress - pollution control and safety	-	-	-	-	-	-	-
4	Total electric plant	<u>\$ 2,735,309</u>	<u>\$ (525,651)</u>		<u>\$ 2,209,658</u>	<u>\$ 2,103,503</u>	<u>\$ 106,155</u>	<u>\$ 2,209,658</u>
Depreciation & Amortization Reserve:								
5	Plant in service	\$ 1,071,320	\$ (270,156)	3	\$ 801,164	\$ 783,637	\$ 17,527	\$ 801,164
6	Plant held for future use	-	-	-	-	-	-	-
7	Total depreciation & amortization reserve	<u>\$ 1,071,320</u>	<u>\$ (270,156)</u>		<u>\$ 801,164</u>	<u>\$ 783,637</u>	<u>\$ 17,527</u>	<u>\$ 801,164</u>
8	Net Electric Plant	<u>\$ 1,663,989</u>	<u>\$ (255,495)</u>		<u>\$ 1,408,494</u>	<u>\$ 1,319,866</u>	<u>\$ 88,628</u>	<u>\$ 1,408,494</u>
Additions:								
9	Cash working capital	\$ -	\$ 117,080	4	\$ 117,080	\$ 117,080	\$ -	\$ 117,080
10	M&S inventories	-	18,406	5	18,406	18,406	-	18,406
11	Deferred Storm	-	15,465	6	15,465	15,465	-	15,465
12	Legacy meters	-	29,213	7	29,213	29,213	-	29,213
13	Total additions	<u>\$ -</u>	<u>\$ 180,164</u>		<u>\$ 180,164</u>	<u>\$ 180,164</u>	<u>\$ -</u>	<u>\$ 180,164</u>
Deductions:								
14	Customer deposits	\$ 19,821	\$ -		\$ 19,821	\$ 19,821	\$ -	\$ 19,821
15	Customer advances for construction	1,420	-		1,420	1,420	-	1,420
16	Accum. Deferred income taxes - Liberalized depreciation	366,973	(89,166)	8	277,807	277,097	710	277,807
17	Operating reserves (net of taxes)	2,889	(566)	9	2,323	2,323	-	2,323
18	Total deductions	<u>\$ 391,103</u>	<u>\$ (89,732)</u>		<u>\$ 301,371</u>	<u>\$ 300,661</u>	<u>\$ 710</u>	<u>\$ 301,371</u>
19	Total Rate Base	<u>\$ 1,272,886</u>	<u>\$ 14,401</u>		<u>\$ 1,287,287</u>	<u>\$ 1,199,369</u>	<u>\$ 87,918</u>	<u>\$ 1,287,287</u>
20	Pro forma return at present rates (PA Distribution)	\$ 61,501	Dollars					
21		4.78%	Percent					
22	Pro forma return at proposed rates (PA Distribution)	\$ 104,785	Dollars					
23		8.14%	Percent					

WEST PENN POWER COMPANY

Normalization Adjustment No. 1  
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to (1) eliminate Asset Retirement Costs ("ARC"); (2) remove FERC Transmission Plant which is non-jurisdictional; (3) remove an allocated portion of Intangible Plant that supports FERC Transmission Plant; (4) remove an allocated portion of General Plant that supports FERC Transmission Plant; and (5) remove legacy meters as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

Line No.	Adjustments	Plant in Service
	(1)	(2)
1	Budgeted Plant in Service at 4/30/2016 (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ 2,733,835
	<u>Normalizing adjustments:</u>	
2	Eliminate ARC (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ (751)
3	Remove FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(414,413)
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(3,071)
5	Remove allocated portion of General Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(36,606)
6	Remove legacy meters (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(69,336)
7	Normalization adjustment	<u>(524,177)</u>
8	Plant in Service at 4/30/2016, as adjusted	<u>\$ 2,209,658</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 2  
(\$000)

Adjustment of Plant Held for Future Use

To adjust Plant Held for Future Use. As an alternative to rate base treatment, the Company is requesting the allowance of deferred carrying charges on any current or future investments in Plant Held for Future Use with definitive plans of utilization within a ten-year period. This is consistent with long-standing Commission policy.

<u>Line No.</u>		<u>Amount</u>
		(1)
1	Per budget Plant Held for Future Use at 4/30/2016 (Exhibit RAD-11)	\$ 1,474
	<u>Normalizing adjustment:</u>	
2	Eliminate Plant Held for Future Use	<u>(1,474)</u>
3	Plant Held for Future Use at 4/30/2016, as adjusted	\$ <u>-</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 3  
 (\$000)

Adjustment of Depreciation Reserves - Plant In Service

To adjust the budgeted plant in service depreciation reserves to (1) eliminate Asset Retirement Costs ("ARC") reserves (2) remove FERC Transmission Plant reserves which are non-jurisdictional; (3) remove an allocated portion of Intangible Plant reserves that support FERC Transmission Plant; (4) remove an allocated portion of General Plant reserves that support FERC Transmission Plant; and (5) remove legacy meters as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

Line No.		Depreciation Reserves	
		Adjustments	Plant in Service
		(1)	(2)
1	Plant in Service depreciation reserves at 4/30/2016		\$ 1,071,320
	<u>Normalizing adjustments:</u>		
2	Eliminate ARC (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ (223)	
3	Remove FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(206,055)	
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(1,539)	
5	Remove allocated portion of General Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(17,487)	
6	Remove legacy meters (Exhibit RAD-46 Attachment B, Pages 1 and 2)	<u>(44,852)</u>	
7	Normalization Adjustment		<u>(270,156)</u>
8	Plant in Service depreciation reserves at 4/30/2016, as adjusted		\$ <u>801,164</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 4  
 (\$000)

Adjustment of Cash Working Capital

To recognize cash working capital at year-end level. The cash working capital is supported by Ms. P. M. Larkin.

Line No.	Cash Working Capital
	(1) (2)
1	Cash working capital per budget at 4/30/2016 \$ -
	<u>Normalizing adjustment:</u>
2	Cash working capital normalized to year-end (Exhibit PML-1) \$ 117,080
3	Cash working capital per budget <u>-</u>
4	Normalization Adjustment <u>117,080</u>
5	Cash working capital at 4/30/2016, as adjusted <u>\$ 117,080</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 5  
 (\$000)

Adjustment of Material and Supplies Inventories

To recognize the Company's distribution portion of FE Service material and supplies ("M&S") inventory levels projected at 4/30/2016

Line No.	M&S Inventories
	(1)                      (2)
1	M&S Inventory per budget at 4/30/2016 \$ -
	<u>Normalizing adjustment:</u>
2	Distribution component of projected FE Service M&S Inventory allocated to West Penn at 4/30/2016 (Exhibit RAD-13) \$ 18,406
3	M&S Inventory per budget at 4/30/2016 <u>-</u>
4	Normalization Adjustment <u>18,406</u>
5	M&S inventory at 4/30/2016, as adjusted <u>\$ 18,406</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 6  
 (\$000)

Adjustment of Deferred Storm Damage Expenses

To include in rate base the deferred storm damage balance for the February 5<sup>th</sup> through February 16<sup>th</sup>, 2010 Winter Storm, approved at Docket No. P-2010-2216111.

<u>Line No.</u>		Storms	
		(1)	(2)
1	Unamortized storm damage deferral expense per budget at 4/30/2016	\$	-
	<u>Normalizing adjustment:</u>		
2	February 2010 storm damage deferral	<u>\$ 15,465</u>	
3	Normalization Adjustment		<u>15,465</u>
4	Storm damage deferral expense at 4/30/2016, as adjusted	<u>\$</u>	<u>15,465</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 7  
(\$000)

Adjustment for Legacy Meters

To include legacy meters in a regulatory asset as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994.

<u>Line No.</u>		<u>Legacy Meters</u>	
		(1)	(2)
1	Net legacy meters in regulatory asset at 4/30/2016		\$ -
2	Legacy meters per budget at 4/30/2016 (Exhibit RAD-46)	\$ 69,336	
3	Net estimated cost of removal and salvage	4,729	
4	Depreciation reserve per budget at 4/30/2016 (Exhibit RAD-46)	<u>(44,852)</u>	
5	Normalization Adjustment		<u>29,213</u>
6	Net legacy meters in regulatory asset as adjusted at 4/30/2016		<u>\$ 29,213</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 8  
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

To adjust the budgeted deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; (2) eliminate other excludable items; and (3) eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation balance associated with FERC Transmission Plant; .

<u>Line No.</u>	<u>Adjustments</u>	<u>Accum Reserve for Deferred Taxes - Liberalized Depreciation</u>
1	Deferred taxes per budget - liberalized depreciation at 4/30/2016	\$ 366,973
	<u>Normalizing adjustments:</u>	
2	Eliminate state deferred taxes - liberalized depreciation including the federal benefit of those taxes	(13,071)
3	Eliminate other excludable items	\$ (8,457)
4	Eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation associated with FERC Transmission Plant	<u>(67,638)</u>
5	Normalization Adjustment	<u>(89,166)</u>
6	Deferred taxes - liberalized depreciation at 4/30/2016, as adjusted	<u>\$ 277,807</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 9  
(\$000)

Adjustment of Operating Reserves

To adjust operating reserves (net of accumulated deferred income taxes) to eliminate an allocated portion associated with FERC Transmission operations.

<u>Line No.</u>		<u>Amount</u>
1	Operating reserves, net of taxes, per budget at 4/30/2016	\$ 2,889
	<u>Normalizing adjustment:</u>	
2	Eliminate portion of operating reserves associated with FERC Transmission operations	<u>(566)</u>
3	Operating reserves, net of taxes at 4/30/2016, as adjusted	<u>\$ 2,323</u>

WEST PENN POWER COMPANY  
Rate of Return at April 30, 2016  
(\$000)

Line No.	Description	Exhibit SRS-24 Capital Amounts (1)	Capital Ratios (2)	Cost Rate (3)	Weighted Cost Rate (4) = (2) X (3)
1	Long Term Debt	\$ 678,007	49.87%	5.38%	2.68%
2	Preferred Stock	-	0.00%	0.00%	0.00%
3	Common Equity	<u>681,410</u>	<u>50.13%</u>	10.90%	<u>5.46%</u>
4	Total Capitalization	<u>1,359,417</u>	<u>100.00%</u>		<u>8.14%</u>

**West Penn Power Company**  
**Statement of Operating Income, 12 Months Ending April 30, 2016, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Normalized PAPUC Jurisdictional											
		Per Budget	Normalizations & Adjustments	Adj. No.	Budget as Adjusted	Riders							PAPUC Total Distribution
						Distribution	Price to Compare	Universal Service	Energy Efficiency	Smart Meters	Default Service Support	Storm Rider	
(1)	(2)	(3)=(1)+(2)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=(4)+(8)			
<b>Operating revenues</b>													
1	Retail sales	\$ 711,061	\$ (720)	1	\$ 710,341	\$ 279,313	\$ 356,880	\$ -	\$ 24,775	\$ 35,339	\$ 14,034	\$ -	\$ 314,652
2	STAS revenue	-	-	2	-	-	-	-	-	-	-	-	-
3	Sales for resale	2	-		2	-	2	-	-	-	-	-	-
4	Other operating revenue	78,289	(64,593)	3	13,696	14,433	(737)	-	-	-	-	-	14,433
5	Total operating revenue	\$ 789,352	\$ (65,313)		\$ 724,039	\$ 293,746	\$ 356,145	\$ -	\$ 24,775	\$ 35,339	\$ 14,034	\$ -	\$ 329,085
<b>Operating expenses</b>													
6	Price to Compare	\$ 335,571	\$ -		\$ 335,571	\$ -	\$ 335,571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Distribution	86,866	(20,024)	4	66,842	56,066	-	-	-	-	10,776	-	56,066
8	Customer accounts	30,971	1,409	5	32,380	25,463	-	-	-	-	6,917	-	25,463
9	Customer service & info	21,077	12,053	6	33,130	5,061	-	27,821	-	-	248	-	5,061
10	Admin & gen expense	48,209	7,128	7	55,337	16,032	-	-	22,829	16,476	-	-	32,508
11	Depreciation - accrual	62,399	8,465	8	70,864	64,506	-	-	-	6,358	-	-	70,864
12	Amortization & Accretion	9,248	5,155	9	14,403	5,155	(159)	-	484	6,741	2,182	-	11,896
13	Taxes other than income	49,051	(907)	10	48,144	22,713	21,056	-	1,462	2,085	828	-	24,798
14	Operating expense before tax	\$ 643,392	\$ 13,279		\$ 656,671	\$ 194,996	\$ 356,468	\$ 27,821	\$ 24,775	\$ 31,660	\$ 20,951	\$ -	\$ 226,656
15	Operating income before income taxes	145,960	(78,592)		67,368	98,750	(323)	(27,821)	-	3,679	(6,917)	-	102,429
<b>Income taxes</b>													
16	Federal income tax - current	\$ 39,804	\$ (22,103)	11	\$ 17,701	\$ 26,646	\$ (102)	\$ (8,765)	\$ -	\$ 2,101	\$ (2,179)	\$ -	\$ 28,747
17	State income tax - current	-	5,613	11	5,613	8,450	(32)	(2,779)	-	666	(691)	-	9,116
18	Deferred income tax - federal	8,929	(5,205)	12	3,724	3,475	-	-	-	249	-	-	3,724
19	Deferred income tax - state	-	-	12	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(820)	161	13	(659)	(659)	-	-	-	-	-	-	(659)
21	Total tax expense	\$ 47,913	(21,534)		26,379	37,911	(134)	(11,544)	-	3,016	(2,870)	-	40,927
22	Total operating expenses	691,305	(8,255)		683,050	232,907	356,334	16,277	24,775	34,676	18,081	-	267,583
23	<b>Operating Income</b>	<u>\$ 98,047</u>	<u>\$ (57,058)</u>		<u>\$ 40,989</u>	<u>\$ 60,839</u>	<u>\$ (189)</u>	<u>\$ (16,277)</u>	<u>\$ -</u>	<u>\$ 663</u>	<u>\$ (4,047)</u>	<u>\$ -</u>	<u>\$ 61,502</u>

**West Penn Power Company**  
**Statement of Operating Income, 12 Months Ending April 30, 2016, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Riders						PAPUC	
		Distribution (12)	Price to Compare (13)	Universal Service (14)	Energy Efficiency (15)	Smart Meters (16)	Default Service Support (17)	Storm Rider (18)	Total Distribution (19)=(12)+(16)
<u>Operating revenues</u>									
1	Retail sales	\$ 66,825	\$ -	\$ 29,565	\$ -	\$ 11,794	\$ -	\$ -	\$ 78,619
2	STAS revenue	-	-	-	-	-	-	-	-
3	Sales for resale	-	-	-	-	-	-	-	-
4	Other operating revenue	-	-	-	-	-	-	-	-
5	Total operating revenue	\$ 66,825	\$ -	\$ 29,565	\$ -	\$ 11,794	\$ -	\$ -	\$ 78,619
<u>Operating expenses</u>									
6	Price to Compare	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Distribution	-	-	-	-	-	-	-	-
8	Customer accounts	-	-	-	-	-	-	-	-
9	Customer service & info	-	-	-	-	-	-	-	-
10	Admin & gen expense	-	-	-	-	-	-	-	-
11	Depreciation - accrual	-	-	-	-	-	-	-	-
12	Amortization	-	-	-	-	-	-	-	-
13	Taxes other than income	3,943	-	1,744	-	696	-	-	4,639
14	Operating expense before tax	\$ 3,943	\$ -	\$ 1,744	\$ -	\$ 696	\$ -	\$ -	\$ 4,639
15	Operating income before income tax	62,882	-	27,821	-	11,099	-	-	73,981
<u>Income taxes</u>									
16	Federal income tax - current	\$ 19,810	\$ -	\$ 8,765	\$ -	\$ 3,496	\$ -	\$ -	\$ 23,306
17	State income tax - current	6,282	-	2,779	-	1,109	-	-	7,391
18	Deferred income tax - federal	-	-	-	-	-	-	-	-
19	Deferred income tax - state	-	-	-	-	-	-	-	-
20	Investment tax credit	-	-	-	-	-	-	-	-
21	Total tax expense	\$ 26,092	\$ -	\$ 11,544	\$ -	\$ 4,605	\$ -	\$ -	\$ 30,697
22	Total operating expenses	30,035	-	13,288	-	5,301	-	-	35,336
23	<b>Operating income</b>	<b>\$ 36,790</b>	<b>\$ -</b>	<b>\$ 16,277</b>	<b>\$ -</b>	<b>\$ 6,493</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,283</b>

**West Penn Power Company**  
**Statement of operating Income, 12 Months Ending April 30, 2016, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Riders						PaPUC	
		Distribution	Price to Compare	Universal Service	Energy Efficiency	Smart Meters	Default Service Support	Storm Rider	Total Distribution
		(20) = (4) + (12)	(21) = (5) + (13)	(22) = (6) + (14)	(23) = (7) + (15)	(24) = (8) + (16)	(25) = (9) + (17)	(26) = (10) + (18)	(27)=(20)+(24)
<b>Operating revenues</b>									
1	Retail sales	\$ 346,138	\$ 356,880	\$ 29,565	\$ 24,775	\$ 47,133	\$ 14,034	\$ -	\$ 393,271
2	STAS revenue	-	-	-	-	-	-	-	-
3	Sales for resale	-	2	-	-	-	-	-	-
4	Other operating revenue	14,433	(737)	-	-	-	-	-	14,433
5	Total operating revenue	\$ 360,571	\$ 356,145	\$ 29,565	\$ 24,775	\$ 47,133	\$ 14,034	\$ -	\$ 407,704
<b>Operating expenses</b>									
6	Price to Compare	-	335,571	-	-	-	-	-	-
7	Distribution	56,066	-	-	-	-	10,776	-	56,066
8	Customer accounts	25,463	-	-	-	-	6,917	-	25,463
9	Customer service & info	5,061	-	27,821	-	-	248	-	5,061
10	Admin & gen expense	16,032	-	-	22,829	16,476	-	-	32,508
11	Depreciation - accrual	64,506	-	-	-	6,358	-	-	70,864
12	Amortization	5,155	(159)	-	484	6,741	2,182	-	11,896
13	Taxes other than income	26,656	21,056	1,744	1,462	2,781	828	-	29,437
14	Operating expense before tax	198,939	356,468	29,565	24,775	32,356	20,951	-	231,295
15	Operating income before tax	161,632	(323)	-	-	14,778	(6,917)	-	176,409
<b>Income taxes</b>									
16	Federal income tax - current	46,456	(102)	-	-	5,597	(2,179)	-	52,053
17	State income tax - current	14,732	(32)	-	-	1,775	(691)	-	16,506
18	Deferred income tax - federal	3,475	-	-	-	249	-	-	3,724
19	Deferred income tax - state	-	-	-	-	-	-	-	-
20	Investment tax credit	(659)	-	-	-	-	-	-	(659)
21	Total tax expense	64,003	(134)	-	-	7,621	(2,870)	-	71,624
22	Total operating expenses	262,942	356,334	29,565	24,775	39,977	18,081	-	302,919
23	<b>Operating Income</b>	\$ 97,629	\$ (189)	\$ -	\$ -	\$ 7,157	\$ (4,047)	\$ -	\$ 104,785
24	<b>Rate Base</b>	\$ 1,199,369	\$ -	\$ -	\$ -	\$ 87,918	\$ -	\$ -	\$ 1,287,287
25	<b>Rate of Return overall</b>	8.14%	NA	NA	NA	8.14%	NA	NA	8.14%
26	<b>Return on Equity</b>	10.90%	NA	NA	NA	10.90%	NA	NA	10.90%

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Distribution**  
\$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 279,313	\$ 66,825	\$ 346,138
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	14,433	-	14,433
5	Total operating revenue	293,746	66,825	360,571
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	56,066	-	56,066
8	Customer accounts	25,463	-	25,463
9	Customer service & info	5,061	-	5,061
10	Admin & gen expense	16,032	-	16,032
11	Depreciation - accrual	64,506	-	64,506
12	Amortization	5,155	-	5,155
13	Taxes other than income	22,713	3,943	26,656
14	Operating expense before tax	194,996	3,943	198,939
15	Operating income before tax	98,750	62,882	161,632
	<u>Income taxes</u>			
16	Federal income tax - current	26,646	19,810	46,456
17	State income tax - current	8,450	6,282	14,732
18	Deferred income tax - federal	3,475	-	3,475
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(659)	-	(659)
21	Total tax expense	37,911	26,092	64,003
22	Total operating expenses	232,907	30,035	262,942
23	<b>Operating Income</b>	\$ 60,839	\$ 36,790	\$ 97,629
24	<b>Rate Base</b>	1,199,369		1,199,369
25	<b>Rate of Return overall</b>	5.07%		8.14%
26	<b>Return on Equity</b>	4.77%		10.90%

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Smart Meter Technologies Charge Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 35,339	\$ 11,794	\$ 47,133
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	<u>35,339</u>	<u>11,794</u>	<u>47,133</u>
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	16,476	-	16,476
11	Depreciation - accrual	6,358	-	6,358
12	Amortization	6,741	-	6,741
13	Taxes other than income	2,085	696	2,781
14	Operating expense before tax	<u>31,660</u>	<u>696</u>	<u>32,356</u>
15	Operating income before tax	3,679	11,099	14,778
	<u>Income taxes</u>			
16	Federal income tax - current	2,101	3,496	5,597
17	State income tax - current	666	1,109	1,775
18	Deferred income tax - federal	249	-	249
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	<u>3,016</u>	<u>4,605</u>	<u>7,621</u>
22	Total operating expenses	34,676	5,301	39,977
23	<b>Operating Income</b>	<b>\$ 663</b>	<b>\$ 6,493</b>	<b>\$ 7,157</b>
24	<b>Rate Base</b>	<b>87,918</b>		<b>87,918</b>
25	<b>Rate of Return overall</b>	<b>0.75%</b>		<b>8.14%</b>
26	<b>Return on Equity</b>	<b>-3.85%</b>		<b>10.90%</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Distribution**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 314,652	\$ 78,619	\$ 393,271
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	14,433	-	14,433
5	Total operating revenue	329,085	78,619	407,704
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	56,066	-	56,066
8	Customer accounts	25,463	-	25,463
9	Customer service & info	5,061	-	5,061
10	Admin & gen expense	32,508	-	32,508
11	Depreciation - accrual	70,864	-	70,864
12	Amortization	11,896	-	11,896
13	Taxes other than income	24,798	4,639	29,437
14	Operating expense before tax	226,656	4,639	231,295
15	Operating income before tax	102,429	73,981	176,409
	<u>Income taxes</u>			
16	Federal income tax - current	28,747	23,306	52,053
17	State income tax - current	9,116	7,391	16,506
18	Deferred income tax - federal	3,724	-	3,724
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(659)	-	(659)
21	Total tax expense	40,927	30,697	71,624
22	Total operating expenses	267,583	35,336	302,919
23	<b>Operating Income</b>	<b>\$ 61,502</b>	<b>\$ 43,283</b>	<b>\$ 104,785</b>
24	<b>Rate Base</b>	<b>1,287,287</b>		<b>1,287,287</b>
25	<b>Rate of Return overall</b>	<b>4.78%</b>		<b>8.14%</b>
26	<b>Return on Equity</b>	<b>4.18%</b>		<b>10.90%</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Universal Service Cost Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as</u> <u>Adjusted</u>	<u>Revenue</u> <u>Adjustment</u> <u>Required</u>	<u>Allowable</u> <u>Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ -	\$ 29,565	\$ 29,565
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	-	29,565	29,565
	<u>Operating expenses</u>			
6	Price to Companre	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	27,821	-	27,821
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	-	-	-
13	Taxes other than income	-	1,744	1,744
14	Operating expense before tax	27,821	1,744	29,565
15	Operating income before tax	(27,821)	27,821	-
	<u>Income taxes</u>			
16	Federal income tax - current	(8,765)	8,765	-
17	State income tax - current	(2,779)	2,779	-
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	(11,544)	11,544	-
22	Total operating expenses	16,277	13,288	29,565
23	<b>Operating Income</b>	<b>\$ (16,277)</b>	<b>\$ 16,277</b>	<b>\$ -</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Storm Damage Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ -	\$ -	\$ -
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	-	-	-
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	-	-	-
13	Taxes other than income	-	-	-
14	Operating expense before tax	-	-	-
15	Operating income before tax	-	-	-
	<u>Income taxes</u>			
16	Federal income tax - current	-	-	-
17	State income tax - current	-	-	-
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	-	-	-
22	Total operating expenses	-	-	-
23	<b>Operating Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

West Penn Power Company  
 Normalization Adjustment No. 1  
 \$000

Adjustment of Base Operating Revenues

To adjust base operating revenues (1) for changes in number of customers, (2) to roll in State Tax Adjustment Surcharge ("STAS") revenues into base rates, (3) adjust for Energy Efficiency and Behind the Meter generation, (4) adjust for other revenue, and (5) to eliminate unbilled revenues. Adjustments (1) through (4) are supported by Mr. K. M. Siedt. The adjustment for unbilled revenues is supported by Mr. R. A. D'Angelo.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Base revenues per budget for the 12 months ending 4/30/16		\$ 711,061
	<u>Normalizing adjustments:</u>		
2	Customers - increase to year end level	\$ 338	
	<u>Specific adjustments</u>		
3	Roll-in of STAS	-	
4	Energy Efficiency/ Behind the Meter	(841)	
5	Other Revenue Adjustment	(171)	
6	Eliminate unbilled revenues	<u>(46)</u>	
7	Total	\$ (1,058)	
8	Normalizing adjustment (Lines 2 + 7)		<u>(720)</u>
9	Base revenues per budget for the 12 months ending 4/30/16, as adjusted		<u>\$ 710,341</u>

West Penn Power Company  
Normalization Adjustment No. 2  
\$000

Adjustment of State Tax Adjustment Surcharge Revenues

To remove state tax adjustment surcharge ("STAS") revenues. Normalized STAS revenues are being rolled into base rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	STAS revenue per budget for the 12 months ending 4/30/16	\$ -
2	Eliminate per budget STAS	<u>-</u>
3	STAS revenue per budget for the 12 months ending 4/30/16, as adjusted	<u>\$ -</u>

West Penn Power Company  
 Normalization Adjustment No. 3  
 \$000

Adjustment of Other Operating Revenues

To adjust other operating revenue to (1) eliminate non-jurisdictional transmission revenues and (2) reduce late payment revenues. The adjustment for late payment revenues is supported by Ms. K. L. Bortz.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other operating revenue per budget for the 12 months ending 4/30/16		\$ 78,289
2	Eliminate non-jurisdictional transmission revenues	\$ (64,107)	
3	Reduction in late payment charges due to a change in the tariff	<u>(486)</u>	
4	Total normalizing adjustment (Lines 2 + 3)		<u>(64,593)</u>
5	Other operating revenue per budget for the 12 months ending 4/30/16, as adjusted		<u>\$ 13,696</u>

West Penn Power Company  
 Normalization Adjustment No. 4  
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense to reflect year end wage and employee levels, Service Company distribution payroll expense to reflect year end wage and employee levels, eliminate non-jurisdictional transmission expense and to include the distribution portion of the amortization of gains or losses to reacquired debt. The plant and labor allocation factors used in this normalization adjustment are supported by Ms. H. E. Stewart.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Distribution expense per budget for the 12 months ending 4/30/16		\$ 86,866
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 23, Column 3)	\$	251
3	Service Company distribution payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 23, Column 3)		108
4	Eliminate non-jurisdictional transmission expense	(20,480)	
5	Amortization of (gain) or loss on reacquired debt		121
6	Allocation ratio based on distribution plant		<u>80.42%</u>
7	Distribution portion of (gain) or loss	\$	97
8	Total normalizing adjustment (Lines 2 + 3 + 4 + 7)		<u>(20,024)</u>
9	Distribution expense per budget for the 12 months ending 4/30/16, as adjusted		<u>\$ 66,842</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 4  
 (\$000)

Adjustment to Payroll Expense to Reflect Year End Employee Levels and Wage Rates

Line No.	Description	Amount	
		(1)	(2)
1	Total company payroll for the 12 months ending 04/30/2016 (Exhibit RAD-27)		\$ 58,751
	<b><u>Bargaining</u></b>		
	UWUA 102		
2	Straight time per budget for the 12 months ending 4/30/2016	\$ 28,862	
3	Straight time 2.5% increase effective May 1, 2016 (Line 2 x 2.5%)	722	
	<b><u>Non-Bargaining</u></b>		
4	Straight time per budget for May 1, 2015 through February 29, 2016	18,269	
5	Straight time 3% increase effective March 1, 2016 (Line 4 x 3%)	548	
6	Total company payroll adjustment		<u>1,270</u>
7	Total company payroll as adjusted (Line 1 + Line 6)		<u>\$ 60,021</u>
8	O&M allocation percentage		<u>39.18%</u>
9	O&M payroll adjustment (Line 6 X Line 8)		<u>\$ 498</u>
	<b><u>Allocation of payroll adjustment:</u></b>		
10	PTC	0.00%	\$ -
11	Transmission	7.41%	37
12	Distribution	50.40%	251
13	Customer accounts	22.98%	114
14	Customer service	1.61%	8
15	Administrative and general	17.60%	<u>88</u>
16	Total	<u>100.00%</u>	<u>\$ 498</u>
	<b><u>Service Company</u></b>		
17	Straight time per budget for May 1, 2015 through February 29, 2016 (Exhibit RAD-25)	\$ 14,057	
18	Straight time 3% increase effective March 1, 2016 (Line 17 x 3%)	422	
	<b><u>Allocation of Service Company payroll (Exhibit RAD-25)</u></b>		
19	Production	0.00%	\$ -
20	Transmission	5.70%	24
21	Distribution	25.55%	108
22	Customer accounting and information	21.79%	92
23	Administrative and general	46.97%	<u>198</u>
24	Total	<u>100.00%</u>	<u>\$ 422</u>

West Penn Power Company  
 Normalization Adjustment No. 5  
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense to reflect year end wage and employee levels, Service Company year end wage and employee levels, increased costs associated with added customers, and interest on customer deposits.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Account expense per budget for the 12 months ending 4/30/16		\$ 30,971
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 13, Col. 2)	\$ 114	
3	Service Company customer account payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 22, Col. 2)	92	
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 10)	14	
5	Interest on customer deposits (Normalization Adjustment No. 5, Supporting Schedule No. 2, Line 3)	<u>1,189</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>1,409</u>
7	Customer Account expense per budget for the 12 months ending 4/30/16, as adjusted		<u>\$ 32,380</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 5  
 (\$000)

Adjustment of Other O&M Costs Associated with Serving New Customers

In association with the additional revenues from added customers reflected in Adjustment No. 1, there is also a cost associated with serving those customers. The Commission has previously recognized this and approved an adjustment to customer accounts expense for this increased cost. This cost is estimated by determining the ratio of non-payroll customer account expense to total tariff revenues from customers and applying this ratio to the additional revenue received from increased customers. Distribution revenue is supported by Mr. K. M. Siedt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
<u>Customer Account Expense Excluding Labor and Uncollectibles</u>		
1	Customer Account expense per budget for the 12 months ending 4/30/16	\$ 30,971
2	Less: Uncollectible expense	(10,642)
3	Less: Labor expense	<u>(8,734)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 11,595</u>
<u>Total Distribution Revenue</u>		
5	Distribution revenues per budget	\$ 279,986
6	Late payment charges per budget (Exhibit RAD-55)	<u>3,000</u>
7	Total (Line 5 + Line 6)	<u>\$ 282,986</u>
8	Ratio of customer account expense to total revenue (Line 4 / Line 7)	4.10%
9	Revenue from added customers (Normalization Adjustment No. 1, Line 2)	\$ 338
10	Additional expense from added customers (Line 8 X Line 9)	\$ 14

West Penn Power Company  
Supporting Schedule No.2 to Normalizing Adjustment No. 5  
(\$000)

Adjustment to Allow for Interest Expense on Customer Deposits

Customer deposits are included in rate base as a deduction, since these are funds supplied by customers to the company. Interest paid to customers on these deposits correspondingly has been recognized by the Commission as a expense when setting rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Customer deposits included in rate base (Exhibit RAD-1, Page 1, Col. 1, Line 15)	\$ 19,821
2	Interest rate on deposits	<u>6%</u>
3	Interest expense on customer deposits	<u>\$ 1,189</u>

West Penn Power Company  
 Normalization Adjustment No. 6  
 \$000

Adjustment of Customer Service and Information Expense

To adjust customer service and information expense to reflect year end wage and employee levels and Service Company year end wage and employee levels.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per budget for the 12 months ending 4/30/16		\$ 21,077
2	Customer Service payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 14, Col. 2)	\$ 8	
3	Expected cost of expanded customer assistance programs (Exhibit KLB-3, Page 1, Line 5, Col. 3)	27,821	
4	Customer assistance costs included in the budget	<u>(15,776)</u>	
5	Adjustment to relect cost of expanded programs	\$ 12,045	
6	Total normalizing adjustment (Line 2 + Line 5)		<u>12,053</u>
7	Customer Service expense per budget for the 12 months ending 4/30/16, as adjusted		<u>\$ 33,130</u>

West Penn Power Company  
 Normalization Adjustment No. 7  
 \$000

Adjustment of Administrative and General Expense

To adjust Administrative and General expenses to reflect employee benefits expenses at year end personnel and wage levels, Service Company year end wage and employee levels, OPEB expense at the service cost level, pension expense to the ten year cash level, amortization of rate case expenses, adjustment of distribution uncollectible expense, and the elimination of non-jurisdictional administrative and general expenses. Ms. L. W. Gifford supports the default service-related uncollectible accounts expense. Ms. H. E. Stewart supports the non-jurisdictional expense allocation factor.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Administrative & general expense per budget for the 12 months ending 4/30/16		\$ 48,209
2	A & G Expenses related to EEC	\$ (22,829)	
3	A & G Expenses related to Smart Meters	<u>(16,476)</u>	
4	Adjustment to A & G	<u>\$ (39,305)</u>	
5	Net A & G expenses related to Distribution (Line 1 - Line 4)	8,904	
6	Administrative & general payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 15 Col. 2)	\$ 88	
7	Service Company administrative and general payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Normalization No. 4, Supporting Schedule No. 1, Line 23, Col. 2)	198	
8	Adjust OPEB expense to service cost level (Normalization Adjustment No. 7, Supporting Schedule No. 1, Line 12, Col. 1)	417	
9	Adjust pension expense to ten year cash level (Normalization Adjustment No. 7, Supporting Schedule No. 2, Line 17, Col. 3)	7,149	
10	Adjust employee benefit costs (Normalization Adjustment No. 7, Supporting Schedule No. 3, Line 8, Col. 3)	<u>209</u>	
11	Subtotal of adjustments (Lines 6 + 7 + 8 + 9 + 10)		8,061
12	Administrative and general expense, adjusted (Line 5 + Line 11)	\$ 16,965	
13	Non-jurisdictional expense allocation factor	<u>9.00%</u>	
14	Non-jurisdictional administrative and general expense (Line 12 X Line 13)		(1,527)
15	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$ 640	
16	Unamortized merger savings shared with residential customers	<u>(256)</u>	
17	Total	\$ 384	
18	Recovery period - 2 years	<u>2</u>	
19	Annual amount (Line 17 / Line 18)		192
20	Increase in O&M costs for accelerated (3 day) switching for Customers moving to a new supplier (Exhibit RAD-64)		<u>402</u>
21	Total normalizing adjustment (Lines 11 + 14 + 19 + 20)	\$	<u>7,128</u>
22	Administrative and general expense per budget for the 12 months ending 4/30/16, as adjusted (Line 1 + Line 22)	\$	<u>55,337</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 7  
 \$000

Adjustment for OPEB Expense

Budgeted OPEB expense consists of the current service cost, adjustments to prior years' service costs, and the financing component. This schedule adjusts the total budgeted expense amounts to the service cost. The service cost represents the actuarial present value of benefit liabilities accrued under the plan benefit formula for services rendered during the test year. Inclusion of the service cost in rates provides for recovery of the current cost of benefits earned by plan participants. Any excess or shortfall related to the expected return on plan assets are not included because their inclusion would artificially reduce or increase total costs and result in the recovery of more or less than the actual normal cost of service. The adjustment for OPEB expense to the current service cost amount was adopted by the Commission at Docket Numbers R-00061366 and R-00061367.

<u>Line No.</u>	<u>Description</u>	<u>O&amp;M</u> (1)	<u>Capital</u> (2)	<u>Total</u> (3)
1	O&M - Capital allocation ratios	39.18%	60.82%	100.00%
2	Company OPEB expense included in budget (Exhibit RAD-27)	\$ 455	\$ 707	\$ 1,162
3	FirstEnergy Service Corp. OPEB expense	\$ (10,930)	\$ (16,966)	\$ (27,896)
4	Allocation ratio	<u>5.48%</u>	<u>5.48%</u>	<u>5.48%</u>
5	Allocated FirstEnergy Service Corp. OPEB expense included in budget (Line 3 X Line 4)	<u>\$ (599)</u>	<u>\$ (930)</u>	<u>\$ (1,529)</u>
6	Total OPEB expense included in budget (Line 2 + Line 5)	<u>\$ (144)</u>	<u>\$ (223)</u>	<u>\$ (367)</u>
7	Service cost for company OPEB expense	\$ 257	\$ 400	\$ 657
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 299	\$ 465	\$ 764
9	Allocation ratio	<u>5.48%</u>	<u>5.48%</u>	<u>5.48%</u>
10	Allocated FirstEnergy Service Corp. service cost (Line 8 X Line 9)	<u>\$ 16</u>	<u>\$ 26</u>	<u>\$ 42</u>
11	Total OPEB service cost (Line 7 + Line 10)	<u>\$ 273</u>	<u>\$ 426</u>	<u>\$ 699</u>
12	Adjustment to set OPEB expense at ongoing service cost level (Line 11 - Line 6)	<u>\$ 417</u>	<u>\$ 649</u>	<u>\$ 1,066</u>

West Penn Power Company  
 Supporting Schedule No. 2 to Normalizing Adjustment No. 7  
 \$000

Adjustment to Pension Expense

To adjust budget pension expense to a ten year historical average level of actual cash contributions under the methodology that was adopted by the Commission at Docket Numbers R-00061366 and R-0061367.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1) Total	(2) O&M %	(3) O&M
<u>Company Cash Contributions</u>				
1	2004 Cash Pension Contribution	\$ 1,917	64.29%	\$ 1,232
2	2005 Cash Pension Contribution	14,706	69.06%	10,156
3	2006 Cash Pension Contribution	16,242	61.70%	10,022
4	2007 Cash Pension Contribution	8,841	62.31%	5,509
5	2008 Cash Pension Contribution	8,463	62.28%	5,271
6	2009 Cash Pension Contribution	8,955	61.11%	5,473
7	2010 Cash Pension Contribution	18,648	56.25%	10,490
8	2011 Cash Pension Contribution	26,813	48.00%	12,870
9	2012 Cash Pension Contribution	47,313	48.00%	22,710
10	Total Company Cash Pension Contributions	\$ 151,897		\$ 83,733
11	Number of years	10		10
12	Pension expense cash contribution (Line 10 / Line 11)	\$ 15,190		\$ 8,373
13	O&M Pension Expense included in budget			1,224
14	Adjustment to Pension Expense (Line 12-Line 13)			\$ 7,149

West Penn Power Company  
 Supporting Schedule No. 3 to Normalizing Adjustment No. 7  
 \$000

Adjustment to Employee Benefit Expense to Reflect Year End Employee Levels and Ongoing Wage Rates

Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 9 increases the O&M payroll expense. Associated with that increase are employee benefits charged to Administrative and General expense. This adjustment computes the added benefit costs on a normalized basis.

Employee benefits applicable to operating expenses:

<u>Line No.</u>	<u>Effective Rate (a)</u>	<u>Payroll Adjustment</u>	<u>Benefit Adjustment</u>
	(1)	(2)	(3) = (1) X (2)
1 Workers compensation	0.733%	\$ 498 (b)	\$ 4
2 Pension costs	25.307%	\$ 498 (b)	126
3 OPEB costs	1.095%	\$ 498 (b)	5
4 Life insurance	0.157%	\$ 498 (b)	1
5 Medical insurance	9.913%	\$ 498 (b)	49
6 Savings Plan	3.046%	\$ 498 (b)	15
7 Other	1.904%	\$ 498 (b)	9
8 Total increase due to payroll adjustment			<u>\$ 209</u>

(a) Summary of effective employee benefit rates based on total payroll for the 12 months ending 4/30/16

	<u>Total Amount</u>	<u>Total Payroll</u>	<u>Effective Rate</u>
Workers compensation (Exhibit RAD-27)	\$ 440	\$ 60,021	0.733%
Pension costs - normalized basis	15,190	60,021	25.307%
OPEB costs - service cost	657	60,021	1.095%
Life insurance (Exhibit RAD-27)	94	60,021	0.157%
Medical insurance (Exhibit RAD-27)	5,950	60,021	9.913%
Savings Plan (Exhibit RAD-27)	1,828	60,021	3.046%
Other (Exhibit RAD-27)	1,143	60,021	1.904%

(b) Normalization Adjustment No.4, Supporting Schedule No. 1, Line 9

West Penn Power Company  
 Normalization Adjustment No. 8  
 \$000

Adjustment of Depreciation Expense

To adjust budgeted depreciation expense to (1) reflect average remaining life rates on adjusted rate base; (2) eliminate non-jurisdictional expense; (3) adjust cost of removal/ salvage expense to a five year average amount per prior commission practice; and (4) amortization of legacy meters. Ms. H. E. Stewart supports the jurisdictional expense allocation factor.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>			
		(1)	(2)	(3)	(4)
1	Depreciation expense per budget for the 12 months ending 4/30/16				\$ 62,399
2	Cost of removal/salvage expense per budget for the 12 months ending 4/30/16 (Exhibit RAD-30)	\$	-		
3	Depreciation accrual per budget (Line 1 - Line 2)	\$	62,399		
4	Jurisdictional depreciation expense accrual on adjusted rate base at average remaining life rates (Exhibit RAD-53, Page 2)		<u>52,043</u>		
5	Adjustment for average remaining life accrual for jurisdictional plant (Line 4 - Line 3)			(10,356)	
<u>Cost of removal / salvage</u>					
6	Cost of removal/salvage expense per budget for the 12 months ending 4/30/16 (Exhibit RAD-30)	\$	-		
7	Cost of removal and salvage 2010 - 2014 (Exhibit RAD-30)				
8	2010	\$	20,014		
9	2011		24,687		
10	2012		22,027		
11	2013		3,909		
12	2014		<u>10,051</u>		
12	Total	\$	80,688		
13	Five year average (Line 12 / 5)		<u>16,138</u>		
14	Allocation ratio based on jurisdictional plant		<u>80.42%</u>		
15	Jurisdictional cost of removal/salvage expense at a five year average (Line 13 X Line 14)	\$	12,978		
16	Adjustment of jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 15 - Line 6)			12,978	
17	Adjustment for amortization of legacy meters (Normalization Adjustment No. 8, Schedule 1, Line 7)			<u>5,843</u>	
18	Total normalizing adjustment (Lines 5 + 16 + 17)				<u>8,465</u>
19	Depreciation expense per budget for the 12 months ending 4/30/16, as adjusted				\$ <u>70,864</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 8  
 \$000

Adjustment for Amortization of Legacy Meters

To amortize legacy meters to fully recover all legacy meter costs over 5 years.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Legacy meters per budget for the 12 months ending 4/30/2016 (Exhibit RAD-46, Attachment B, Page 1)	\$ 69,336	
2	Depreciation reserve per budget for the 12 months ending 4/30/16 (Exhibit RAD-46, Attachment B, Page 3)	<u>44,852</u>	
3	Net Legacy meters per budget for the 12 months ending 4/30/2016 (Line 1 - Line 2)	\$ 24,484	
4	Net estimated cost of removal and salvage	<u>4,729</u>	
5	Net legacy meters (Line 3 + Line 4)	<u>\$ 29,213</u>	
6	Annual amortization over a 5 year amortization period		<u>\$ 5,843</u>

West Penn Power Company  
 Normalization Adjustment No. 9  
 \$000

Adjustment of Amortization Expense

To adjust amortization to include the amortization of deferred storm damage balances for the February 5<sup>th</sup> through February 16<sup>th</sup>, 2010 Winter Storm, approved at Docket No. P-2010-2216111.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1)	(2)	(3)
1	Amortization expense per budget for the 12 months ending 4/30/16			\$ 9,248
	<u>Storm damage costs</u>			
2	February 2010 Winter Storm deferral	\$ 15,465		
3	Amortized over 3 years	<u>3</u>		
4	Annual Amortization (Line 2 / Line 3)		\$ 5,155	
5	Eliminate storm amortization per budget		-	
6	Remove legacy meters in regulatory assets in budget		-	
7	Remove accretion expense		<u>-</u>	
8	Normalization adjustment (Lines 4 + 5 + 6 + 7)			<u>5,155</u>
9	Amortization expense per budget for the 12 months ending 4/30/16, as adjusted (Line 1 + Line 8)			<u>\$ 14,403</u>

West Penn Power Company  
 Normalization Adjustment No. 10  
 \$000

Adjustment of Taxes Other Than Income

To adjust gross receipts tax expense to reflect normalized sales revenues, to adjust payroll tax expenses for normalized payroll and employee expenses. The non-jurisdictional allocation factor is supported by Ms. H. E. Stewart.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1)	(2)	(3)
1	Taxes Other Than Income per budget for the 12 months ending 4/30/16			\$ 49,051
2	Federal and State payroll taxes in budget (Exhibit RAD-32)	\$ 4,487		
3	Non-jurisdictional percent	<u>9.00%</u>		
4	Eliminate non-jurisdictional payroll taxes		\$ (404)	
5	Capital Stock Tax included in budget (Exhibit RAD-32)	\$ 74		
6	PURTA tax in budget (Exhibit RAD-32)	2,334		
7	Real Estate tax in budget (Exhibit RAD-32)	<u>219</u>		
8	Total Other taxes	\$ 2,627		
9	Non-jurisdictional percent	<u>19.58%</u>		
10	Eliminate non-jurisdictional taxes		(514)	
	Gross Receipts Tax			
11	Normalized sales revenues (Exhibit RAD-2, Page 1, Col. 11)	\$ 710,341		
12	Gross receipts tax @ 5.9%	41,910		
13	Gross receipts tax included in budget (Exhibit RAD-32)	<u>41,937</u>		
14	Adjustment for gross receipts tax at normalized revenue level (Line 12 - Line 13)		(27)	
15	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>38</u>	
16	Total normalizing adjustment (Lines 4+10+14+15)			<u>(907)</u>
17	Taxes other than income per budget for the 12 months ending 4/30/16, as adjusted (Line 1 + Line 16)			<u>\$ 48,144</u>

West Penn Power Company  
 Supporting Schedule No.1 to Normalizing Adjustment No. 10  
 \$000

Adjustment to Taxes Other Than Income to reflect changes in payroll taxes

Normalization adjustments have been made to normalize O&M payroll expense. Associated with those payroll normalizations are changes in FICA tax amounts.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Total payroll per budget for the 12 months ending 4/30/2016 (Normalization Adjustment No. 4, Schedule 1, Line 1)	\$ 58,751
2	Total payroll tax included in budget (Exhibit RAD-32)	<u>4,487</u>
3	Effective payroll tax rate (Line 2 / Line 1)	<u>7.637%</u>
4	Total payroll as adjusted (Normalization Adjustment No. 4, Schedule 1, Line 7)	<u>\$ 60,021</u>
5	Payroll tax on normalized payroll (Line 3 X Line 4)	\$ 4,584
6	Total Company payroll tax adjustment (Line 5 - Line 2)	\$ 97
7	O&M Allocation percentage	39.18%
8	Adjustment for payroll tax (Line 6 x Line 7)	<u>\$ 38</u>

West Penn Power Company  
 Normalization Adjustment No. 11  
 \$000

Computation of Federal & State Income Taxes - Normalized (Col. 3 of Income Statement)

Line No.	Description	Total Company Calculated Taxes (1)	Distribution Calculated Taxes (2)	PTC Calculated Taxes (3)	Universal Service Calculated Taxes (4)	Energy Efficiency Calculated Taxes (5)	Smart Meter Rider Calculated Taxes (6)	DSS Calculated Taxes (7)	Storm Rider Calculated Taxes (10)
1	Total operating revenue	\$ 724,039	\$ 293,746	\$ 356,145	\$ -	\$ 24,775	\$ 35,339	\$ 14,034	\$ -
2	Less: Total O& M Expense	523,261	102,623	335,571	27,821	22,829	16,476	17,941	-
3	Depreciation - accrual	57,886	51,528	-	-	-	6,358	-	-
4	Average net salvage	12,978	12,978	-	-	-	-	-	-
5	Amortization	14,403	5,155	(159)	-	484	6,741	2,182	-
6	Taxes other than income taxes	48,144	22,713	21,056	-	1,462	2,085	828	-
7	Total deductions	\$ 656,671	\$ 194,996	\$ 356,468	\$ 27,821	\$ 24,775	\$ 31,660	\$ 20,951	\$ -
8	Net operating income before income taxes	\$ 67,368	\$ 98,750	\$ (323)	\$ (27,821)	\$ -	\$ 3,679	\$ (6,917)	\$ -
9	Less: Interest Charges (A)	34,538	32,179	-	-	-	2,359	-	-
10	Net income before income taxes	\$ 32,830	\$ 66,571	\$ (323)	\$ (27,821)	\$ -	\$ 1,320	\$ (6,917)	\$ -
Adjustments to taxable income:									
11	Book Average net salvage	\$ 12,978	\$ 12,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Adj. of book depreciation to tax basis (B)	8,168	2,820	-	-	-	5,348	-	-
13	Tax cost of removal/salvage	(4,938)	(4,938)	-	-	-	-	-	-
14	Adjust cash pension	7,149	7,149	-	-	-	-	-	-
15	Net adjustment	23,358	18,010	-	-	-	5,348	-	-
16	Income subject to state income tax (Line 10 + Line 15)	\$ 56,188	\$ 84,581	\$ (323)	\$ (27,821)	\$ -	\$ 6,668	\$ (6,917)	\$ -
17	State income tax @ 9.99%	\$ 5,613	\$ 8,450	\$ (32)	\$ (2,779)	\$ -	\$ 666	\$ (691)	\$ -
18	Taxes as budgeted	-	-	-	-	-	-	-	-
19	Adjustment to state income tax	\$ 5,613	\$ 8,450	\$ (32)	\$ (2,779)	\$ -	\$ 666	\$ (691)	\$ -
20	Income subject to federal income tax	\$ 50,575	\$ 76,131	\$ (291)	\$ (25,042)	\$ -	\$ 6,002	\$ (6,226)	\$ -
21	Federal income tax @ 35%	\$ 17,701	\$ 26,646	\$ (102)	\$ (8,765)	\$ -	\$ 2,101	\$ (2,179)	\$ -
22	Less Consolidated Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Total federal tax	\$ 17,701	\$ 26,646	\$ (102)	\$ (8,765)	\$ -	\$ 2,101	\$ (2,179)	\$ -
24	Taxes as budgeted	39,804	39,804	-	-	-	-	-	-
25	Adjustment to federal income tax	\$ (22,103)	\$ (13,158)	\$ (102)	\$ (8,765)	\$ -	\$ 2,101	\$ (2,179)	\$ -
<hr/>									
(A) Computation of Interest charges									
	Total rate base	\$ 1,287,287	\$ 1,199,369	\$ -	\$ -	\$ -	\$ 87,918	\$ -	\$ -
	Debt ratio	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%
	Cost of debt	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%
	Interest expense	\$ 34,538	\$ 32,179	\$ -	\$ -	\$ -	\$ 2,359	\$ -	\$ -
(B) Adjustment of book depreciation to tax basis:									
	Tax depreciation	\$ 49,717	\$ 48,707	\$ -	\$ -	\$ -	\$ 1,010	\$ -	\$ -
	Book depreciation	57,886	51,528	-	-	-	6,358	-	-
	Depreciation adjustment	\$ (8,168)	\$ (2,820)	\$ -	\$ -	\$ -	\$ (5,348)	\$ -	\$ -

West Penn Power Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 11  
 \$000

To (1) split the tax depreciation into cost of removal, smart meter and distribution components, and (2) calculate the jurisdictional allocation.

<u>Line No.</u>	<u>Description</u>	<u>Tax Depreciation</u> (1)	<u>Jurisdictional Adjustment</u> (2)	<u>Distribution</u> (3)
1	Tax depreciation expense per budget (Exhibit RAD-33)	\$ 67,716		
2	Cost of removal / salvage in tax depreciation	6,140	80.42%	4,938
3	Smart meter tax depreciation	<u>1,010</u>		1,010
4	Distribution tax depreciation	<u>\$ 60,566</u>	80.42%	<u>48,707</u>
5	Total tax depreciation (Line 3 + Line 4)			<u>\$ 49,717</u>

West Penn Power Company  
 Normalization Adjustment No. 12  
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects the adjustment of Federal deferrals to reflect year-end plant. All state deferred taxes associated with liberalized depreciation have been eliminated.

<u>Line No.</u>	<u>Description</u>	<u>Provision for Deferred Taxes - Net</u>	
		<u>Federal</u> (1)	<u>State</u> (2)
1	Deferred taxes per budget, 12 months ending 4/30/2016	\$ 8,929	\$ -
2	Deferred taxes - liberalized depreciation (Exhibit RAD-41, Page XX)	4,631	-
3	Jurisdictional allocation factor	<u>80.42%</u>	<u>80.42%</u>
4	Jurisdictional deferred taxes - liberalized depreciation (Line 2 X Line 3)	3,724	-
5	Adjustment to deferred tax expense (Line 4 - Line 1)	<u>(5,205)</u>	<u>-</u>
6	Deferred tax expense per budget for the 12 months ending 4/30/16, as adjusted (Line 1 + Line 5)	<u>\$ 3,724</u>	<u>\$ -</u>

West Penn Power Company  
Normalization Adjustment No. 13  
\$000

Adjustment of Investment Tax Credit

This adjustment is to eliminate the non-jurisdictional portion of investment tax credit adjustments.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Investment tax credit adjustments per budget, 12 months ending 4/30/2016	\$	(820)
2	Jurisdictional allocation factor	<u>19.58%</u>	
3	Adjustment to investment tax credit expense (Line 1 x Line 2)		<u>161</u>
4	Adjustment to investment tax credit expense per budget for the 12 months ending 4/30/16, as adjusted	\$	<u>(659)</u>

**WEST PENN POWER COMPANY**  
**Rate Base At Original Cost**  
**Normalized To Year-End Conditions at March 31, 2015**  
**(\$000)**

Line No.	Description	Adjustments			Pa Jurisdictional Normalized Rate Base			
		Per Budget (1)	and Normalizations (2)	Adj No.	Total (3)	Distribution (4)	Smart Meter Costs (5)	PA Jurisdictional Total (6) = (4) + (5)
Electric Plant:								
1	Plant in service	\$ 2,593,965	\$ (505,788)	1	\$ 2,088,177	\$ 2,011,672	\$ 76,505	\$ 2,088,177
2	Plant held for future use	1,474	(1,474)	2	-	-	-	-
3	Construction work in progress - pollution control and safety	-	-		-	-	-	-
4	Total electric plant	\$ 2,595,439	\$ (507,262)		\$ 2,088,177	\$ 2,011,672	\$ 76,505	\$ 2,088,177
Depreciation & Amortization Reserve:								
5	Plant in service	\$ 1,018,642	\$ (261,952)	3	\$ 756,690	\$ 744,182	\$ 12,508	\$ 756,690
6	Plant held for future use	-	-		-	-	-	-
7	Total depreciation & amortization reserve	\$ 1,018,642	\$ (261,952)		\$ 756,690	\$ 744,182	\$ 12,508	\$ 756,690
8	Net Electric Plant	\$ 1,576,797	\$ (245,310)		\$ 1,331,487	\$ 1,267,490	\$ 63,997	\$ 1,331,487
Additions:								
9	Cash working capital	\$ -	\$ 117,080	4	\$ 117,080	\$ 117,080	\$ -	\$ 117,080
10	M&S inventories	-	18,406	5	18,406	18,406	-	18,406
11	Deferred Storm	-	15,465	6	15,465	15,465	-	15,465
12	Legacy meters	-	31,492	7	31,492	31,492	-	31,492
13	Total additions	\$ -	\$ 182,443		\$ 182,443	\$ 182,443	\$ -	\$ 182,443
Deductions:								
14	Customer deposits	\$ 19,821	\$ -		\$ 19,821	\$ 19,821	\$ -	\$ 19,821
15	Customer advances for construction	1,420	-		1,420	1,420	-	1,420
16	Accum. Deferred income taxes - Liberalized depreciation	361,637	(88,066)	8	273,571	273,204	367	273,571
17	Operating reserves (net of taxes)	2,889	(566)	9	2,323	2,323	-	2,323
18	Total deductions	\$ 385,767	\$ (88,632)		\$ 297,135	\$ 296,768	\$ 367	\$ 297,135
19	Total Rate Base	\$ 1,191,030	\$ 25,765		\$ 1,216,795	\$ 1,153,165	\$ 63,630	\$ 1,216,795
20	Pro forma return at present rates (PA Distribution)	\$ 61,701	Dollars					
21		5.07%	Percent					
22	Pro forma return at proposed rates (PA Distribution)	\$ 99,047	Dollars					
23		8.14%	Percent					

WEST PENN POWER COMPANY

Normalization Adjustment No. 1  
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to (1) eliminate Asset Retirement Costs ("ARC"); (2) remove FERC Transmission Plant which is non-jurisdictional; (3) remove an allocated portion of Intangible Plant that supports FERC Transmission Plant; (4) remove an allocated portion of General Plant that supports FERC Transmission Plant; and (5) remove legacy meters as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

Line No.	Adjustments	Plant in Service
	(1)	(2)
1	Budgeted Plant in Service at 3/31/2015 (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ 2,593,965
	<u>Normalizing adjustments:</u>	
2	Eliminate ARC (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ (751)
3	Remove FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(396,273)
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(3,020)
5	Remove allocated portion of General Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(36,408)
6	Remove legacy meters (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(69,336)
7	Normalization adjustment	<u>(505,788)</u>
8	Plant in Service at 3/31/2015, as adjusted	<u>\$ 2,088,177</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 2  
(\$000)

Adjustment of Plant Held for Future Use

To adjust Plant Held for Future Use. As an alternative to rate base treatment, the Company is requesting the allowance of deferred carrying charges on any current or future investments in Plant Held for Future Use with definitive plans of utilization within a ten-year period. This is consistent with long-standing Commission policy.

<u>Line No.</u>		<u>Amount</u>
		(1)
1	Per budget Plant Held for Future Use at 3/31/2015 (Exhibit RAD-11)	\$ 1,474
	<u>Normalizing adjustment:</u>	
2	Eliminate Plant Held for Future Use	<u>(1,474)</u>
3	Plant Held for Future Use at 3/31/2015, as adjusted	\$ <u>-</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 3  
 (\$000)

Adjustment of Depreciation Reserves - Plant In Service

To adjust the budgeted plant in service depreciation reserves to (1) eliminate Asset Retirement Costs ("ARC") reserves (2) remove FERC Transmission Plant reserves which are non-jurisdictional; (3) remove an allocated portion of Intangible Plant reserves that support FERC Transmission Plant; (4) remove an allocated portion of General Plant reserves that support FERC Transmission Plant; and (5) remove legacy meters as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

Line No.		Depreciation Reserves	
		Adjustments (1)	Plant in Service (2)
1	Plant in Service depreciation reserves at 3/31/2015		\$ 1,018,642
	<u>Normalizing adjustments:</u>		
2	Eliminate ARC (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ (199)	
3	Remove FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(202,728)	
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(1,109)	
5	Remove allocated portion of General Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(15,343)	
6	Remove legacy meters (Exhibit RAD-46 Attachment B, Pages 1 and 2)	<u>(42,573)</u>	
7	Normalization Adjustment		<u>(261,952)</u>
8	Plant in Service depreciation reserves at 3/31/2015, as adjusted		\$ <u>756,690</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 4  
 (\$000)

Adjustment of Cash Working Capital

To recognize cash working capital at year-end level. The cash working capital is supported by Ms. P. M. Larkin.

Line No.	Cash Working Capital
	(1) (2)
1	Cash working capital per budget at 3/31/2015 \$ -
	<u>Normalizing adjustment:</u>
2	Cash working capital normalized to year-end (Exhibit PML-1) \$ 117,080
3	Cash working capital per budget -
4	Normalization Adjustment 117,080
5	Cash working capital at 3/31/2015, as adjusted \$ 117,080

WEST PENN POWER COMPANY

Normalization Adjustment No. 5  
 (\$000)

Adjustment of Material and Supplies Inventories

To recognize the Company's distribution portion of FE Service material and supplies ("M&S") inventory levels projected at 3/31/2015

Line No.		M&S Inventories	
		(1)	(2)
1	M&S Inventory per budget at 3/31/2015		\$ -
	<u>Normalizing adjustment:</u>		
2	Distribution component of projected FE Service M&S Inventory allocated to West Penn at 3/31/2015 (Exhibit RAD-13)	\$ 18,406	
3	M&S Inventory per budget at 3/31/2015	-	
4	Normalization Adjustment		18,406
5	M&S inventory at 3/31/2015, as adjusted		\$ 18,406

WEST PENN POWER COMPANY

Normalization Adjustment No. 6  
 (\$000)

Adjustment of Deferred Storm Damage Expenses

To include in rate base the deferred storm damage balance for the February 5<sup>th</sup> through February 16<sup>th</sup>, 2010 Winter Storm, approved at Docket No. P-2010-2216111.

<u>Line No.</u>		<u>Storms</u>	
		<u>(1)</u>	<u>(2)</u>
1	Unamortized storm damage deferral expense per budget at 3/31/2015	\$	-
	<u>Normalizing adjustment:</u>		
2	February 2010 storm damage deferral	<u>\$ 15,465</u>	
3	Normalization Adjustment		<u>15,465</u>
4	Storm damage deferral expense at 3/31/2015, as adjusted	<u>\$</u>	<u>15,465</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 7  
 (\$000)

Adjustment for Legacy Meters

To include legacy meters in a regulatory asset as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994.

<u>Line No.</u>		<u>Legacy Meters</u>	
		<u>(1)</u>	<u>(2)</u>
1	Net legacy meters in regulatory asset at 3/31/2015		\$ -
2	Legacy meters per budget at 3/31/2015 (Exhibit RAD-46)	\$ 69,336	
3	Net estimated cost of removal and salvage	4,729	
4	Depreciation reserve per budget at 3/31/2015 (Exhibit RAD-46)	<u>(42,573)</u>	
5	Normalization Adjustment		<u>31,492</u>
6	Net legacy meters in regulatory asset as adjusted at 3/31/2015		<u>\$ 31,492</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 8  
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

To adjust the budgeted deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; (2) eliminate other excludable items; and (3) eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation balance associated with FERC Transmission Plant; .

<u>Line No.</u>	<u>Adjustments</u>	<u>Accum Reserve for Deferred Taxes - Liberalized Depreciation</u>
1	Deferred taxes per budget - liberalized depreciation at 3/31/2015	\$ 361,637
	<u>Normalizing adjustments:</u>	
2	Eliminate state deferred taxes - liberalized depreciation including the federal benefit of those taxes	(13,002)
3	Eliminate other excludable items	\$ (8,457)
4	Eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation associated with FERC Transmission Plant	<u>(66,607)</u>
5	Normalization Adjustment	<u>(88,066)</u>
6	Deferred taxes - liberalized depreciation at 3/31/2015, as adjusted	<u>\$ 273,571</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 9  
(\$000)

Adjustment of Operating Reserves

To adjust operating reserves (net of accumulated deferred income taxes) to eliminate an allocated portion associated with FERC Transmission operations.

<u>Line No.</u>		<u>Amount</u>
1	Operating reserves, net of taxes, per budget at 3/31/2015	\$ 2,889
	<u>Normalizing adjustment:</u>	
2	Eliminate portion of operating reserves associated with FERC Transmission operations	<u>(566)</u>
3	Operating reserves, net of taxes at 3/31/2015, as adjusted	<u>\$ 2,323</u>

WEST PENN POWER COMPANY  
Rate of Return at March 31, 2015  
(\$000)

Line No.	Description	Exhibit SRS-24 Capital Amounts (1)	Capital Ratios (2)	Cost Rate (3)	Weighted Cost Rate (4) = (2) X (3)
1	Long Term Debt	\$ 678,007	49.87%	5.38%	2.68%
2	Preferred Stock	-	0.00%	0.00%	0.00%
3	Common Equity	<u>681,410</u>	<u>50.13%</u>	10.90%	<u>5.46%</u>
4	Total Capitalization	<u>1,359,417</u>	<u>100.00%</u>		<u>8.14%</u>

**West Penn Power Company**  
**Statement of Operating Income, 12 Months Ending March 31, 2015, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Normalized PAPUC Jurisdictional											
		Per Budget (1)	Normalizations & Adjustments (2)	Adj. No.	Budget as Adjusted (3)=(1)+(2)	Riders							PAPUC Total Distribution (11)= (4)+(8)
						Distribution (4)	Price to Compare (5)	Universal Service (6)	Energy Efficiency (7)	Smart Meters (8)	Default Service Support (9)	Storm Rider (10)	
<b>Operating revenues</b>													
1	Retail sales	\$ 754,009	\$ 295	1	\$ 754,304	\$ 276,065	\$ 412,331	\$ -	\$ 21,428	\$ 30,463	\$ 14,017	\$ -	\$ 306,528
2	STAS revenue	-	-	2	-	-	-	-	-	-	-	-	-
3	Sales for resale	9	-	-	9	-	9	-	-	-	-	-	-
4	Other operating revenue	77,170	(62,916)	3	14,254	14,430	(176)	-	-	-	-	-	14,430
5	Total operating revenue	\$ 831,188	\$ (62,621)		\$ 768,567	\$ 290,495	\$ 412,164	\$ -	\$ 21,428	\$ 30,463	\$ 14,017	\$ -	\$ 320,958
<b>Operating expenses</b>													
6	Price to Compare	\$ 370,220	\$ -		\$ 370,220	\$ -	\$ 370,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Distribution	78,789	(21,342)	4	57,447	45,123	-	-	-	-	12,324	-	45,123
8	Customer accounts	30,313	1,419	5	31,732	24,815	-	-	-	-	6,917	-	24,815
9	Customer service & info	19,803	12,051	6	31,854	3,785	-	27,821	-	-	248	-	3,785
10	Admin & gen expense	52,378	7,832	7	60,210	12,932	-	-	23,178	24,100	-	-	37,032
11	Depreciation - accrual	55,484	11,105	8	66,589	63,125	-	-	-	3,464	-	-	66,589
12	Amortization & Accretion	14,319	5,155	9	19,474	5,155	17,937	-	(3,014)	(1,223)	619	-	3,932
13	Taxes other than income	51,808	10	10	51,818	23,602	24,328	-	1,264	1,797	827	-	25,399
14	Operating expense before tax	\$ 673,114	\$ 16,231		\$ 689,345	\$ 178,538	\$ 412,485	\$ 27,821	\$ 21,428	\$ 28,138	\$ 20,935	\$ -	\$ 206,676
15	Operating income before income taxes	158,074	(78,852)		79,222	111,957	(321)	(27,821)	-	2,325	(6,918)	-	114,282
<b>Income taxes</b>													
16	Federal income tax - current	\$ 5,079	\$ 19,416	11	\$ 24,495	\$ 34,397	\$ (101)	\$ (8,765)	\$ -	\$ 1,144	\$ (2,179)	\$ -	\$ 35,540
17	State income tax - current	-	7,768	11	7,768	10,907	(32)	(2,779)	-	363	(691)	-	11,270
18	Deferred income tax - federal	26,480	(20,050)	12	6,430	6,301	-	-	-	129	-	-	6,430
19	Deferred income tax - state	-	-	12	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(820)	161	13	(659)	(659)	-	-	-	-	-	-	(659)
21	Total tax expense	\$ 30,739	7,295		38,034	50,946	(133)	(11,544)	-	1,635	(2,871)	-	52,581
22	Total operating expenses	703,853	23,526		727,379	229,484	412,352	16,277	21,428	29,773	18,064	-	259,257
23	<b>Operating Income</b>	<u>\$ 127,335</u>	<u>\$ (86,147)</u>		<u>\$ 41,188</u>	<u>\$ 61,011</u>	<u>\$ (188)</u>	<u>\$ (16,277)</u>	<u>\$ -</u>	<u>\$ 690</u>	<u>\$ (4,047)</u>	<u>\$ -</u>	<u>\$ 61,701</u>

**West Penn Power Company**  
**Statement of Operating Income, 12 Months Ending March 31, 2015, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Riders						PAPUC	
		Distribution (12)	Price to Compare (13)	Universal Service (14)	Energy Efficiency (15)	Smart Meters (16)	Default Service Support (17)	Storm Rider (18)	Total Distribution (19)=(12)+(16)
<u>Operating revenues</u>									
1	Retail sales	\$ 59,680	\$ -	\$ 29,565	\$ -	\$ 8,155	\$ -	\$ -	\$ 67,835
2	STAS revenue	-	-	-	-	-	-	-	-
3	Sales for resale	-	-	-	-	-	-	-	-
4	Other operating revenue	-	-	-	-	-	-	-	-
5	Total operating revenue	\$ 59,680	\$ -	\$ 29,565	\$ -	\$ 8,155	\$ -	\$ -	\$ 67,835
<u>Operating expenses</u>									
6	Price to Compare	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Distribution	-	-	-	-	-	-	-	-
8	Customer accounts	-	-	-	-	-	-	-	-
9	Customer service & info	-	-	-	-	-	-	-	-
10	Admin & gen expense	-	-	-	-	-	-	-	-
11	Depreciation - accrual	-	-	-	-	-	-	-	-
12	Amortization	-	-	-	-	-	-	-	-
13	Taxes other than income	3,521	-	1,744	-	481	-	-	4,002
14	Operating expense before tax	\$ 3,521	\$ -	\$ 1,744	\$ -	\$ 481	\$ -	\$ -	\$ 4,002
15	Operating income before income tax	56,159	-	27,821	-	7,674	-	-	63,833
<u>Income taxes</u>									
16	Federal income tax - current	\$ 17,692	\$ -	\$ 8,765	\$ -	\$ 2,417	\$ -	\$ -	\$ 20,110
17	State income tax - current	5,610	-	2,779	-	767	-	-	6,377
18	Deferred income tax - federal	-	-	-	-	-	-	-	-
19	Deferred income tax - state	-	-	-	-	-	-	-	-
20	Investment tax credit	-	-	-	-	-	-	-	-
21	Total tax expense	\$ 23,302	\$ -	\$ 11,544	\$ -	\$ 3,184	\$ -	\$ -	\$ 26,486
22	Total operating expenses	26,823	-	13,288	-	3,665	-	-	30,489
23	<b>Operating income</b>	<b>\$ 32,857</b>	<b>\$ -</b>	<b>\$ 16,277</b>	<b>\$ -</b>	<b>\$ 4,490</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,346</b>

**West Penn Power Company**  
**Statement of operating income, 12 Months Ending March 31, 2015, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Riders						PaPUC	
		Distribution	Price to Compare	Universal Service	Energy Efficiency	Smart Meters	Default Service Support	Storm Rider	Total Distribution
		(20) = (4) + (12)	(21) = (5) + (13)	(22) = (6) + (14)	(23) = (7) + (15)	(24) = (8) + (16)	(25) = (9) + (17)	(26) = (10) + (18)	(27)=(20)+(24)
<b>Operating revenues</b>									
1	Retail sales	\$ 335,745	\$ 412,331	\$ 29,565	\$ 21,428	\$ 38,618	\$ 14,017	\$ -	\$ 374,363
2	STAS revenue	-	-	-	-	-	-	-	-
3	Sales for resale	-	9	-	-	-	-	-	-
4	Other operating revenue	14,430	(176)	-	-	-	-	-	14,430
5	Total operating revenue	\$ 350,175	\$ 412,164	\$ 29,565	\$ 21,428	\$ 38,618	\$ 14,017	\$ -	\$ 388,793
<b>Operating expenses</b>									
6	Price to Compare	-	370,220	-	-	-	-	-	-
7	Distribution	45,123	-	-	-	-	12,324	-	45,123
8	Customer accounts	24,815	-	-	-	-	6,917	-	24,815
9	Customer service & info	3,785	-	27,821	-	-	248	-	3,785
10	Admin & gen expense	12,932	-	-	23,178	24,100	-	-	37,032
11	Depreciation - accrual	63,125	-	-	-	3,464	-	-	66,589
12	Amortization	5,155	17,937	-	(3,014)	(1,223)	619	-	3,932
13	Taxes other than income	27,124	24,328	1,744	1,264	2,278	827	-	29,402
14	Operating expense before tax	182,059	412,485	29,565	21,428	28,619	20,935	-	210,678
15	Operating income before tax	168,116	(321)	-	-	9,999	(6,918)	-	178,115
<b>Income taxes</b>									
16	Federal income tax - current	52,089	(101)	-	-	3,561	(2,179)	-	55,650
17	State income tax - current	16,518	(32)	-	-	1,129	(691)	-	17,647
18	Deferred income tax - federal	6,301	-	-	-	129	-	-	6,430
19	Deferred income tax - state	-	-	-	-	-	-	-	-
20	Investment tax credit	(659)	-	-	-	-	-	-	(659)
21	Total tax expense	74,248	(133)	-	-	4,819	(2,871)	-	79,068
22	Total operating expenses	256,307	412,352	29,565	21,428	33,438	18,064	-	289,746
23	<b>Operating Income</b>	\$ 93,868	\$ (188)	\$ -	\$ -	\$ 5,179	\$ (4,047)	\$ -	\$ 99,047
24	<b>Rate Base</b>	\$ 1,153,165	\$ -	\$ -	\$ -	\$ 63,630	\$ -	\$ -	\$ 1,216,795
25	<b>Rate of Return overall</b>	8.14%	NA	NA	NA	8.14%	NA	NA	8.14%
26	<b>Return on Equity</b>	10.90%	NA	NA	NA	10.90%	NA	NA	10.90%

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Distribution**  
\$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as</u> <u>Adjusted</u> (1)	<u>Revenue</u> <u>Adjustment</u> <u>Required</u> (2)	<u>Allowable</u> <u>Revenue</u> (3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 276,065	\$ 59,680	\$ 335,745
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	14,430	-	14,430
5	Total operating revenue	290,495	59,680	350,175
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	45,123	-	45,123
8	Customer accounts	24,815	-	24,815
9	Customer service & info	3,785	-	3,785
10	Admin & gen expense	12,932	-	12,932
11	Depreciation - accrual	63,125	-	63,125
12	Amortization	5,155	-	5,155
13	Taxes other than income	23,602	3,521	27,124
14	Operating expense before tax	178,538	3,521	182,059
15	Operating income before tax	111,957	56,159	168,116
	<u>Income taxes</u>			
16	Federal income tax - current	34,397	17,692	52,089
17	State income tax - current	10,907	5,610	16,518
18	Deferred income tax - federal	6,301	-	6,301
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(659)	-	(659)
21	Total tax expense	50,946	23,302	74,248
22	Total operating expenses	229,484	26,823	256,307
23	<b>Operating Income</b>	\$ 61,011	\$ 32,857	\$ 93,868
24	<b>Rate Base</b>	1,153,165		1,153,165
25	<b>Rate of Return overall</b>	5.29%		8.14%
26	<b>Return on Equity</b>	5.20%		10.90%

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Smart Meter Technologies Charge Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as</u> <u>Adjusted</u> (1)	<u>Revenue</u> <u>Adjustment</u> <u>Required</u> (2)	<u>Allowable</u> <u>Revenue</u> (3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 30,463	\$ 8,155	\$ 38,618
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	<u>30,463</u>	<u>8,155</u>	<u>38,618</u>
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	24,100	-	24,100
11	Depreciation - accrual	3,464	-	3,464
12	Amortization	(1,223)	-	(1,223)
13	Taxes other than income	1,797	481	2,278
14	Operating expense before tax	<u>28,138</u>	<u>481</u>	<u>28,619</u>
15	Operating income before tax	2,325	7,674	9,999
	<u>Income taxes</u>			
16	Federal income tax - current	1,144	2,417	3,561
17	State income tax - current	363	767	1,129
18	Deferred income tax - federal	129	-	129
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	<u>1,635</u>	<u>3,184</u>	<u>4,819</u>
22	Total operating expenses	29,773	3,665	33,438
23	<b>Operating Income</b>	<b>\$ 690</b>	<b>\$ 4,490</b>	<b>\$ 5,179</b>
24	<b>Rate Base</b>	<b>63,630</b>		<b>63,630</b>
25	<b>Rate of Return overall</b>	<b>1.08%</b>		<b>8.14%</b>
26	<b>Return on Equity</b>	<b>-3.19%</b>		<b>10.90%</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Distribution**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 306,528	\$ 67,835	\$ 374,363
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	<u>14,430</u>	<u>-</u>	<u>14,430</u>
5	Total operating revenue	320,958	67,835	388,793
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	45,123	-	45,123
8	Customer accounts	24,815	-	24,815
9	Customer service & info	3,785	-	3,785
10	Admin & gen expense	37,032	-	37,032
11	Depreciation - accrual	66,589	-	66,589
12	Amortization	3,932	-	3,932
13	Taxes other than income	<u>25,399</u>	<u>4,002</u>	<u>29,402</u>
14	Operating expense before tax	206,676	4,002	210,678
15	Operating income before tax	114,282	63,833	178,115
	<u>Income taxes</u>			
16	Federal income tax - current	35,540	20,110	55,650
17	State income tax - current	11,270	6,377	17,647
18	Deferred income tax - federal	6,430	-	6,430
19	Deferred income tax - state	-	-	-
20	Investment tax credit	<u>(659)</u>	<u>-</u>	<u>(659)</u>
21	Total tax expense	52,581	26,486	79,068
22	Total operating expenses	259,257	30,489	289,746
23	<b>Operating Income</b>	<b>\$ 61,701</b>	<b>\$ 37,346</b>	<b>\$ 99,047</b>
24	<b>Rate Base</b>	<b>1,216,795</b>		<b>1,216,795</b>
25	<b>Rate of Return overall</b>	<b>5.07%</b>		<b>8.14%</b>
26	<b>Return on Equity</b>	<b>4.76%</b>		<b>10.90%</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Universal Service Cost Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ -	\$ 29,565	\$ 29,565
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	-	29,565	29,565
	<u>Operating expenses</u>			
6	Price to Companre	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	27,821	-	27,821
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	-	-	-
13	Taxes other than income	-	1,744	1,744
14	Operating expense before tax	27,821	1,744	29,565
15	Operating income before tax	(27,821)	27,821	-
	<u>Income taxes</u>			
16	Federal income tax - current	(8,765)	8,765	-
17	State income tax - current	(2,779)	2,779	-
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	(11,544)	11,544	-
22	Total operating expenses	16,277	13,288	29,565
23	<b>Operating Income</b>	<b>\$ (16,277)</b>	<b>\$ 16,277</b>	<b>\$ -</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Storm Damage Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Budget as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ -	\$ -	\$ -
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	-	-	-
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	-	-	-
13	Taxes other than income	-	-	-
14	Operating expense before tax	-	-	-
15	Operating income before tax	-	-	-
	<u>Income taxes</u>			
16	Federal income tax - current	-	-	-
17	State income tax - current	-	-	-
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	-	-	-
22	Total operating expenses	-	-	-
23	<b>Operating Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

West Penn Power Company  
 Normalization Adjustment No. 1  
 \$000

Adjustment of Base Operating Revenues

To adjust base operating revenues (1) for changes in number of customers, (2) to roll in State Tax Adjustment Surcharge ("STAS") revenues into base rates, (3) adjust for Energy Efficiency and Behind the Meter generation, (4) adjust for other revenue, and (5) to eliminate unbilled revenues. Adjustments (1) through (4) are supported by Mr. K. M. Siedt. The adjustment for unbilled revenues is supported by Mr. R. A. D'Angelo.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Base revenues per budget for the 12 months ending 3/31/15		\$ 754,009
	<u>Normalizing adjustments:</u>		
2	Customers - increase to year end level	\$ 98	
	<u>Specific adjustments</u>		
3	Roll-in of STAS	-	
4	Energy Efficiency/ Behind the Meter	(2,023)	
5	Other Revenue Adjustment	3	
6	Eliminate unbilled revenues	<u>2,217</u>	
7	Total	\$ 197	
8	Normalizing adjustment (Lines 2 + 7)		<u>295</u>
9	Base revenues per budget for the 12 months ending 3/31/15, as adjusted		<u>\$ 754,304</u>

West Penn Power Company  
Normalization Adjustment No. 2  
\$000

Adjustment of State Tax Adjustment Surcharge Revenues

To remove state tax adjustment surcharge ("STAS") revenues. Normalized STAS revenues are being rolled into base rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	STAS revenue per budget for the 12 months ending 3/31/15	\$ -
2	Eliminate per budget STAS	<u>-</u>
3	STAS revenue per budget for the 12 months ending 3/31/15, as adjusted	<u>\$ -</u>

-

West Penn Power Company  
Normalization Adjustment No. 3  
\$000

Adjustment of Other Operating Revenues

To adjust other operating revenue to (1) eliminate non-jurisdictional transmission revenues and (2) reduce late payment revenues. The adjustment for late payment revenues is supported by Ms. K. L. Bortz.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other operating revenue per budget for the 12 months ending 3/31/15		\$ 77,170
2	Eliminate non-jurisdictional transmission revenues	\$ (62,430)	
3	Reduction in late payment charges due to a change in the tariff	<u>(486)</u>	
4	Total normalizing adjustment (Lines 2 + 3)		<u>(62,916)</u>
5	Other operating revenue per budget for the 12 months ending 3/31/15, as adjusted		<u>\$ 14,254</u>

West Penn Power Company  
 Normalization Adjustment No. 4  
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense to reflect year end wage and employee levels, Service Company distribution payroll expense to reflect year end wage and employee levels, eliminate non-jurisdictional transmission expense and to include the distribution portion of the amortization of gains or losses to reacquired debt. The plant and labor allocation factors used in this normalization adjustment are supported by Ms. H. E. Stewart.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Distribution expense per budget for the 12 months ending 3/31/15		\$ 78,789
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 14, Column 3)	\$	177
3	Service Company distribution payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 25, Column 3)		164
4	Eliminate non-jurisdictional transmission expense	(21,784)	
5	Amortization of (gain) or loss on reacquired debt		126
6	Allocation ratio based on distribution plant		<u>80.42%</u>
7	Distribution portion of (gain) or loss	\$	101
8	Total normalizing adjustment (Lines 2 + 3 + 4 + 7)		<u>(21,342)</u>
9	Distribution expense per budget for the 12 months ending 3/31/15, as adjusted		<u>\$ 57,447</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 4  
 (\$000)

Adjustment to Payroll Expense to Reflect Year End Employee Levels and Wage Rates

Line No.	Description	Amount	
		(1)	(2)
1	Total company payroll for the 12 months ending 03/31/2015 (Exhibit RAD-27)		\$ 57,468
	<b><u>Bargaining</u></b>		
	UWUA 102		
2	Straight time per budget for April 1, 2014 through April 30, 2014	\$ 2,335	
3	Straight time 3% increase effective May 1, 2014 (Line 2 x 3%)	70	
	<b><u>Non-Bargaining</u></b>		
4	Straight time per budget for April 1, 2014 through August 31, 2014	8,628	
5	Straight time 3% increase effective September 1, 2014 (Line 4 x 3%)	259	
6	Straight time per budget for April 1, 2014 through February 28, 2015	18,981	
7	Straight time 3% increase effective March 1, 2016 (Line 6 x 3%)	569	
8	Total company payroll adjustment		<u>898</u>
9	Total company payroll as adjusted (Line 1 + Line 8)		<u>\$ 58,366</u>
10	O&M allocation percentage		<u>39.18%</u>
11	O&M payroll adjustment (Line 8 X Line 10)		<u>\$ 352</u>
	<u>Allocation of payroll adjustment:</u>		
12	PTC	0.00%	\$ -
13	Transmission	7.41%	26
14	Distribution	50.40%	177
15	Customer accounts	22.98%	81
16	Customer service	1.61%	6
17	Administrative and general	<u>17.60%</u>	<u>62</u>
18	Total	<u>100.00%</u>	<u>\$ 352</u>
	<b><u>Service Company</u></b>		
19	Straight time per budget for April 1, 2014 through August 31, 2014 (Exhibit RAD-25)	\$ 7,323	
20	Straight time 3% increase effective September 1, 2014 (Line 19 x 3%)	220	
21	Straight time per budget for April 1, 2014 through February 28, 2015 (Exhibit RAD-25)	\$ 16,110	
22	Straight time 3% increase effective March 1, 2015 (Line 21 x 3%)	483	
	<b><u>Allocation of Service Company payroll (Exhibit RAD-25)</u></b>		
23	Production	0.00%	\$ -
24	Transmission	6.45%	45
25	Distribution	23.39%	164
26	Customer accounting and information	20.67%	145
27	Administrative and general	<u>49.49%</u>	<u>348</u>
28	Total	<u>100.00%</u>	<u>\$ 703</u>

West Penn Power Company  
 Normalization Adjustment No. 5  
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense to reflect year end wage and employee levels, Service Company year end wage and employee levels, increased costs associated with added customers, and interest on customer deposits.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Account expense per budget for the 12 months ending 3/31/15		\$ 30,313
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 13, Col. 2)	\$ 81	
3	Service Company customer account payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 22, Col. 2)	145	
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 10)	4	
5	Interest on customer deposits (Normalization Adjustment No. 5, Supporting Schedule No. 2, Line 3)	<u>1,189</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>1,419</u>
7	Customer Account expense per budget for the 12 months ending 3/31/15, as adjusted		<u>\$ 31,732</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 5  
 (\$000)

Adjustment of Other O&M Costs Associated with Serving New Customers

In association with the additional revenues from added customers reflected in Adjustment No. 1, there is also a cost associated with serving those customers. The Commission has previously recognized this and approved an adjustment to customer accounts expense for this increased cost. This cost is estimated by determining the ratio of non-payroll customer account expense to total tariff revenues from customers and applying this ratio to the additional revenue received from increased customers. Distribution revenue is supported by Mr. K. M. Siedt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
<u>Customer Account Expense Excluding Labor and Uncollectibles</u>		
1	Customer Account expense per budget for the 12 months ending 3/31/15	\$ 30,313
2	Less: Uncollectible expense	(10,025)
3	Less: Labor expense	<u>(8,734)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 11,554</u>
<u>Total Distribution Revenue</u>		
5	Distribution revenues per budget	\$ 277,987
6	Late payment charges per budget (Exhibit RAD-55)	<u>3,000</u>
7	Total (Line 5 + Line 6)	<u>\$ 280,987</u>
8	Ratio of customer account expense to total revenue (Line 4 / Line 7)	4.11%
9	Revenue from added customers (Normalization Adjustment No. 1, Line 2)	\$ 98
10	Additional expense from added customers (Line 8 X Line 9)	\$ 4

West Penn Power Company  
Supporting Schedule No.2 to Normalizing Adjustment No. 5  
(\$000)

Adjustment to Allow for Interest Expense on Customer Deposits

Customer deposits are included in rate base as a deduction, since these are funds supplied by customers to the company. Interest paid to customers on these deposits correspondingly has been recognized by the Commission as a expense when setting rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Customer deposits included in rate base (Exhibit RAD-1, Page 1, Col. 1, Line 15)	\$ 19,821
2	Interest rate on deposits	<u>6%</u>
3	Interest expense on customer deposits	<u>\$ 1,189</u>

West Penn Power Company  
 Normalization Adjustment No. 6  
 \$000

Adjustment of Customer Service and Information Expense

To adjust customer service and information expense to reflect year end wage and employee levels and Service Company year end wage and employee levels.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per budget for the 12 months ending 3/31/15		\$ 19,803
2	Customer Service payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 14, Col. 2)	\$ 6	
3	Expected cost of expanded customer assistance programs (Exhibit KLB-3, Page 1, Line 5, Col. 3)	27,821	
4	Customer assistance costs included in the budget	<u>(15,776)</u>	
5	Adjustment to relect cost of expanded programs	\$ 12,045	
6	Total normalizing adjustment (Line 2 + Line 5)		<u>12,051</u>
7	Customer Service expense per budget for the 12 months ending 3/31/15, as adjusted		<u>\$ 31,854</u>

West Penn Power Company  
 Normalization Adjustment No. 7  
 \$000

Adjustment of Administrative and General Expense

To adjust Administrative and General expenses to reflect employee benefits expenses at year end personnel and wage levels, Service Company year end wage and employee levels, OPEB expense at the service cost level, pension expense to the ten year cash level, amortization of rate case expenses, adjustment of distribution uncollectible expense, and the elimination of non-jurisdictional administrative and general expenses. Ms. L. W. Gifford supports the default service-related uncollectible accounts expense. Ms. H. E. Stewart supports the non-jurisdictional expense allocation factor.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Administrative & general expense per budget for the 12 months ending 3/31/15		\$ 52,378
2	A & G Expenses related to EEC	\$ (23,178)	
3	A & G Expenses related to Smart Meters	<u>(24,100)</u>	
4	Adjustment to A & G	<u>\$ (47,278)</u>	
5	Net A & G expenses related to Distribution (Line 1 - Line 4)	5,100	
6	Administrative & general payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 15 Col. 2)	\$ 62	
7	Service Company administrative and general payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Normalization No. 4, Supporting Schedule No. 1, Line 23, Col. 2)	348	
8	Adjust OPEB expense to service cost level (Normalization Adjustment No. 7, Supporting Schedule No. 1, Line 12, Col. 1)	741	
9	Adjust pension expense to ten year cash level (Normalization Adjustment No. 7, Supporting Schedule No. 2, Line 17, Col. 3)	7,150	
10	Adjust employee benefit costs (Normalization Adjustment No. 7, Supporting Schedule No. 3, Line 8, Col. 3)	<u>157</u>	
11	Subtotal of adjustments (Lines 6 + 7 + 8 + 9 + 10)		8,458
12	Administrative and general expense, adjusted (Line 5 + Line 11)	\$ 13,558	
13	Non-jurisdictional expense allocation factor	<u>9.00%</u>	
14	Non-jurisdictional administrative and general expense (Line 12 X Line 13)		(1,220)
15	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$ 640	
16	Unamortized merger savings shared with residential customers	<u>(256)</u>	
17	Total	\$ 384	
18	Recovery period - 2 years	<u>2</u>	
19	Annual amount (Line 17 / Line 18)		192
20	Increase in O&M costs for accelerated (3 day) switching for Customers moving to a new supplier (Exhibit RAD-64)		<u>402</u>
21	Total normalizing adjustment (Lines 11 + 14 + 19 + 20)	\$ 7,832	
22	Administrative and general expense per budget for the 12 months ending 3/31/15, as adjusted (Line 1 + Line 22)	\$ 60,210	

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 7  
 \$000

Adjustment for OPEB Expense

Budgeted OPEB expense consists of the current service cost, adjustments to prior years' service costs, and the financing component. This schedule adjusts the total budgeted expense amounts to the service cost. The service cost represents the actuarial present value of benefit liabilities accrued under the plan benefit formula for services rendered during the test year. Inclusion of the service cost in rates provides for recovery of the current cost of benefits earned by plan participants. Any excess or shortfall related to the expected return on plan assets are not included because their inclusion would artificially reduce or increase total costs and result in the recovery of more or less than the actual normal cost of service. The adjustment for OPEB expense to the current service cost amount was adopted by the Commission at Docket Numbers R-00061366 and R-00061367.

<u>Line No.</u>	<u>Description</u>	<u>O&amp;M</u> (1)	<u>Capital</u> (2)	<u>Total</u> (3)
1	O&M - Capital allocation ratios	39.18%	60.82%	100.00%
2	Company OPEB expense included in budget (Exhibit RAD-27)	\$ 389	\$ 605	\$ 994
3	FirstEnergy Service Corp. OPEB expense	\$ (15,099)	\$ (23,438)	\$ (38,537)
4	Allocation ratio	<u>5.48%</u>	<u>5.48%</u>	<u>5.48%</u>
5	Allocated FirstEnergy Service Corp. OPEB expense included in budget (Line 3 X Line 4)	<u>\$ (827)</u>	<u>\$ (1,285)</u>	<u>\$ (2,112)</u>
6	Total OPEB expense included in budget (Line 2 + Line 5)	<u>\$ (438)</u>	<u>\$ (680)</u>	<u>\$ (1,118)</u>
7	Service cost for company OPEB expense	\$ 285	\$ 442	\$ 727
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 331	\$ 514	\$ 845
9	Allocation ratio	<u>5.48%</u>	<u>5.48%</u>	<u>5.48%</u>
10	Allocated FirstEnergy Service Corp. service cost (Line 8 X Line 9)	<u>\$ 18</u>	<u>\$ 28</u>	<u>\$ 46</u>
11	Total OPEB service cost (Line 7 + Line 10)	<u>\$ 303</u>	<u>\$ 470</u>	<u>\$ 773</u>
12	Adjustment to set OPEB expense at ongoing service cost level (Line 11 - Line 6)	<u>\$ 741</u>	<u>\$ 1,150</u>	<u>\$ 1,891</u>

West Penn Power Company  
 Supporting Schedule No. 2 to Normalizing Adjustment No. 7  
 \$000

Adjustment to Pension Expense

To adjust budget pension expense to a ten year historical average level of actual cash contributions under the methodology that was adopted by the Commission at Docket Numbers R-00061366 and R-0061367.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1) Total	(2) O&M %	(3) O&M
<u>Company Cash Contributions</u>				
1	2004 Cash Pension Contribution	\$ 1,917	64.29%	\$ 1,232
2	2005 Cash Pension Contribution	14,706	69.06%	10,156
3	2006 Cash Pension Contribution	16,242	61.70%	10,022
4	2007 Cash Pension Contribution	8,841	62.31%	5,509
5	2008 Cash Pension Contribution	8,463	62.28%	5,271
6	2009 Cash Pension Contribution	8,955	61.11%	5,473
7	2010 Cash Pension Contribution	18,648	56.25%	10,490
8	2011 Cash Pension Contribution	26,813	48.00%	12,870
9	2012 Cash Pension Contribution	47,313	48.00%	22,710
10	Total Company Cash Pension Contributions	\$ 151,897		\$ 83,733
11	Number of years	10		10
12	Pension expense cash contribution (Line 10 / Line 11)	\$ 15,190		\$ 8,373
13	O&M Pension Expense included in budget			1,223
14	Adjustment to Pension Expense (Line 12-Line 13)			\$ 7,150

West Penn Power Company  
 Supporting Schedule No. 3 to Normalizing Adjustment No. 7  
 \$000

Adjustment to Employee Benefit Expense to Reflect Year End Employee Levels and Ongoing Wage Rates

Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 9 increases the O&M payroll expense. Associated with that increase are employee benefits charged to Administrative and General expense. This adjustment computes the added benefit costs on a normalized basis.

Employee benefits applicable to operating expenses:

<u>Line No.</u>	<u>Effective Rate (a)</u>	<u>Payroll Adjustment</u>	<u>Benefit Adjustment</u>
	(1)	(2)	(3) = (1) X (2)
1 Workers compensation	0.754%	\$ 352 (b)	\$ 3
2 Pension costs	26.025%	\$ 352 (b)	92
3 OPEB costs	1.246%	\$ 352 (b)	4
4 Life insurance	0.175%	\$ 352 (b)	1
5 Medical insurance	9.557%	\$ 352 (b)	34
6 Savings Plan	2.150%	\$ 352 (b)	8
7 Other	4.162%	\$ 352 (b)	15
8 Total increase due to payroll adjustment			<u>\$ 157</u>

(a) Summary of effective employee benefit rates based on total payroll for the 12 months ending 3/31/15

	<u>Total Amount</u>	<u>Total Payroll</u>	<u>Effective Rate</u>
Workers compensation (Exhibit RAD-27)	\$ 440	\$ 58,366	0.754%
Pension costs - normalized basis	15,190	58,366	26.025%
OPEB costs - service cost	727	58,366	1.246%
Life insurance (Exhibit RAD-27)	102	58,366	0.175%
Medical insurance (Exhibit RAD-27)	5,578	58,366	9.557%
Savings Plan (Exhibit RAD-27)	1,255	58,366	2.150%
Other (Exhibit RAD-27)	2,429	58,366	4.162%

(b) Normalization Adjustment No.4, Supporting Schedule No. 1, Line 9

West Penn Power Company  
 Normalization Adjustment No. 8  
 \$000

Adjustment of Depreciation Expense

To adjust budgeted depreciation expense to (1) reflect average remaining life rates on adjusted rate base; (2) eliminate non-jurisdictional expense; (3) adjust cost of removal/ salvage expense to a five year average amount per prior commission practice; and (4) amortization of legacy meters. Ms. H. E. Stewart supports the jurisdictional expense allocation factor.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>			
		(1)	(2)	(3)	(4)
1	Depreciation expense per budget for the 12 months ending 3/31/15				\$ 55,484
2	Cost of removal/salvage expense per budget for the 12 months ending 3/31/15 (Exhibit RAD-30)		\$ -		
3	Depreciation accrual per budget (Line 1 - Line 2)		\$ 55,484		
4	Jurisdictional depreciation expense accrual on adjusted rate base at average remaining life rates (Exhibit RAD-53, Page 2)		<u>47,313</u>		
5	Adjustment for average remaining life accrual for jurisdictional plant (Line 4 - Line 3)			(8,171)	
<u>Cost of removal / salvage</u>					
6	Cost of removal/salvage expense per budget for the 12 months ending 3/31/15 (Exhibit RAD-30)		\$ -		
7	Cost of removal and salvage 2010 - 2014 (Exhibit RAD-30)				
8	2010	\$ 20,014			
9	2011	24,687			
10	2012	22,027			
11	2013	3,909			
12	2014	<u>10,051</u>			
12	Total	\$ 80,688			
13	Five year average (Line 12 / 5)		<u>16,138</u>		
14	Allocation ratio based on jurisdictional plant		<u>80.42%</u>		
15	Jurisdictional cost of removal/salvage expense at a five year average (Line 13 X Line 14)		\$ 12,978		
16	Adjustment of jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 15 - Line 6)			12,978	
17	Adjustment for amortization of legacy meters (Normalization Adjustment No. 8, Schedule 1, Line 7)			<u>6,298</u>	
18	Total normalizing adjustment (Lines 5 + 16 + 17)				<u>11,105</u>
19	Depreciation expense per budget for the 12 months ending 3/31/15, as adjusted				<u>\$ 66,589</u>

West Penn Power Company  
Supporting Schedule No. 1 to Normalizing Adjustment No. 8  
\$000

Adjustment for Amortization of Legacy Meters

To amortize legacy meters to fully recover all legacy meter costs over 5 years.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Legacy meters per budget for the 12 months ending 3/31/2015 (Exhibit RAD-46, Attachment B, Page 1)	\$ 69,336	
2	Depreciation reserve per budget for the 12 months ending 3/31/15 (Exhibit RAD-46, Attachment B, Page 3)	<u>42,573</u>	
3	Net Legacy meters per budget for the 12 months ending 3/31/2015 (Line 1 - Line 2)	\$ 26,763	
4	Net estimated cost of removal and salvage	<u>4,729</u>	
5	Net legacy meters (Line 3 + Line 4)	<u>\$ 31,492</u>	
6	Annual amortization over a 5 year amortization period		<u>\$ 6,298</u>

West Penn Power Company  
 Normalization Adjustment No. 9  
 \$000

Adjustment of Amortization Expense

To adjust amortization to include the amortization of deferred storm damage balances for the February 5<sup>th</sup> through February 16<sup>th</sup>, 2010 Winter Storm, approved at Docket No. P-2010-2216111.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1)	(2)	(3)
1	Amortization expense per budget for the 12 months ending 3/31/15			\$ 14,319
	<u>Storm damage costs</u>			
2	February 2010 Winter Storm deferral	\$ 15,465		
3	Amortized over 3 years	<u>3</u>		
4	Annual Amortization (Line 2 / Line 3)		\$ 5,155	
5	Eliminate storm amortization per budget		-	
6	Remove legacy meters in regulatory assets in budget		-	
7	Remove accretion expense		<u>-</u>	
8	Normalization adjustment (Lines 4 + 5 + 6 + 7)			<u>5,155</u>
9	Amortization expense per budget for the 12 months ending 3/31/15, as adjusted (Line 1 + Line 8)			<u>\$ 19,474</u>

West Penn Power Company  
 Normalization Adjustment No. 10  
 \$000

Adjustment of Taxes Other Than Income

To adjust gross receipts tax expense to reflect normalized sales revenues, to adjust payroll tax expenses for normalized payroll and employee expenses. The non-jurisdictional allocation factor is supported by Ms. H. E. Stewart.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1)	(2)	(3)
1	Taxes Other Than Income per budget for the 12 months ending 3/31/15			\$ 51,808
2	Federal and State payroll taxes in budget (Exhibit RAD-32)	\$ 5,633		
3	Non-jurisdictional percent	<u>9.00%</u>		
4	Eliminate non-jurisdictional payroll taxes		\$ (507)	
5	Capital Stock Tax included in budget (Exhibit RAD-32)	\$ 152		
6	PURTA tax in budget (Exhibit RAD-32)	2,309		
7	Real Estate tax in budget (Exhibit RAD-32)	<u>216</u>		
8	Total Other taxes	\$ 2,677		
9	Non-jurisdictional percent	<u>19.58%</u>		
10	Eliminate non-jurisdictional taxes		(524)	
	Gross Receipts Tax			
11	Normalized sales revenues (Exhibit RAD-2, Page 1, Col. 11)	\$ 754,304		
12	Gross receipts tax @ 5.9%	44,504		
13	Gross receipts tax included in budget (Exhibit RAD-32)	<u>43,497</u>		
14	Adjustment for gross receipts tax at normalized revenue level (Line 12 - Line 13)		1,007	
15	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>34</u>	
16	Total normalizing adjustment (Lines 4+10+14+15)			<u>10</u>
17	Taxes other than income per budget for the 12 months ending 3/31/15, as adjusted (Line 1 + Line 16)			<u>\$ 51,818</u>

West Penn Power Company  
 Supporting Schedule No.1 to Normalizing Adjustment No. 10  
 \$000

Adjustment to Taxes Other Than Income to reflect changes in payroll taxes

Normalization adjustments have been made to normalize O&M payroll expense. Associated with those payroll normalizations are changes in FICA tax amounts.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Total payroll per budget for the 12 months ending 3/31/2015 (Normalization Adjustment No. 4, Schedule 1, Line 1)	\$ 57,468
2	Total payroll tax included in budget (Exhibit RAD-32)	<u>5,633</u>
3	Effective payroll tax rate (Line 2 / Line 1)	<u>9.802%</u>
4	Total payroll as adjusted (Normalization Adjustment No. 4, Schedule 1, Line 7)	<u>\$ 58,366</u>
5	Payroll tax on normalized payroll (Line 3 X Line 4)	\$ 5,721
6	Total Company payroll tax adjustment (Line 5 - Line 2)	\$ 88
7	O&M Allocation percentage	39.18%
8	Adjustment for payroll tax (Line 6 x Line 7)	<u>\$ 34</u>

West Penn Power Company  
 Normalization Adjustment No. 11  
 \$000

Computation of Federal & State Income Taxes - Normalized (Col. 3 of Income Statement)

Line No.	Description	Total Company Calculated Taxes (1)	Distribution Calculated Taxes (2)	PTC Calculated Taxes (3)	Universal Service Calculated Taxes (4)	Energy Efficiency Calculated Taxes (5)	Smart Meter Rider Calculated Taxes (6)	DSS Calculated Taxes (7)	Storm Rider Calculated Taxes (10)
1	Total operating revenue	\$ 768,567	\$ 290,495	\$ 412,164	\$ -	\$ 21,428	\$ 30,463	\$ 14,017	\$ -
2	Less: Total O& M Expense	551,463	86,655	370,220	27,821	23,178	24,100	19,489	-
3	Depreciation - accrual	53,611	50,147	-	-	-	3,464	-	-
4	Average net salvage	12,978	12,978	-	-	-	-	-	-
5	Amortization	19,474	5,155	17,937	-	(3,014)	(1,223)	619	-
6	Taxes other than income taxes	51,818	23,602	24,328	-	1,264	1,797	827	-
7	Total deductions	\$ 689,345	\$ 178,538	\$ 412,485	\$ 27,821	\$ 21,428	\$ 28,138	\$ 20,935	\$ -
8	Net operating income before income taxes	\$ 79,222	\$ 111,957	\$ (321)	\$ (27,821)	\$ -	\$ 2,325	\$ (6,918)	\$ -
9	Less: Interest Charges (A)	32,647	30,939	-	-	-	1,707	-	-
10	Net income before income taxes	\$ 46,575	\$ 81,018	\$ (321)	\$ (27,821)	\$ -	\$ 618	\$ (6,918)	\$ -
Adjustments to taxable income:									
11	Book Average net salvage	\$ 12,978	\$ 12,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Adj. of book depreciation to tax basis (B)	16,402	13,390	-	-	-	3,012	-	-
13	Tax cost of removal/salvage	(5,352)	(5,352)	-	-	-	-	-	-
14	Adjust cash pension	7,150	7,150	-	-	-	-	-	-
15	Net adjustment	31,178	28,166	-	-	-	3,012	-	-
16	Income subject to state income tax (Line 10 + Line 15)	\$ 77,754	\$ 109,184	\$ (321)	\$ (27,821)	\$ -	\$ 3,630	\$ (6,918)	\$ -
17	State income tax @ 9.99%	\$ 7,768	\$ 10,907	\$ (32)	\$ (2,779)	\$ -	\$ 363	\$ (691)	\$ -
18	Taxes as budgeted	-	-	-	-	-	-	-	-
19	Adjustment to state income tax	\$ 7,768	\$ 10,907	\$ (32)	\$ (2,779)	\$ -	\$ 363	\$ (691)	\$ -
20	Income subject to federal income tax	\$ 69,986	\$ 98,276	\$ (289)	\$ (25,042)	\$ -	\$ 3,267	\$ (6,227)	\$ -
21	Federal income tax @ 35%	\$ 24,495	\$ 34,397	\$ (101)	\$ (8,765)	\$ -	\$ 1,144	\$ (2,179)	\$ -
22	Less Consolidated Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Total federal tax	\$ 24,495	\$ 34,397	\$ (101)	\$ (8,765)	\$ -	\$ 1,144	\$ (2,179)	\$ -
24	Taxes as budgeted	5,079	5,079	-	-	-	-	-	-
25	Adjustment to federal income tax	\$ 19,416	\$ 29,318	\$ (101)	\$ (8,765)	\$ -	\$ 1,144	\$ (2,179)	\$ -
<hr/>									
(A) Computation of Interest charges									
	Total rate base	\$ 1,216,795	\$ 1,153,165	\$ -	\$ -	\$ -	\$ 63,630	\$ -	\$ -
	Debt ratio	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%
	Cost of debt	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%
	Interest expense	\$ 32,647	\$ 30,939	\$ -	\$ -	\$ -	\$ 1,707	\$ -	\$ -
(B) Adjustment of book depreciation to tax basis:									
	Tax depreciation	\$ 37,210	\$ 36,758	\$ -	\$ -	\$ -	\$ 452	\$ -	\$ -
	Book depreciation	53,611	50,147	-	-	-	3,464	-	-
	Depreciation adjustment	\$ (16,402)	\$ (13,390)	\$ -	\$ -	\$ -	\$ (3,012)	\$ -	\$ -

West Penn Power Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 11  
 \$000

To (1) split the tax depreciation into cost of removal, smart meter and distribution components, and (2) calculate the jurisdictional allocation.

<u>Line No.</u>	<u>Description</u>	<u>Tax Depreciation</u> (1)	<u>Jurisdictional Adjustment</u> (2)	<u>Distribution</u> (3)
1	Tax depreciation expense per budget (Exhibit RAD-33)	\$ 52,814		
2	Cost of removal / salvage in tax depreciation	6,655	80.42%	5,352
3	Smart meter tax depreciation	<u>452</u>		452
4	Distribution tax depreciation	<u>\$ 45,707</u>	80.42%	<u>36,758</u>
5	Total tax depreciation (Line 3 + Line 4)			<u>\$ 37,210</u>

West Penn Power Company  
 Normalization Adjustment No. 12  
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects the adjustment of Federal deferrals to reflect year-end plant. All state deferred taxes associated with liberalized depreciation have been eliminated.

<u>Line No.</u>	<u>Description</u>	<u>Provision for Deferred Taxes - Net</u>	
		<u>Federal</u>	<u>State</u>
		(1)	(2)
1	Deferred taxes per budget, 12 months ending 3/31/2015	\$ 26,480	\$ -
2	Deferred taxes - liberalized depreciation (Exhibit RAD-41, Page XX)	7,996	-
3	Jurisdictional allocation factor	<u>80.42%</u>	<u>80.42%</u>
4	Jurisdictional deferred taxes - liberalized depreciation (Line 2 X Line 3)	6,430	-
5	Adjustment to deferred tax expense (Line 4 - Line 1)	<u>(20,050)</u>	<u>-</u>
6	Deferred tax expense per budget for the 12 months ending 3/31/15, as adjusted (Line 1 + Line 5)	<u>\$ 6,430</u>	<u>\$ -</u>

West Penn Power Company  
Normalization Adjustment No. 13  
\$000

Adjustment of Investment Tax Credit

This adjustment is to eliminate the non-jurisdictional portion of investment tax credit adjustments.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		<u>(1)</u>	<u>(2)</u>
1	Investment tax credit adjustments per budget, 12 months ending 3/31/2015	\$	(820)
2	Jurisdictional allocation factor	<u>19.58%</u>	
3	Adjustment to investment tax credit expense (Line 1 x Line 2)		<u>161</u>
4	Adjustment to investment tax credit expense per budget for the 12 months ending 3/31/15, as adjusted	\$	<u>(659)</u>

**WEST PENN POWER COMPANY**  
**Rate Base At Original Cost**  
**Normalized To Year-End Conditions at March 31, 2014**  
**(\$000)**

Line No.	Description	Per Budget (1)	Adjustments and Normalizations		Total (3)	Pa Jurisdictional Normalized Rate Base		
			Normalizations (2)	Adj No.		Distribution (4)	Smart Meter Costs (5)	PA Jurisdictional Total (6) = (4) + (5)
Electric Plant:								
1	Plant in service	\$ 2,457,313	\$ (492,721)	1	\$ 1,964,592	\$ 1,927,344	\$ 37,248	\$ 1,964,592
2	Plant held for future use	1,474	(1,474)	2	-	-	-	-
3	Construction work in progress - pollution control and safety	-	-		-	-	-	-
4	Total electric plant	\$ 2,458,787	\$ (494,195)		\$ 1,964,592	\$ 1,927,344	\$ 37,248	\$ 1,964,592
Depreciation & Amortization Reserve:								
5	Plant in service	\$ 977,690	\$ (254,919)	3	\$ 722,771	\$ 713,933	\$ 8,838	\$ 722,771
6	Plant held for future use	-	-		-	-	-	-
7	Total depreciation & amortization reserve	\$ 977,690	\$ (254,919)		\$ 722,771	\$ 713,933	\$ 8,838	\$ 722,771
8	Net Electric Plant	\$ 1,481,097	\$ (239,276)		\$ 1,241,821	\$ 1,213,411	\$ 28,410	\$ 1,241,821
Additions:								
9	Cash working capital	\$ -	\$ 117,080	4	\$ 117,080	\$ 117,080	\$ -	\$ 117,080
10	M&S inventories	-	18,406	5	18,406	18,406	-	18,406
11	Deferred Storm	-	15,465	6	15,465	15,465	-	15,465
12	Legacy meters	-	33,250	7	33,250	33,250	-	33,250
13	Total additions	\$ -	\$ 184,201		\$ 184,201	\$ 184,201	\$ -	\$ 184,201
Deductions:								
14	Customer deposits	\$ 20,125	\$ -		\$ 20,125	\$ 20,125	\$ -	\$ 20,125
15	Customer advances for construction	1,396	-		1,396	1,396	-	1,396
16	Accum. Deferred income taxes - Liberalized depreciation	354,618	(86,598)	8	268,020	266,399	1,621	268,020
17	Operating reserves (net of taxes)	2,889	(566)	9	2,323	2,323	-	2,323
18	Total deductions	\$ 379,028	\$ (87,164)		\$ 291,864	\$ 290,243	\$ 1,621	\$ 291,864
19	Total Rate Base	\$ 1,102,069	\$ 32,089		\$ 1,134,158	\$ 1,107,369	\$ 26,789	\$ 1,134,158
20	Pro forma return at present rates (PA Distribution)	\$ 61,018	Dollars					
21		5.38%	Percent					
22	Pro forma return at proposed rates (PA Distribution)	\$ 92,320	Dollars					
23		8.14%	Percent					

WEST PENN POWER COMPANY

Normalization Adjustment No. 1  
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to (1) eliminate Asset Retirement Costs ("ARC"); (2) remove FERC Transmission Plant which is non-jurisdictional; (3) remove an allocated portion of Intangible Plant that supports FERC Transmission Plant; (4) remove an allocated portion of General Plant that supports FERC Transmission Plant; and (5) remove legacy meters as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

Line No.	Adjustments	Plant in Service
	(1)	(2)
1	Budgeted Plant in Service at 3/31/2014 (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ 2,457,313
	<u>Normalizing adjustments:</u>	
2	Eliminate ARC (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ (751)
3	Remove FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(381,191)
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(5,956)
5	Remove allocated portion of General Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(35,487)
6	Remove legacy meters (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(69,336)
7	Normalization adjustment	<u>(492,721)</u>
8	Plant in Service at 3/31/2014, as adjusted	<u>\$ 1,964,592</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 2  
(\$000)

Adjustment of Plant Held for Future Use

To adjust Plant Held for Future Use. As an alternative to rate base treatment, the Company is requesting the allowance of deferred carrying charges on any current or future investments in Plant Held for Future Use with definitive plans of utilization within a ten-year period. This is consistent with long-standing Commission policy.

<u>Line No.</u>		<u>Amount</u>
		(1)
1	Per budget Plant Held for Future Use at 3/31/2014 (Exhibit RAD-11)	\$ 1,474
	<u>Normalizing adjustment:</u>	
2	Eliminate Plant Held for Future Use	<u>(1,474)</u>
3	Plant Held for Future Use at 3/31/2014, as adjusted	\$ <u>-</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 3  
 (\$000)

Adjustment of Depreciation Reserves - Plant In Service

To adjust the budgeted plant in service depreciation reserves to (1) eliminate Asset Retirement Costs ("ARC") reserves (2) remove FERC Transmission Plant reserves which are non-jurisdictional; (3) remove an allocated portion of Intangible Plant reserves that support FERC Transmission Plant; (4) remove an allocated portion of General Plant reserves that support FERC Transmission Plant; and (5) remove legacy meters as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994. An asset retirement cost ("ARC") increases the carrying amount of a long-lived asset when a liability for an asset retirement obligation ("ARO") is recognized. The ARC is depreciated over the life of the asset. The ARC and related reserve are excluded from Rate Base, while the associated depreciation expense is excluded from the Income Statement. This treatment is in accordance with 18 CFR Chapter 1 § 35.18 Asset retirement obligations.

Line No.		Depreciation Reserves	
		Adjustments	Plant in Service
		(1)	(2)
1	Plant in Service depreciation reserves at 3/31/2014		\$ 977,690
	<u>Normalizing adjustments:</u>		
2	Eliminate ARC (Exhibit RAD-46 Attachment B, Pages 1 and 2)	\$ (177)	
3	Remove FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(199,687)	
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(732)	
5	Remove allocated portion of General Plant associated with FERC Transmission Plant (Exhibit RAD-46 Attachment B, Pages 1 and 2)	(13,508)	
6	Remove legacy meters (Exhibit RAD-46 Attachment B, Pages 1 and 2)	<u>(40,815)</u>	
7	Normalization Adjustment		<u>(254,919)</u>
8	Plant in Service depreciation reserves at 3/31/2014, as adjusted		\$ <u>722,771</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 4  
 (\$000)

Adjustment of Cash Working Capital

To recognize cash working capital at year-end level. The cash working capital is supported by Ms. P. M. Larkin.

Line No.	Cash Working Capital
	(1) (2)
1	Cash working capital per budget at 3/31/2014 \$ -
	<u>Normalizing adjustment:</u>
2	Cash working capital normalized to year-end (Exhibit PML-1) \$ 117,080
3	Cash working capital per budget <u>-</u>
4	Normalization Adjustment <u>117,080</u>
5	Cash working capital at 3/31/2014, as adjusted <u>\$ 117,080</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 5  
 (\$000)

Adjustment of Material and Supplies Inventories

To recognize the Company's distribution portion of FE Service material and supplies ("M&S") inventory levels projected at 3/31/2014

Line No.		M&S Inventories	
		(1)	(2)
1	M&S Inventory per budget at 3/31/2014	\$	-
	<u>Normalizing adjustment:</u>		
2	Distribution component of projected FE Service M&S Inventory allocated to West Penn at 3/31/2014 (Exhibit RAD-13)	\$ 18,406	
3	M&S Inventory per budget at 3/31/2014	-	
4	Normalization Adjustment		18,406
5	M&S inventory at 3/31/2014, as adjusted	\$	18,406

WEST PENN POWER COMPANY

Normalization Adjustment No. 6  
 (\$000)

Adjustment of Deferred Storm Damage Expenses

To include in rate base the deferred storm damage balance for the February 5<sup>th</sup> through February 16<sup>th</sup>, 2010 Winter Storm, approved at Docket No. P-2010-2216111.

<u>Line No.</u>		<u>Storms</u>	
		<u>(1)</u>	<u>(2)</u>
1	Unamortized storm damage deferral expense per budget at 3/31/2014		\$ -
	<u>Normalizing adjustment:</u>		
2	February 2010 storm damage deferral	<u>\$ 15,465</u>	
3	Normalization Adjustment		<u>15,465</u>
4	Storm damage deferral expense at 3/31/2014, as adjusted		<u>\$ 15,465</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 7  
(\$000)

Adjustment for Legacy Meters

To include legacy meters in a regulatory asset as ordered in the Final Order on the Smart Meter Deployment Plan at Docket No. M-2013-2341994.

<u>Line No.</u>		<u>Legacy Meters</u>	
		<u>(1)</u>	<u>(2)</u>
1	Net legacy meters in regulatory asset at 3/31/2014		\$ -
2	Legacy meters per budget at 3/31/2014 (Exhibit RAD-46)	\$ 69,336	
3	Net estimated cost of removal and salvage	4,729	
4	Depreciation reserve per budget at 3/31/2014 (Exhibit RAD-46)	<u>(40,815)</u>	
5	Normalization Adjustment		<u>33,250</u>
6	Net legacy meters in regulatory asset as adjusted at 3/31/2014		<u>\$ 33,250</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 8  
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

To adjust the budgeted deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; (2) eliminate other excludable items; and (3) eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation balance associated with FERC Transmission Plant; .

Line No.	Adjustments	Accum Reserve for Deferred Taxes - Liberalized Depreciation
1	Deferred taxes per budget - liberalized depreciation at 3/31/2014	\$ 354,618
	<u>Normalizing adjustments:</u>	
2	Eliminate state deferred taxes - liberalized depreciation including the federal benefit of those taxes	(12,886)
3	Eliminate other excludable items	\$ (8,457)
4	Eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation associated with FERC Transmission Plant	<u>(65,255)</u>
5	Normalization Adjustment	<u>(86,598)</u>
6	Deferred taxes - liberalized depreciation at 3/31/2014, as adjusted	<u>\$ 268,020</u>

WEST PENN POWER COMPANY

Normalization Adjustment No. 9  
(\$000)

Adjustment of Operating Reserves

To adjust operating reserves (net of accumulated deferred income taxes) to eliminate an allocated portion associated with FERC Transmission operations.

<u>Line No.</u>		<u>Amount</u>
1	Operating reserves, net of taxes, per budget at 3/31/2014	\$ 2,889
	<u>Normalizing adjustment:</u>	
2	Eliminate portion of operating reserves associated with FERC Transmission operations	<u>(566)</u>
3	Operating reserves, net of taxes at 3/31/2014, as adjusted	<u>\$ 2,323</u>

WEST PENN POWER COMPANY  
 Rate of Return at March 31, 2014  
 (\$000)

Line No.	Description	Exhibit SRS-24 Capital Amounts (1)	Capital Ratios (2)	Cost Rate (3)	Weighted Cost Rate (4) = (2) X (3)
1	Long Term Debt	\$ 678,007	49.87%	5.38%	2.68%
2	Preferred Stock	-	0.00%	0.00%	0.00%
3	Common Equity	<u>681,410</u>	<u>50.13%</u>	10.90%	<u>5.46%</u>
4	Total Capitalization	<u>1,359,417</u>	<u>100.00%</u>		<u>8.14%</u>

**West Penn Power Company**  
**Statement of Operating Income, 12 Months Ended March 31, 2014, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Normalized PAPUC Jurisdictional											
		Per Books	Normalizations & Adjustments	Adj. No.	Per Books as Adjusted	Riders							PAPUC Total Distribution
						Distribution	Price to Compare	Universal Service	Energy Efficiency	Smart Meters	Default Service Support	Storm Rider	
(1)	(2)	(3)=(1)+(2)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)=(4)+(8)			
<b>Operating revenues</b>													
1	Retail sales	\$ 775,396	\$ (6,585)	1	\$ 768,811	\$ 269,957	\$ 443,190	\$ -	\$ 19,107	\$ 24,262	\$ 12,295	\$ -	\$ 294,219
2	STAS revenue	(4,163)	4,163	2	-	-	-	-	-	-	-	-	-
3	Sales for resale	1,829	-	-	1,829	-	1,829	-	-	-	-	-	-
4	Other operating revenue	70,508	(60,699)	3	9,809	13,912	(4,103)	-	-	-	-	-	13,912
5	Total operating revenue	\$ 843,570	\$ (63,121)		\$ 780,449	\$ 283,869	\$ 440,916	\$ -	\$ 19,107	\$ 24,262	\$ 12,295	\$ -	\$ 308,131
<b>Operating expenses</b>													
6	Price to Compare	\$ 410,691	-		\$ 410,691	\$ -	\$ 410,691	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Distribution	77,239	(26,235)	4	51,004	41,335	-	-	-	-	9,669	-	41,335
8	Customer accounts	29,346	1,310	5	30,656	23,739	-	-	-	-	6,917	-	23,739
9	Customer service & info	18,827	12,047	6	30,874	2,538	-	27,821	-	-	515	-	2,538
10	Admin & gen expense	31,325	25,149	7	56,474	11,649	-	-	24,668	20,157	-	-	31,806
11	Depreciation - accrual	50,060	10,768	8	60,828	59,042	-	-	-	1,786	-	-	60,828
12	Amortization & Accretion	(4,696)	8,206	9	3,510	5,155	4,308	-	(6,689)	(710)	1,446	-	4,445
13	Taxes other than income	52,975	(885)	10	52,090	22,659	26,148	-	1,127	1,431	725	-	24,090
14	Operating expense before tax	\$ 665,767	\$ 30,361		\$ 696,128	\$ 166,118	\$ 441,147	\$ 27,821	\$ 19,106	\$ 22,664	\$ 19,272	\$ -	\$ 188,782
15	Operating income before income taxes	177,803	(93,482)		84,321	117,751	(231)	(27,821)	1	1,598	(6,977)	-	119,349
<b>Income taxes</b>													
16	Federal income tax - current	\$ (8,441)	\$ 29,018	11	\$ 20,577	\$ 31,298	\$ (73)	\$ (8,765)	\$ 0	\$ 315	\$ (2,198)	\$ -	\$ 31,612
17	State income tax - current	(22,287)	28,812	11	6,525	9,925	(23)	(2,779)	0	100	(697)	-	10,025
18	Deferred income tax - federal	94,077	(75,433)	12	18,644	18,077	-	-	-	567	-	-	18,644
19	Deferred income tax - state	-	-	12	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(711)	139	13	(572)	(572)	-	-	-	-	-	-	(572)
21	Total tax expense	\$ 62,638	(17,463)		45,175	58,727	(96)	(11,544)	0	982	(2,895)	-	59,709
22	Total operating expenses	728,405	12,897		741,302	224,845	441,051	16,277	19,106	23,646	16,377	-	248,490
23	<b>Operating Income</b>	<u>\$ 115,165</u>	<u>\$ (76,018)</u>		<u>\$ 39,147</u>	<u>\$ 59,024</u>	<u>\$ (135)</u>	<u>\$ (16,277)</u>	<u>\$ 1</u>	<u>\$ 616</u>	<u>\$ (4,082)</u>	<u>\$ -</u>	<u>\$ 59,641</u>

**West Penn Power Company**  
**Statement of Operating Income, 12 Months Ended March 31, 2014, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Riders						PAPUC	
		Distribution (12)	Price to Compare (13)	Universal Service (14)	Energy Efficiency (15)	Smart Meters (16)	Default Service Support (17)	Storm Rider (18)	Total Distribution (19)=(12)+(16)
<u>Operating revenues</u>									
1	Retail sales	\$ 56,518	\$ -	\$ 29,565	\$ -	\$ 2,841	\$ -	\$ -	\$ 59,359
2	STAS revenue	-	-	-	-	-	-	-	-
3	Sales for resale	-	-	-	-	-	-	-	-
4	Other operating revenue	-	-	-	-	-	-	-	-
5	Total operating revenue	\$ 56,518	\$ -	\$ 29,565	\$ -	\$ 2,841	\$ -	\$ -	\$ 59,359
<u>Operating expenses</u>									
6	Price to Compare	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Distribution	-	-	-	-	-	-	-	-
8	Customer accounts	-	-	-	-	-	-	-	-
9	Customer service & info	-	-	-	-	-	-	-	-
10	Admin & gen expense	-	-	-	-	-	-	-	-
11	Depreciation - accrual	-	-	-	-	-	-	-	-
12	Amortization	-	-	-	-	-	-	-	-
13	Taxes other than income	3,335	-	1,744	-	168	-	-	3,502
14	Operating expense before tax	\$ 3,335	\$ -	\$ 1,744	\$ -	\$ 168	\$ -	\$ -	\$ 3,502
15	Operating income before income tax	53,183	-	27,821	-	2,674	-	-	55,857
<u>Income taxes</u>									
16	Federal income tax - current	\$ 16,755	\$ -	\$ 8,765	\$ -	\$ 842	\$ -	\$ -	\$ 17,597
17	State income tax - current	5,313	-	2,779	-	267	-	-	5,580
18	Deferred income tax - federal	-	-	-	-	-	-	-	-
19	Deferred income tax - state	-	-	-	-	-	-	-	-
20	Investment tax credit	-	-	-	-	-	-	-	-
21	Total tax expense	\$ 22,068	\$ -	\$ 11,544	\$ -	\$ 1,109	\$ -	\$ -	\$ 23,177
22	Total operating expenses	25,402	-	13,288	-	1,277	-	-	26,679
23	<b>Operating income</b>	<b>\$ 31,116</b>	<b>\$ -</b>	<b>\$ 16,277</b>	<b>\$ -</b>	<b>\$ 1,564</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,680</b>

**West Penn Power Company**  
**Statement of operating Income, 12 Months Ended March 31, 2014, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Riders						PaPUC	
		Distribution	Price to Compare	Universal Service	Energy Efficiency	Smart Meters	Default Service Support	Storm Rider	Total Distribution
		(20) = (4) + (12)	(21) = (5) + (13)	(22) = (6) + (14)	(23) = (7) + (15)	(24) = (8) + (16)	(25) = (9) + (17)	(26) = (10) + (18)	(27)=(20)+(24)
<u>Operating revenues</u>									
1	Retail sales	\$ 326,475	\$ 443,190	\$ 29,565	\$ 19,107	\$ 27,103	\$ 12,295	\$ -	\$ 353,578
2	STAS revenue	-	-	-	-	-	-	-	-
3	Sales for resale	-	1,829	-	-	-	-	-	-
4	Other operating revenue	13,912	(4,103)	-	-	-	-	-	13,912
5	Total operating revenue	\$ 340,387	\$ 440,916	\$ 29,565	\$ 19,107	\$ 27,103	\$ 12,295	\$ -	\$ 367,490
<u>Operating expenses</u>									
6	Price to Compare	-	410,691	-	-	-	-	-	-
7	Distribution	41,335	-	-	-	-	9,669	-	41,335
8	Customer accounts	23,739	-	-	-	-	6,917	-	23,739
9	Customer service & info	2,538	-	27,821	-	-	515	-	2,538
10	Admin & gen expense	11,649	-	-	24,668	20,157	-	-	31,806
11	Depreciation - accrual	59,042	-	-	-	1,786	-	-	60,828
12	Amortization	5,155	4,308	-	(6,689)	(710)	1,446	-	4,445
13	Taxes other than income	25,994	26,148	1,744	1,127	1,599	725	-	27,592
14	Operating expense before tax	169,452	441,147	29,565	19,106	22,832	19,272	-	192,284
15	Operating income before tax	170,935	(231)	-	1	4,272	(6,977)	-	175,206
<u>Income taxes</u>									
16	Federal income tax - current	48,052	(73)	-	0	1,157	(2,198)	-	49,209
17	State income tax - current	15,238	(23)	-	0	367	(697)	-	15,605
18	Deferred income tax - federal	18,077	-	-	-	567	-	-	18,644
19	Deferred income tax - state	-	-	-	-	-	-	-	-
20	Investment tax credit	(572)	-	-	-	-	-	-	(572)
21	Total tax expense	80,795	(96)	-	0	2,091	(2,895)	-	82,886
22	Total operating expenses	250,247	441,051	29,565	19,106	24,923	16,377	-	275,170
23	<b>Operating Income</b>	\$ 90,140	\$ (135)	\$ -	\$ 1	\$ 2,181	\$ (4,082)	\$ -	\$ 92,320
24	<b>Rate Base</b>	\$ 1,107,369	\$ -	\$ -	\$ -	\$ 26,789	\$ -	\$ -	\$ 1,134,158
25	<b>Rate of Return overall</b>	8.14%	NA	NA	NA	8.14%	NA	NA	8.14%
26	<b>Return on Equity</b>	10.90%	NA	NA	NA	10.90%	NA	NA	10.90%

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Distribution**  
\$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 269,957	\$ 56,518	\$ 326,475
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	<u>13,912</u>	-	<u>13,912</u>
5	Total operating revenue	283,869	56,518	340,387
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	41,335	-	41,335
8	Customer accounts	23,739	-	23,739
9	Customer service & info	2,538	-	2,538
10	Admin & gen expense	11,649	-	11,649
11	Depreciation - accrual	59,042	-	59,042
12	Amortization	5,155	-	5,155
13	Taxes other than income	<u>22,659</u>	<u>3,335</u>	<u>25,994</u>
14	Operating expense before tax	166,118	3,335	169,452
15	Operating income before tax	117,751	53,183	170,935
	<u>Income taxes</u>			
16	Federal income tax - current	31,298	16,755	48,052
17	State income tax - current	9,925	5,313	15,238
18	Deferred income tax - federal	18,077	-	18,077
19	Deferred income tax - state	-	-	-
20	Investment tax credit	<u>(572)</u>	-	<u>(572)</u>
21	Total tax expense	58,727	22,068	80,795
22	Total operating expenses	224,845	25,402	250,247
23	<b>Operating Income</b>	\$ 59,024	\$ 31,116	\$ 90,140
24	<b>Rate Base</b>	1,107,369		1,107,369
25	<b>Rate of Return overall</b>	5.33%		8.14%
26	<b>Return on Equity</b>	5.28%		10.90%

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Smart Meter Technologies Charge Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 24,262	\$ 2,841	\$ 27,103
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	<u>24,262</u>	<u>2,841</u>	<u>27,103</u>
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	20,157	-	20,157
11	Depreciation - accrual	1,786	-	1,786
12	Amortization	(710)	-	(710)
13	Taxes other than income	1,431	168	1,599
14	Operating expense before tax	<u>22,664</u>	<u>168</u>	<u>22,832</u>
15	Operating income before tax	1,598	2,674	4,272
	<u>Income taxes</u>			
16	Federal income tax - current	315	842	1,157
17	State income tax - current	100	267	367
18	Deferred income tax - federal	567	-	567
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	<u>982</u>	<u>1,109</u>	<u>2,091</u>
22	Total operating expenses	23,646	1,277	24,923
23	<b>Operating Income</b>	<b>\$ 616</b>	<b>\$ 1,564</b>	<b>\$ 2,181</b>
24	<b>Rate Base</b>	<b>26,789</b>		<b>26,789</b>
25	<b>Rate of Return overall</b>	<b>2.30%</b>		<b>8.14%</b>
26	<b>Return on Equity</b>	<b>-0.76%</b>		<b>10.90%</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Distribution**  
\$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 294,219	\$ 59,359	\$ 353,578
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	13,912	-	13,912
5	Total operating revenue	308,131	59,359	367,490
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	41,335	-	41,335
8	Customer accounts	23,739	-	23,739
9	Customer service & info	2,538	-	2,538
10	Admin & gen expense	31,806	-	31,806
11	Depreciation - accrual	60,828	-	60,828
12	Amortization	4,445	-	4,445
13	Taxes other than income	24,090	3,502	27,592
14	Operating expense before tax	188,782	3,502	192,284
15	Operating income before tax	119,349	55,857	175,206
	<u>Income taxes</u>			
16	Federal income tax - current	31,612	17,597	49,209
17	State income tax - current	10,025	5,580	15,605
18	Deferred income tax - federal	18,644	-	18,644
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(572)	-	(572)
21	Total tax expense	59,709	23,177	82,886
22	Total operating expenses	248,490	26,679	275,170
23	<b>Operating Income</b>	<b>\$ 59,641</b>	<b>\$ 32,680</b>	<b>\$ 92,320</b>
24	<b>Rate Base</b>	<b>1,134,158</b>		<b>1,134,158</b>
25	<b>Rate of Return overall</b>	<b>5.26%</b>		<b>8.14%</b>
26	<b>Return on Equity</b>	<b>5.14%</b>		<b>10.90%</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Universal Service Cost Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books</u> <u>Adjusted</u>	<u>Revenue</u> <u>Adjustment</u> <u>Required</u>	<u>Allowable</u> <u>Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ -	\$ 29,565	\$ 29,565
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	-	29,565	29,565
	<u>Operating expenses</u>			
6	Price to Companre	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	27,821	-	27,821
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	-	-	-
13	Taxes other than income	-	1,744	1,744
14	Operating expense before tax	27,821	1,744	29,565
15	Operating income before tax	(27,821)	27,821	-
	<u>Income taxes</u>			
16	Federal income tax - current	(8,765)	8,765	-
17	State income tax - current	(2,779)	2,779	-
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	(11,544)	11,544	-
22	Total operating expenses	16,277	13,288	29,565
23	<b>Operating Income</b>	<b>\$ (16,277)</b>	<b>\$ 16,277</b>	<b>\$ -</b>

**West Penn Power Company**  
**Summary of Revenue Requirements**  
**Storm Damage Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ -	\$ -	\$ -
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	-	-	-
	<u>Operating expenses</u>			
6	Price to Compare	-	-	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	-	-	-
13	Taxes other than income	-	-	-
14	Operating expense before tax	-	-	-
15	Operating income before tax	-	-	-
	<u>Income taxes</u>			
16	Federal income tax - current	-	-	-
17	State income tax - current	-	-	-
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	-	-	-
22	Total operating expenses	-	-	-
23	<b>Operating Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

West Penn Power Company  
 Normalization Adjustment No. 1  
 \$000

Adjustment of Base Operating Revenues

To adjust base operating revenues (1) for changes in number of customers, (2) to roll in State Tax Adjustment Surcharge ("STAS") revenues into base rates, (3) adjust for Energy Efficiency and Behind the Meter generation, (4) adjust for other revenue, and (5) to eliminate unbilled revenues. Adjustments (1) through (4) are supported by Mr. K. M. Siedt. The adjustment for unbilled revenues is supported by Mr. R. A. D'Angelo.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Base revenues per books for the 12 months ended 3/31/14		\$ 775,396
	<u>Normalizing adjustments:</u>		
2	Customers - increase to year end level	\$ 842	
	<u>Specific adjustments</u>		
3	Roll-in of STAS	(4,163)	
4	Energy Efficiency/ Behind the Meter	(9,928)	
5	Other Revenue Adjustment	-	
6	Eliminate unbilled revenues	<u>6,664</u>	
7	Total	\$ (7,427)	
8	Normalizing adjustment (Lines 2 + 7)		<u>(6,585)</u>
9	Base revenues per books for the 12 months ended 3/31/14, as adjusted		<u>\$ 768,811</u>

West Penn Power Company  
Normalization Adjustment No. 2  
\$000

Adjustment of State Tax Adjustment Surcharge Revenues

To remove state tax adjustment surcharge ("STAS") revenues. Normalized STAS revenues are being rolled into base rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>
		(1)
1	STAS revenue per books for the 12 months ended 3/31/14	\$ (4,163)
2	Eliminate per budget STAS	<u>4,163</u>
3	STAS revenue per books for the 12 months ended 3/31/14, as adjusted	<u>\$ (8,326)</u>

West Penn Power Company  
Normalization Adjustment No. 3  
\$000

Adjustment of Other Operating Revenues

To adjust other operating revenue to (1) eliminate non-jurisdictional transmission revenues and (2) reduce late payment revenues. The adjustment for late payment revenues is supported by Ms. K. L. Bortz.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other operating revenue per books for the 12 months ended 3/31/14		\$ 70,508
2	Eliminate non-jurisdictional transmission revenues	\$ (60,213)	
3	Reduction in late payment charges due to a change in the tariff	<u>(486)</u>	
4	Total normalizing adjustment (Lines 2 + 3)		<u>(60,699)</u>
5	Other operating revenue per books for the 12 months ended 3/31/14, as adjusted		<u>\$ 9,809</u>

West Penn Power Company  
 Normalization Adjustment No. 4  
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense to reflect year end wage and employee levels, Service Company distribution payroll expense to reflect year end wage and employee levels, eliminate non-jurisdictional transmission expense and to include the distribution portion of the amortization of gains or losses to reacquired debt. The plant and labor allocation factors used in this normalization adjustment are supported by Ms. H. E. Stewart.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Distribution expense per books for the 12 months ended 3/31/14		\$ 77,239
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 23, Column 3)	\$	59
3	Service Company distribution payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 23, Column 3)		68
4	Eliminate non-jurisdictional transmission expense	(26,473)	
5	Amortization of (gain) or loss on reacquired debt		138
6	Allocation ratio based on distribution plant		<u>80.42%</u>
7	Distribution portion of (gain) or loss	\$	111
8	Total normalizing adjustment (Lines 2 + 3 + 4 + 7)		<u>(26,235)</u>
9	Distribution expense per budget for the 12 months ended 3/31/14, as adjusted		<u>\$ 51,004</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 4  
 (\$000)

Adjustment to Payroll Expense to Reflect Year End Employee Levels and Wage Rates

Line No.	Description	Amount	
		(1)	(2)
1	Total company payroll for the 12 months ended 3/31/14 (Exhibit RAD-27)		\$ 58,828
	<b><u>Bargaining</u></b>		
	UWUA 102		
2	Straight time per books for the April 1, 2013 through April 30, 2013	\$ 2,212	
3	Straight time 2.5% increase effective May 1, 2013 (Line 2 x 3%)	66	
	<b><u>Non-Bargaining</u></b>		
4	Straight time per books for April 1, 2013 through August 31, 2013	7,824	
5	Straight time 3% increase effective September 1, 2013 (Line 4 x 3%)	235	
6	Total company payroll adjustment		<u>301</u>
7	Total company payroll as adjusted (Line 1 + Line 6)		<u>\$ 59,129</u>
8	O&M allocation percentage		<u>39.18%</u>
9	O&M payroll adjustment (Line 6 X Line 8)		<u>\$ 118</u>
	<b><u>Allocation of payroll adjustment:</u></b>		
10	PTC	0.00%	\$ -
11	Transmission	7.41%	9
12	Distribution	50.40%	59
13	Customer accounts	22.98%	27
14	Customer service	1.61%	2
15	Administrative and general	17.60%	<u>21</u>
16	Total	<u>100.00%</u>	<u>\$ 118</u>
	<b><u>Service Company</u></b>		
17	Straight time per books for April 1, 2013 through August 31, 2013 (Exhibit RAD-25)	\$ 8,415	
18	Straight time 3% increase effective September 1, 2013 (Line 17 x 3%)	252	
	<b><u>Allocation of Service Company payroll (Exhibit RAD-25)</u></b>		
19	Production	0.15%	\$ 0
20	Transmission	8.12%	20
21	Distribution	26.98%	68
22	Customer accounting and information	18.75%	47
23	Administrative and general	46.01%	<u>116</u>
24	Total	<u>100.00%</u>	<u>\$ 252</u>

West Penn Power Company  
 Normalization Adjustment No. 5  
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense to reflect year end wage and employee levels, Service Company year end wage and employee levels, increased costs associated with added customers, and interest on customer deposits.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Account expense per books for the 12 months ended 3/31/14		\$ 29,346
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 13, Col. 2)	\$ 27	
3	Service Company customer account payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 22, Col. 2)	47	
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Normalization Adjustment No. 5, Supporting Schedule No. 1, Line 10)	28	
5	Interest on customer deposits (Normalization Adjustment No. 5, Supporting Schedule No. 2, Line 3)	<u>1,208</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>1,310</u>
7	Customer Account expense per books for the 12 months ended 3/31/14, as adjusted		<u>\$ 30,656</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 5  
 (\$000)

Adjustment of Other O&M Costs Associated with Serving New Customers

In association with the additional revenues from added customers reflected in Adjustment No. 1, there is also a cost associated with serving those customers. The Commission has previously recognized this and approved an adjustment to customer accounts expense for this increased cost. This cost is estimated by determining the ratio of non-payroll customer account expense to total tariff revenues from customers and applying this ratio to the additional revenue received from increased customers. Distribution revenue is supported by Mr. K. M. Siedt.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
<u>Customer Account Expense Excluding Labor and Uncollectibles</u>		
1	Customer Account expense per books for the 12 months ended 3/31/14	\$ 29,346
2	Less: Uncollectible expense	(11,237)
3	Less: Labor expense	<u>(8,734)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 9,375</u>
<u>Total Distribution Revenue</u>		
5	Distribution revenues per books	\$ 276,913
6	Late payment charges per books (Exhibit RAD-55)	<u>2,945</u>
7	Total (Line 5 + Line 6)	<u>\$ 279,858</u>
8	Ratio of customer account expense to total revenue (Line 4 / Line 7)	3.35%
9	Revenue from added customers (Normalization Adjustment No. 1, Line 2)	\$ 842
10	Additional expense from added customers (Line 8 X Line 9)	\$ 28

West Penn Power Company  
Supporting Schedule No.2 to Normalizing Adjustment No. 5  
(\$000)

Adjustment to Allow for Interest Expense on Customer Deposits

Customer deposits are included in rate base as a deduction, since these are funds supplied by customers to the company. Interest paid to customers on these deposits correspondingly has been recognized by the Commission as a expense when setting rates.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Customer deposits included in rate base (Exhibit RAD-1, Page 1, Col. 1, Line 15)	\$ 20,125
2	Interest rate on deposits	<u>6%</u>
3	Interest expense on customer deposits	<u>\$ 1,208</u>

West Penn Power Company  
 Normalization Adjustment No. 6  
 \$000

Adjustment of Customer Service and Information Expense

To adjust customer service and information expense to reflect year end wage and employee levels and Service Company year end wage and employee levels.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per books for the 12 months ended 3/31/14		\$ 18,827
2	Customer Service payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 14, Col. 2)	\$ 2	
3	Expected cost of expanded customer assistance programs (Exhibit KLB-3, Page 1, Line 5, Col. 3)	27,821	
4	Customer assistance costs included on the books	<u>(15,776)</u>	
5	Adjustment to relect cost of expanded programs	\$ 12,045	
6	Total normalizing adjustment (Line 2 + Line 5)		<u>12,047</u>
7	Customer Service expense per books for the 12 months ended 3/31/14, as adjusted		<u>\$ 30,874</u>

West Penn Power Company  
 Normalization Adjustment No. 7  
 \$000

Adjustment of Administrative and General Expense

To adjust Administrative and General expenses to reflect employee benefits expenses at year end personnel and wage levels, Service Company year end wage and employee levels, OPEB expense at the service cost level, pension expense to the ten year cash level, amortization of rate case expenses, adjustment of distribution uncollectible expense, and the elimination of non-jurisdictional administrative and general expenses. Ms. L. W. Gifford supports the default service-related uncollectible accounts expense. Ms. H. E. Stewart supports the non-jurisdictional expense allocation factor.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Administrative & general expense per books for the 12 months ended 3/31/14		\$ 31,325
2	A & G Expenses related to EEC	\$ (24,668)	
3	A & G Expenses related to Smart Meters	<u>(20,157)</u>	
4	Adjustment to A & G	<u>\$ (44,825)</u>	
5	Net A & G expenses related to Distribution (Line 1 - Line 4)	(13,500)	
6	Administrative & general payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 15 Col. 2)	\$ 21	
7	Service Company administrative and general payroll expense adjustment allocated to West Penn to reflect year end employee levels, and ongoing wage and salary rates (Normalization No. 4, Supporting Schedule No. 1, Line 23, Col. 2)	116	
8	Adjust OPEB expense to service cost level (Normalization Adjustment No. 7, Supporting Schedule No. 1, Line 12, Col. 1)	4,465	
9	Adjust pension expense to ten year cash level (Normalization Adjustment No. 7, Supporting Schedule No. 2, Line 17, Col. 3)	21,000	
10	Adjust employee benefit costs (Normalization Adjustment No. 7, Supporting Schedule No. 3, Line 8, Col. 3)	<u>46</u>	
11	Subtotal of adjustments (Lines 6 + 7 + 8 + 9 + 10)		25,648
12	Administrative and general expense, adjusted (Line 5 + Line 11)	\$ 12,148	
13	Non-jurisdictional expense allocation factor	<u>9.00%</u>	
14	Non-jurisdictional administrative and general expense (Line 12 X Line 13)		(1,093)
15	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$ 640	
16	Unamortized merger savings shared with residential customers	<u>(256)</u>	
17	Total	\$ 384	
18	Recovery period - 2 years	<u>2</u>	
19	Annual amount (Line 17 / Line 18)		192
20	Increase in O&M costs for accelerated (3 day) switching for Customers moving to a new supplier (Exhibit RAD-64)		<u>402</u>
21	Total normalizing adjustment (Lines 11 + 14 + 19 + 20)	\$	<u>25,149</u>
22	Administrative and general expense per books for the 12 months ended 3/31/14, as adjusted (Line 1 + Line 22)	\$	<u>56,474</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 7  
 \$000

Adjustment for OPEB Expense

Budgeted OPEB expense consists of the current service cost, adjustments to prior years' service costs, and the financing component. This schedule adjusts the total expense amounts to the service cost. The service cost represents the actuarial present value of benefit liabilities accrued under the plan benefit formula for services rendered during the test year. Inclusion of the service cost in rates provides for recovery of the current cost of benefits earned by plan participants. Any excess or shortfall related to the expected return on plan assets are not included because their inclusion would artificially reduce or increase total costs and result in the recovery of more or less than the actual normal cost of service. The adjustment for OPEB expense to the current service cost amount was adopted by the Commission at Docket Numbers R-00061366 and R-00061367.

<u>Line No.</u>	<u>Description</u>	<u>O&amp;M</u> (1)	<u>Capital</u> (2)	<u>Total</u> (3)
1	O&M - Capital allocation ratios	39.18%	60.82%	100.00%
2	Company OPEB expense included on the books (Exhibit RAD-27)	\$ (3,206)	\$ (4,978)	\$ (8,184)
3	FirstEnergy Service Corp. OPEB expense	\$ (16,173)	\$ (25,106)	\$ (41,279)
4	Allocation ratio	<u>4.95%</u>	<u>4.95%</u>	<u>4.95%</u>
5	Allocated FirstEnergy Service Corp. OPEB expense included on the books (Line 3 X Line 4)	\$ (800)	\$ (1,243)	\$ (2,043)
6	Total OPEB expense included on the books (Line 2 + Line 5)	<u>\$ (4,006)</u>	<u>\$ (6,221)</u>	<u>\$ (10,227)</u>
7	Service cost for company OPEB expense	\$ 437	\$ 678	\$ 1,115
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 434	\$ 673	\$ 1,107
9	Allocation ratio	<u>4.95%</u>	<u>4.95%</u>	<u>4.95%</u>
10	Allocated FirstEnergy Service Corp. service cost (Line 8 X Line 9)	\$ 22	\$ 33	\$ 55
11	Total OPEB service cost (Line 7 + Line 10)	<u>\$ 459</u>	<u>\$ 711</u>	<u>\$ 1,170</u>
12	Adjustment to set OPEB expense at ongoing service cost level (Line 11 - Line 6)	<u>\$ 4,465</u>	<u>\$ 6,932</u>	<u>\$ 11,397</u>

West Penn Power Company  
 Supporting Schedule No. 2 to Normalizing Adjustment No. 7  
 \$000

Adjustment to Pension Expense

To adjust pension expense to a ten year historical average level of actual cash contributions under the methodology that was adopted by the Commission at Docket Numbers R-00061366 and R-0061367.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1) Total	(2) O&M %	(3) O&M
<u>Company Cash Contributions</u>				
1	2004 Cash Pension Contribution	\$ 1,917	64.29%	\$ 1,232
2	2005 Cash Pension Contribution	14,706	69.06%	10,156
3	2006 Cash Pension Contribution	16,242	61.70%	10,022
4	2007 Cash Pension Contribution	8,841	62.31%	5,509
5	2008 Cash Pension Contribution	8,463	62.28%	5,271
6	2009 Cash Pension Contribution	8,955	61.11%	5,473
7	2010 Cash Pension Contribution	18,648	56.25%	10,490
8	2011 Cash Pension Contribution	26,813	48.00%	12,870
9	2012 Cash Pension Contribution	47,313	48.00%	22,710
10	Total Company Cash Pension Contributions	\$ 151,897		\$ 83,733
11	Number of years	10		10
12	Pension expense cash contribution (Line 10 / Line 11)	\$ 15,190		\$ 8,373
13	O&M Pension Expense included on the books			(12,627)
14	Adjustment to Pension Expense (Line 12-Line 13)			\$ 21,000

West Penn Power Company  
 Supporting Schedule No. 3 to Normalizing Adjustment No. 7  
 \$000

Adjustment to Employee Benefit Expense to Reflect Year End Employee Levels and Ongoing Wage Rates

Normalization Adjustment No. 4, Supporting Schedule No. 1, Line 9 increases the O&M payroll expense. Associated with that increase are employee benefits charged to Administrative and General expense. This adjustment computes the added benefit costs on a normalized basis.

Employee benefits applicable to operating expenses:

<u>Line No.</u>	<u>Effective Rate (a)</u>	<u>Payroll Adjustment</u>	<u>Benefit Adjustment</u>
	(1)	(2)	(3) = (1) X (2)
1 Workers compensation	1.214%	\$ 118 (b)	\$ 1
2 Pension costs	25.689%	\$ 118 (b)	30
3 OPEB costs	1.886%	\$ 118 (b)	2
4 Life insurance	0.173%	\$ 118 (b)	-
5 Medical insurance	8.997%	\$ 118 (b)	11
6 Savings Plan	1.701%	\$ 118 (b)	2
7 Other	0.052%	\$ 118 (b)	-
8 Total increase due to payroll adjustment			<u>\$ 46</u>

(a) Summary of effective employee benefit rates based on total payroll for the 12 months ended 3/31/14

	<u>Total Amount</u>	<u>Total Payroll</u>	<u>Effective Rate</u>
Workers compensation (Exhibit RAD-27)	\$ 718	\$ 59,129	1.214%
Pension costs - normalized basis	15,190	59,129	25.689%
OPEB costs - service cost	1,115	59,129	1.886%
Life insurance (Exhibit RAD-27)	102	59,129	0.173%
Medical insurance (Exhibit RAD-27)	5,320	59,129	8.997%
Savings Plan (Exhibit RAD-27)	1,006	59,129	1.701%
Other (Exhibit RAD-27)	31	59,129	0.052%

(b) Normalization Adjustment No.4, Supporting Schedule No. 1, Line 9

West Penn Power Company  
 Normalization Adjustment No. 8  
 \$000

Adjustment of Depreciation Expense

To adjust depreciation expense to (1) reflect average remaining life rates on adjusted rate base; (2) eliminate non-jurisdictional expense; (3) adjust cost of removal/ salvage expense to a five year average amount per prior commission practice; and (4) amortization of legacy meters. Ms. H. E. Stewart supports the jurisdictional expense allocation factor.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>			
		(1)	(2)	(3)	(4)
1	Depreciation expense per books for the 12 months ended 3/31/14				\$ 50,060
2	Cost of removal/salvage expense per books for the 12 months ended 3/31/14 (Exhibit RAD-30)		\$ -		
3	Depreciation accrual per books (Line 1 - Line 2)		\$ 50,060		
4	Jurisdictional depreciation expense accrual on adjusted rate base at average remaining life rates (Exhibit RAD-53, Page 2)		<u>41,200</u>		
5	Adjustment for average remaining life accrual for jurisdictional plant (Line 4 - Line 3)			(8,860)	
<u>Cost of removal / salvage</u>					
6	Cost of removal/salvage expense per books for the 12 months ended 3/31/14 (Exhibit RAD-30)		\$ -		
Cost of removal and salvage 2010 - 2014 (Exhibit RAD-30)					
7	2010	\$ 20,014			
8	2011	24,687			
9	2012	22,027			
10	2013	3,909			
11	2014	<u>10,051</u>			
12	Total	\$ 80,688			
13	Five year average (Line 12 / 5)		<u>16,138</u>		
14	Allocation ratio based on jurisdictional plant		<u>80.42%</u>		
15	Jurisdictional cost of removal/salvage expense at a five year average (Line 13 X Line 14)		\$ 12,978		
16	Adjustment of jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 15 - Line 6)			12,978	
17	Adjustment for amortization of legacy meters (Normalization Adjustment No. 8, Schedule 1, Line 7)			<u>6,650</u>	
18	Total normalizing adjustment (Lines 5 + 16 + 17)				<u>10,768</u>
19	Depreciation expense per books for the 12 months ended 3/31/14, as adjusted				<u>\$ 60,828</u>

West Penn Power Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 8  
 \$000

Adjustment for Amortization of Legacy Meters

To amortize legacy meters to fully recover all legacy meter costs over 5 years.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Legacy meters per books for the 12 months ended 3/31/2014 (Exhibit RAD-46, Attachment B, Page 1)	\$ 69,336	
2	Depreciation reserve per books for the 12 months ended 3/31/14 (Exhibit RAD-46, Attachment B, Page 3)	<u>40,815</u>	
3	Net Legacy meters per books for the 12 months ended 3/31/2014 (Line 1 - Line 2)	\$ 28,521	
4	Net estimated cost of removal and salvage	<u>4,729</u>	
5	Net legacy meters (Line 3 + Line 4)	<u>\$ 33,250</u>	
6	Annual amortization over a 5 year amortization period		<u>\$ 6,650</u>

West Penn Power Company  
 Normalization Adjustment No. 9  
 \$000

Adjustment of Amortization Expense

To adjust amortization to (1) include the amortization of deferred storm damage balances for the February 5<sup>th</sup> through February 16<sup>th</sup>, 2010 Winter Storm, approved at Docket No. P-2010-2216111 and (2) remove non-jurisdictional amortization .

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1)	(2)	(3)
1	Amortization expense per books for the 12 months ended 3/31/14			\$ (4,696)
	<u>Storm damage costs</u>			
2	February 2010 Winter Storm deferral	\$ 15,465		
3	Amortized over 3 years	<u>3</u>		
4	Annual Amortization (Line 2 / Line 3)		\$ 5,155	
5	Eliminate storm amortization per books		-	
6	Remove legacy meters in regulatory assets on the books		-	
7	Remove accretion expense		-	
8	Remove non-jurisdictional amortization		<u>3,051</u>	
9	Normalization adjustment (Lines 4 + 5 + 6 + 7 +8)			<u>8,206</u>
10	Amortization expense per books for the 12 months ended 3/31/14, as adjusted (Line 1 + Line 8)			<u>\$ 3,510</u>

West Penn Power Company  
 Normalization Adjustment No. 10  
 \$000

Adjustment of Taxes Other Than Income

To adjust gross receipts tax expense to reflect normalized sales revenues, to adjust payroll tax expenses for normalized payroll and employee expenses. The non-jurisdictional allocation factor is supported by Ms. H. E. Stewart.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>		
		(1)	(2)	(3)
1	Taxes Other Than Income per books for the 12 months ended 3/31/14			\$ 52,975
2	Federal and State payroll taxes on the books (Exhibit RAD-32)	\$ 4,623		
3	Non-jurisdictional percent	<u>9.00%</u>		
4	Eliminate non-jurisdictional payroll taxes		\$ (416)	
5	Capital Stock Tax included on the books (Exhibit RAD-32)	\$ 688		
6	PURTA tax on the books (Exhibit RAD-32)	2,264		
7	Real Estate tax on the books (Exhibit RAD-32)	<u>222</u>		
8	Total Other taxes	\$ 3,174		
9	Non-jurisdictional percent	<u>19.58%</u>		
10	Eliminate non-jurisdictional taxes		(621)	
	Gross Receipts Tax			
11	Normalized sales revenues (Exhibit RAD-2, Page 1, Col. 11)	\$ 768,811		
12	Gross receipts tax @ 5.9%	45,360		
13	Gross receipts tax included on the books (Exhibit RAD-32)	<u>45,217</u>		
14	Adjustment for gross receipts tax at normalized revenue level (Line 12 - Line 13)		143	
15	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>9</u>	
16	Total normalizing adjustment (Lines 4+10+14+15)			<u>(885)</u>
17	Taxes other than income per books for the 12 months ended 3/31/14, as adjusted (Line 1 + Line 16)			<u>\$ 52,090</u>

West Penn Power Company  
 Supporting Schedule No.1 to Normalizing Adjustment No. 10  
 \$000

Adjustment to Taxes Other Than Income to reflect changes in payroll taxes

Normalization adjustments have been made to normalize O&M payroll expense. Associated with those payroll normalizations are changes in FICA tax amounts.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u> (1)
1	Total payroll per books for the 12 months ended 3/31/2014 (Normalization Adjustment No. 4, Schedule 1, Line 1)	\$ 58,828
2	Total payroll tax included on the books (Exhibit RAD-32)	<u>4,623</u>
3	Effective payroll tax rate (Line 2 / Line 1)	<u>7.859%</u>
4	Total payroll as adjusted (Normalization Adjustment No. 4, Schedule 1, Line 7)	<u>\$ 59,129</u>
5	Payroll tax on normalized payroll (Line 3 X Line 4)	\$ 4,647
6	Total Company payroll tax adjustment (Line 5 - Line 2)	\$ 24
7	O&M Allocation percentage	39.18%
8	Adjustment for payroll tax (Line 6 x Line 7)	<u><u>\$ 9</u></u>

West Penn Power Company  
 Normalization Adjustment No. 11  
 \$000

Computation of Federal & State Income Taxes - Normalized (Col. 3 of Income Statement)

Line No.	Description	Total Company Calculated Taxes (1)	Distribution Calculated Taxes (2)	PTC Calculated Taxes (3)	Universal Service Calculated Taxes (4)	Energy Efficiency Calculated Taxes (5)	Smart Meter Rider Calculated Taxes (6)	DSS Calculated Taxes (7)	Storm Rider Calculated Taxes (10)
1	Total operating revenue	\$ 780,449	\$ 283,869	\$ 440,916	\$ -	\$ 19,107	\$ 24,262	\$ 12,295	\$ -
2	Less: Total O& M Expense	579,699	79,261	410,691	27,821	24,668	20,157	17,101	-
3	Depreciation - accrual	47,850	46,064	-	-	-	1,786	-	-
4	Average net salvage	12,978	12,978	-	-	-	-	-	-
5	Amortization	3,510	5,155	4,308	-	(6,689)	(710)	1,446	-
6	Taxes other than income taxes	52,090	22,659	26,148	-	1,127	1,431	725	-
7	Total deductions	\$ 696,128	\$ 166,118	\$ 441,147	\$ 27,821	\$ 19,106	\$ 22,664	\$ 19,272	\$ -
8	Net operating income before income taxes	\$ 84,321	\$ 117,751	\$ (231)	\$ (27,821)	\$ 1	\$ 1,598	\$ (6,977)	\$ -
9	Less: Interest Charges (A)	30,430	29,711	-	-	-	719	-	-
10	Net income before income taxes	\$ 53,892	\$ 88,041	\$ (231)	\$ (27,821)	\$ 1	\$ 879	\$ (6,977)	\$ -
Adjustments to taxable income:									
11	Book Average net salvage	\$ 12,978	\$ 12,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Adj. of book depreciation to tax basis (B)	(14,938)	(15,058)	-	-	-	120	-	-
13	Tax cost of removal/salvage	(7,615)	(7,615)	-	-	-	-	-	-
14	Adjust cash pension	21,000	21,000	-	-	-	-	-	-
15	Net adjustment	11,426	11,306	-	-	-	120	-	-
16	Income subject to state income tax (Line 10 + Line 15)	\$ 65,318	\$ 99,346	\$ (231)	\$ (27,821)	\$ 1	\$ 999	\$ (6,977)	\$ -
17	State income tax @ 9.99%	\$ 6,525	\$ 9,925	\$ (23)	\$ (2,779)	\$ 0	\$ 100	\$ (697)	\$ -
18	Taxes per books	(22,287)	(22,287)	-	-	-	-	-	-
19	Adjustment to state income tax	\$ 28,812	\$ 32,212	\$ (23)	\$ (2,779)	\$ 0	\$ 100	\$ (697)	\$ -
20	Income subject to federal income tax	\$ 58,792	\$ 89,422	\$ (208)	\$ (25,042)	\$ 1	\$ 899	\$ (6,280)	\$ -
21	Federal income tax @ 35%	\$ 20,577	\$ 31,298	\$ (73)	\$ (8,765)	\$ 0	\$ 315	\$ (2,198)	\$ -
22	Less Consolidated Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23	Total federal tax	\$ 20,577	\$ 31,298	\$ (73)	\$ (8,765)	\$ 0	\$ 315	\$ (2,198)	\$ -
24	Taxes per books	(8,441)	(8,441)	-	-	-	-	-	-
25	Adjustment to federal income tax	\$ 29,018	\$ 39,739	\$ (73)	\$ (8,765)	\$ 0	\$ 315	\$ (2,198)	\$ -
<hr/>									
(A) Computation of Interest charges									
	Total rate base	\$ 1,134,158	\$ 1,107,369	\$ -	\$ -	\$ -	\$ 26,789	\$ -	\$ -
	Debt ratio	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%	49.87%
	Cost of debt	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%	5.38%
	Interest expense	\$ 30,430	\$ 29,711	\$ -	\$ -	\$ -	\$ 719	\$ -	\$ -
(B) Adjustment of book depreciation to tax basis:									
	Tax depreciation	\$ 62,788	\$ 61,122	\$ -	\$ -	\$ -	\$ 1,666	\$ -	\$ -
	Book depreciation	47,850	46,064	-	-	-	1,786	-	-
	Depreciation adjustment	\$ 14,938	\$ 15,058	\$ -	\$ -	\$ -	\$ (120)	\$ -	\$ -

West Penn Power Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 11  
 \$000

To (1) split the tax depreciation into cost of removal, smart meter and distribution components, and (2) calculate the jurisdictional allocation.

<u>Line No.</u>	<u>Description</u>	<u>Tax Depreciation</u> (1)	<u>Jurisdictional</u> <u>Adjustment</u> (2)	<u>Distribution</u> (3)
1	Tax depreciation expense per books (Exhibit RAD-33)	\$ 87,138		
2	Cost of removal / salvage in tax depreciation	9,469	80.42%	7,615
3	Smart meter tax depreciation	<u>1,666</u>		1,666
4	Distribution tax depreciation	<u>\$ 76,003</u>	80.42%	<u>61,122</u>
5	Total tax depreciation (Line 3 + Line 4)			<u>\$ 62,788</u>

West Penn Power Company  
 Normalization Adjustment No. 12  
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects the adjustment of Federal deferrals to reflect year-end plant. All state deferred taxes associated with liberalized depreciation have been eliminated.

<u>Line No.</u>	<u>Description</u>	<u>Provision for Deferred Taxes - Net</u>	
		<u>Federal</u> (1)	<u>State</u> (2)
1	Deferred taxes per books for the 12 months ended 3/31/2014	\$ 94,077	\$ -
2	Deferred taxes - liberalized depreciation (Exhibit RAD-41, Page XX)	23,183	-
3	Jurisdictional allocation factor	<u>80.42%</u>	<u>80.42%</u>
4	Jurisdictional deferred taxes - liberalized depreciation (Line 2 X Line 3)	18,644	-
5	Adjustment to deferred tax expense (Line 4 - Line 1)	<u>(75,433)</u>	<u>-</u>
6	Deferred tax expense per books for the 12 months ended 3/31/14, as adjusted (Line 1 + Line 5)	<u>\$ 18,644</u>	<u>\$ -</u>

West Penn Power Company  
Normalization Adjustment No. 13  
\$000

Adjustment of Investment Tax Credit

This adjustment is to eliminate the non-jurisdictional portion of investment tax credit adjustments.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Investment tax credit adjustments per books for the 12 months ended 3/31/2014	\$	(711)
2	Jurisdictional allocation factor	<u>19.58%</u>	
3	Adjustment to investment tax credit expense (Line 1 x Line 2)		<u>139</u>
4	Adjustment to investment tax credit expense per books for the 12 months ended 3/31/14, as adjusted	\$	<u>(572)</u>

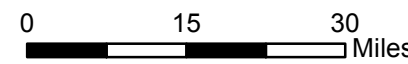
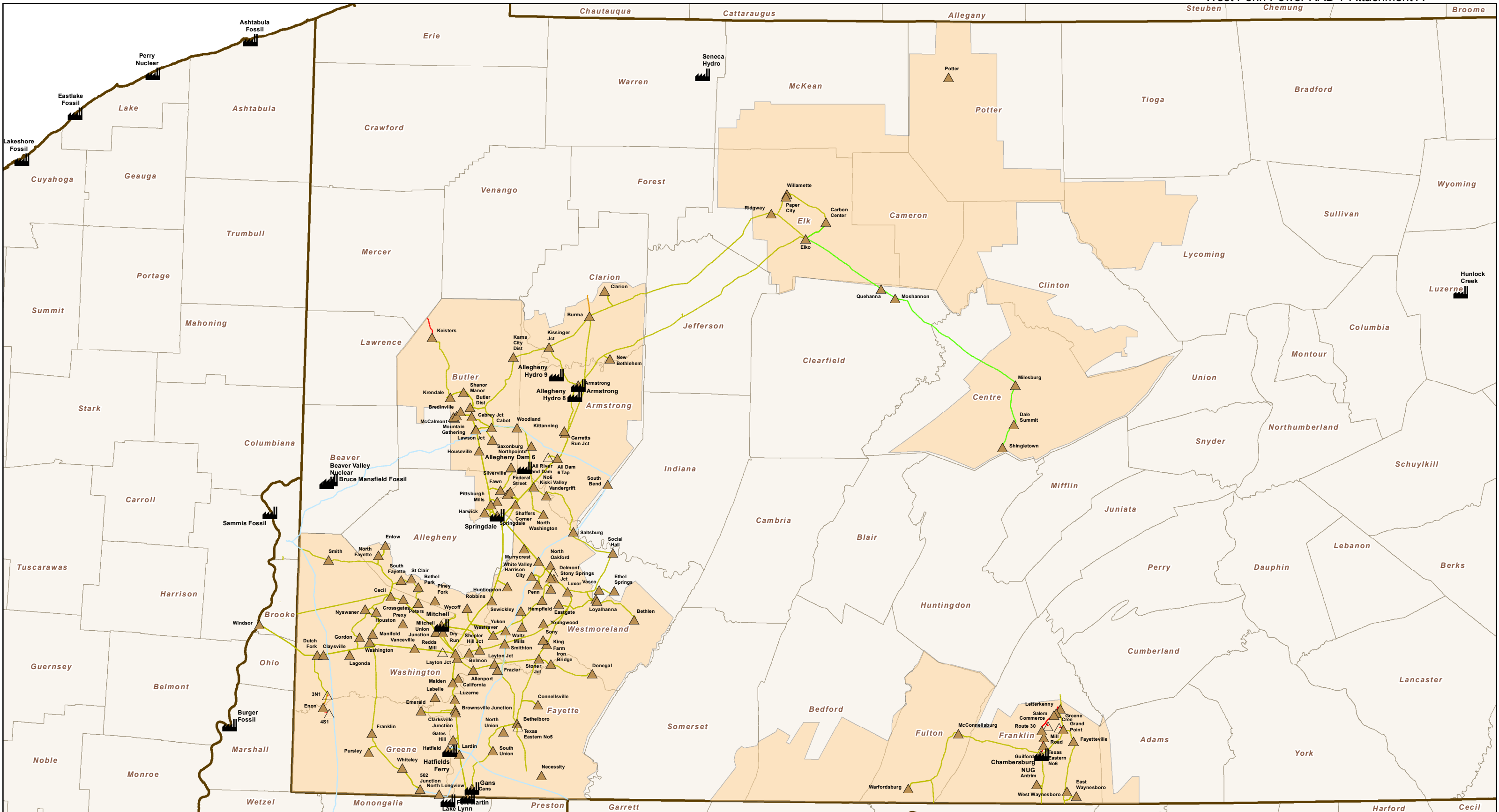
WEST PENN POWER COMPANY










FILING REQUIREMENT I-B-3:

“Provide an overall system map, including and labeling all generating plants, transmission substations—indicate voltage, transmission system lines—indicate voltage, and all interconnection points with other electric utilities, power pools, and other like systems.”

RESPONSE:

See West Penn Exhibit RAD-7, Attachment A.



-  Generation
-  FE Owned Substation
-  Customer Owned Substation
-  West Penn Power
-  69 kV
-  115 kV
-  138 kV
-  230 kV
-  500 kV

# West Penn Power Transmission System



Contains Privileged and Confidential Information and/or Critical Infrastructure Information  
Do Not Release Pursuant to 18 C.F.R. § 388.12

WEST PENN POWER COMPANY

FILING REQUIREMENT II-A-1:

“Provide a schedule showing the test year rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Claims made on this schedule should be cross-referenced to appropriate supporting schedules.”

RESPONSE:

See West Penn Exhibit RAD-1 for the fully projected future test year.

See West Penn Exhibit RAD-3 for the future test year.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-A-2:

“If the schedule provided in response to item 1, is based upon a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.”

RESPONSE:

See West Penn Exhibit RAD-5 for the historical test year.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-A-3:

“When a utility files a tariff stating a new rate based in whole or in part on the cost of construction, as defined in 66 Pa.C.S. § 1308(f) (relating to voluntary changes in rates), of an electric generating unit, the utility shall identify:

- (a) The total cost of the generating unit
- (b) The following costs:
  - (1) The cost and quantity of each category of major equipment, such as switchgear, pumps or diesel generators and the like.
  - (2) The cost and quantity of each category of bulk materials, such as concrete, cable and structural steel and the like. .
  - (3) Manual labor. .
  - (4) Direct and indirect costs of architect/engineering services. .
  - (5) Direct and indirect costs of subcontracts or other contracts involving major components or systems such as turbines, generators, nuclear steam supply systems, major structures and the like.
  - (6) Distributed costs.
- (c) A cost increase of \$5 million or more, including AFUDC, over the original utility estimates provided under 66 Pa.C.S. § 515(a) (relating to construction cost of electric generating units) and its causes.
- (d) Compliance with subsections (a) and (b) will be identical in format and substance as that provided under 52 Pa. Code § 57.103 (relating to estimate of construction costs) for original cost estimates submitted under 66 Pa.C.S. § 515(a).”

RESPONSE:

Not applicable.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-B-1:

“If a claim is made for plant held for future use, supply the following:

- a. A description of the plant or land site and its cost and any accumulated depreciation.
- b. The expected date of use for each item claimed.
- c. An explanation as to why it is necessary to acquire each item in advance of its date of use.
- d. The data when each item was acquired.
- e. The date when each item was placed in plant held for future use.”

RESPONSE:

There is no rate base claim being made in this proceeding for plant held for future use.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-B-2:

“If a claim is made for construction work in progress, provide a supporting schedule which sets forth separately, revenue-producing and nonrevenue producing amounts, and include, for each category a summary of all work orders, amounts expended at the end of the test year and anticipated in service dates. Indicate if the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project.”

RESPONSE:

West Penn is not making any rate base claim for construction work in progress.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-B-3:

“If a claim is made for materials and supplies or fuel inventory provide a supporting schedule for each claim showing the latest actual 13 monthly balances and showing in the case of fuel inventory claims, the type of fuel, and location, as in station, and the quantity and price claimed.”

RESPONSE:

WEST PENN POWER COMPANY

13 Month Book Balance of Materials and Supplies

<u>Line</u> <u>No.</u>	<u>Month</u>	<u>Amount</u>
		<i>(in thousands)</i>
1	April 1, 2013	\$ 13,375,847
2	April 30, 2013	13,898,627
3	May 31, 2013	13,827,272
4	June 30, 2013	14,568,993
5	July 31, 2013	14,576,330
6	August 31, 2013	14,835,474
7	September 30, 2013	15,897,511
8	October 31, 2013	16,506,273
9	November 30, 2013	16,325,142
10	December 31, 2013	18,296,715
11	January 31, 2014	18,274,140
12	February 28, 2014	18,499,387
13	March 31, 2014	18,405,985
14	13 Period Average	\$ 15,945,207

WEST PENN POWER COMPANY

FILING REQUIREMENT II-B-4:

“If a claim is made for cash working capital provide a supporting schedule setting forth the method and all detailed data utilized to determine the cash working capital requirement. If not provided in the support data provide a lead-lag study of working capital, completed no more than 6 months prior to the rate increase filing.”

RESPONSE:

See the direct testimony of Patricia M. Larkin, Met-Ed/Penelec/Penn Power/West Penn Statement No. 6.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-B-6:

“Explain in detail by statement or exhibit the appropriateness of additional claims or the use of a method not previously mentioned, in the claimed rate base.”

RESPONSE:

The supporting schedules included in West Penn Exhibit RAD-1 explain the appropriateness of various items claimed in the rate base. Items not explained in supporting schedules to West Penn Exhibit RAD-1, or not mentioned in other responses to filing requirements are explained below:

1. Customer Deposits

Customer deposits are deducted from the rate base as they represent a source of non-investor supplied capital. Appropriate interest on such deposits has been included as a normalizing adjustment to the income statement.

2. Customer Advances for Construction

In accordance with the practice followed in prior rate filings and accepted by Commission Orders, the Company reduces rate base by the amount of customer advances for construction at the end of the test year.

3. Operating Reserves

The Company has adopted a partial self-insurance concept for general and automotive liability insurance, property insurance and a long-term disability plan. The Company has also established an operating reserve for the purpose of providing a pension fund in addition to the normal funded plan. These operating reserves, net of applicable deferred taxes, reduce the Company's total rate base claim.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-C-1:

“Prepare a Statement of Income including:

- (a) The book, or budgeted, statement for the test year.
- (b) Adjustments to annualize and normalize under present rates, including an elimination of the effects on income of the energy cost rate and state tax adjustment surcharge.
- (c) The income statement under present rates after adjustment.
- (d) The adjustment for the revenue requested.
- (e) The income statement under requested rates after adjustment.
- (f) Each adjustment, including those relating to adjustment clauses, shall contain an explanation in sufficient clarifying detail to allow a reasonably informed person to understand the method and rationale of the adjustment.”

RESPONSE:

Fully Projected Future Test Year

- (a – f): See West Penn Exhibit RAD-2. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Kevin M. Siedt, Met-Ed/Penelec/Penn Power/West Penn Statement No. 4 and West Penn Exhibit KMS-1, Attachment A which accompanies his Direct Testimony.

Future Test Year

- (a – f) See West Penn Exhibit RAD-4. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Kevin M. Siedt, Met-Ed/Penelec/Penn Power/West Penn Statement No. 4 and West Penn Exhibit KMS-1, Attachment B which accompanies his Direct Testimony.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-C-2:

“If the schedule provided in Filing Requirement II-C-1 is based upon budgeted data for a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.”

RESPONSE:

Historical Test Year

- (a – f) See West Penn Exhibit RAD-6. Regarding part (b) pertaining to the annualization and normalization of revenues including applicable surcharges and tariff riders, these adjustments are supported in the Direct Testimony of Kevin M. Siedt, Met-Ed/Penelec/Penn Power/West Penn Statement No. 4 and West Penn Exhibit KMS-1, Attachment C which accompanies his Direct Testimony.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-1

“Provide a schedule showing all revenues and expenses for the test year and for the 12-month period immediately prior to the test year, together with an explanation for major variances between test year revenues and expenses and those for the previous 12-month period. Revenues and expenses shall be summarized by the major account categories listed below. If budgeted data for a future test year is not readily available by these categories, an analysis of the data for the 12-month period immediately prior to the future test year or for the most recent available calendar year may serve as the basis for ratably allocating the budgeted data into the account categories as follows:

***OPERATING REVENUES***

	Electric Revenues:
	Residential Sales
	Commercial Sales
400	Industrial Sales
	Public Street & Highway
	Lighting Sales
	Sales for Resale
	Total Other Electric Revenues
	Other Electric Revenues:
	Late Payment Charges
	Miscellaneous Service Revenues
	Rent from Electric Property
	Other Electric Revenues
	Total Other Electric Revenues
	Total Operating Revenues

***OPERATING EXPENSES***

	Operation and Maintenance Expenses
	Power Production Expenses:
401-2	Fuel
	Net Interchange
	Deferred Energy Costs
	Other Transmission Expenses
	Transmission Expenses
	Distribution Expenses
	Customer Service & Informational Expense
	Sales Expenses
	Administrative and General Expenses

	Total Operation & Maintenance Expenses
403	Depreciation Expenses
	Amortization of Net Salvage
	Nuclear Decommissioning Expense
407	Amortization of Property Losses
408	Taxes Other Than Income Taxes
	Total Operating Expenses Prior To Federal & State Income Taxes

Operating Income Prior To Federal and State Income Taxes

***FEDERAL AND STATE INCOME TAXES***

	Federal Income Taxes
409	State Income Taxes
409	Deferred Federal Income Taxes
	Deferred State Income Taxes
	Investment Tax Credit Adjustments
411	Deferrals
	Amortization—Credit
	Other Income Tax Credits & Charges
	Total Federal and State Income Taxes
	Operating Income After Federal and State Income Taxes

***OTHER INCOME AND DEDUCTIONS***

***OTHER INCOME***

415-18	Non-utility Operating Income
419	Interest and Divided Income
419	Allowance for Other Funds Used During Construction
421	Gain on Disposition of Property
	Other Miscellaneous Non-operating Income
421	Total Other Income

***OTHER INCOME DEDUCTIONS***

421	Loss on Disposition of Property
425	Miscellaneous Amortization
	Miscellaneous
426	Total Other Income Deductions

***TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS***

408	Taxes Other Than Income Taxes
409	Federal Income Tax

409 State Income Tax  
Total Taxes Applicable to Other Income and Deductions  
Income Before Interest Charges

***INTEREST CHARGES***

427 Interest on Long-Term Debt  
428 Amortization of Debt Discount and Expense  
429 Amortization of Premium on Debt  
431 Other Interest Expense  
432 Allowance for Borrowed Funds Used During Construction—Credit  
Net Interest Charges  
Income Before Extraordinary Items  
Extraordinary Items After Taxes  
Net Income “

**RESPONSE:**

See West Penn Exhibit RAD-18, Attachment A which provides the comparative operating income statements.

Set forth below are explanations of the causes of major variances:

**OPERATING REVENUES**

Residential Sales (Variation (\$30,418))

This variance is due primarily to a decrease of \$37.1 million in Hourly Pricing Default Service revenues offset by increases of \$3.8 million in Smart Meter Technologies revenues, \$1.7 million of Residential Service revenues, and \$1.0 million of Energy Efficiency revenues.

Commercial Sales (Variation (\$3,104))

This variance is due primarily to a decrease of \$7.2 million for Hourly Pricing Default Service revenues offset partly by increases of \$1.6 million for Energy Efficiency revenues, \$1.5 million for Commercial Service revenues, and \$1.0 million for Smart Meter Technologies revenues.

Industrial Sales (Variation (\$9,183))

This variance is due primarily to a decrease of \$10.8 million for Hourly Pricing Default Service revenues offset partly by increases of \$0.7 million for Energy Efficiency revenues, and \$0.8 million for Industrial Service revenues.

Other Electric Revenues (Variation \$1,118)

This variance is due primarily to an increase of \$0.7 million for PJM ARR revenues and an increase of \$0.5 million for Network Transmission Systems revenues.

**OPERATING EXPENSES**

Operation and Maintenance expense Account 401-2 (Variance (\$28,810))

The variance is primarily due to decreases of \$36.9 million decrease in purchased power, \$1.1 million in customer records and collection expenses, \$3.8 million in outside service employed, and \$2.9 million of miscellaneous expenses. These decreased were partly offset by increases of \$13.3 million in maintenance of overhead distribution lines, \$1.1 million of meter reading expenses, and \$1.3 million of customer assistance expenses.

Account 403 Depreciation expense (Variance \$5,404)

This variance is due primarily to \$5.4 million increase in depreciation on assets in service.

Account 404-5 Amortization and depletion of utility plant (Variance \$1,511)

This variance is due primarily to a \$1.5 million increase in amortization and depletion on assets.

Account 407.3 Regulatory debits (Variance \$1,564)

This variance is due primarily to a \$1.6 million increase in the DSSR deferral.

Account 407.4 Regulatory credits (Variance (\$6,634))

This variance is due primarily to a decrease of \$18.1 million for the Price to Compare deferral offset partly by an increase of \$8.0 million for the Smart Meter deferral and in increase of \$3.5 million for the Energy Efficiency deferral.

Account 408.1 Taxes other than income taxes (Variance (\$2,757))

This variance is due primarily to a decrease of \$2.5 million for PA gross receipts taxes.

**West Penn Power Company  
Comparative Income Statements**

FERC Account	Twelve Months Ending			
	April 30, 2016	March 31, 2015	Increase/ (Decrease)	
<b>Operating Revenues</b>				
<b>Electric Service Revenues</b>				
440	Residential sales	\$ 449,599	\$ 480,016	\$ (30,418)
442	Commercial sales	155,451	158,555	(3,104)
442	Industrial sales	99,130	108,313	(9,183)
444	Public street and highway lighting	6,881	7,125	(243)
445	Other sales to public authorities	-	-	-
447	Sale for resale	2	9	(7)
	Total electric service revenues	<u>\$ 711,063</u>	<u>\$ 754,018</u>	<u>\$ (42,955)</u>
<b>Other Electric Revenue</b>				
450	Forfeited discounts	\$ 3,000	\$ 3,000	\$ -
451	Miscellaneous service revenues	1,898	1,898	-
454	Rent from electric property	10,019	10,019	-
456	Other electric revenues	63,372	62,254	1,118
	Total other electric revenues	<u>\$ 78,289</u>	<u>\$ 77,170</u>	<u>\$ 1,118</u>
	Total operating revenues	<u>\$ 789,352</u>	<u>\$ 831,189</u>	<u>\$ (41,837)</u>
<b>Operating Expenses</b>				
401-2	Operation and maintenance expense			
	Power production expenses	\$ 333,713	\$ 370,632	\$ (36,919)
	Transmission expenses	33,091	33,690	(599)
	Regional market expenses	23	6	18
	Distribution expenses	55,610	44,681	10,929
	Customer accounts expense	30,971	30,313	658
	Customer service & information expense	21,077	19,803	1,274
	Sales expenses	-	-	-
	Administrative & general expenses	48,209	52,378	(4,169)
	Subtotal	<u>\$ 522,694</u>	<u>\$ 551,504</u>	<u>\$ (28,810)</u>
403	Depreciation expense	\$ 55,274	\$ 49,870	\$ 5,404
404-5	Amortization and depletion of utility plant	7,125	5,614	1,511
406	Amortization and utility plant acq. adjustment	-	-	-
407	Amortization of property losses	-	-	-
407.3	Regulatory debits	2,182	619	1,564
407.4	Regulatory credits	7,066	13,700	(6,634)
408.1	Taxes other than income taxes	49,051	51,808	(2,757)
411.1	Accretion expense	-	-	-
411.8	Gains from disposition allowance	-	-	-
	Total operating expenses before federal and state income taxes	<u>\$ 643,392</u>	<u>\$ 673,114</u>	<u>\$ (29,722)</u>
	Net operating income before income taxes	<u>\$ 145,960</u>	<u>\$ 158,074</u>	<u>\$ (12,114)</u>
<b>Income taxes</b>				
409.1	Income taxes-federal	\$ 39,804	\$ 5,079	\$ 34,724
409.1	Income taxes-state	-	-	-
410.1	Provision for deferred income taxes	41,825	57,635	(15,810)
411.1	Income taxes deferred in prior years-cr.	(32,896)	(31,155)	(1,741)
411.4	Investment tax credit adjustments-net	(820)	(820)	-
	Total income taxes	<u>\$ 47,913</u>	<u>\$ 30,739</u>	<u>\$ 17,173</u>
	Net operating income	<u>\$ 98,048</u>	<u>\$ 127,335</u>	<u>\$ (29,288)</u>

**West Penn Power Company  
Comparative Income Statements**

FERC Account		Twelve Months Ending		Increase/ (Decrease)
		April 30, 2016	March 31, 2015	
<b>Other income</b>				
415-16	Revenues from merchandising, jobbing and contract work	\$ 1,776	\$ 2,780	\$ (1,003)
417	Revenues from non-utility operations	-	-	-
417.1	Expenses from non-utility operations	-	-	-
418	Nonoperating rental income	(44)	(55)	10
418.1	Equity in earnings of subsidiary companies	-	-	-
419	Interest and dividend income	1,176	1,598	(422)
419.1	Allowance for funds used during construction	-	-	-
421	Miscellaneous non-operating income	3,675	7,415	(3,740)
421.1	Gain on disposition of property	-	-	-
	Total other income	<u>\$ 6,583</u>	<u>\$ 11,738</u>	<u>\$ (5,155)</u>
	Gross income	<u>\$ 104,630</u>	<u>\$ 139,073</u>	<u>\$ (34,443)</u>
<b>Other Income Deductions</b>				
421.2	Loss on disposition of property	\$ -	\$ -	\$ -
425	Miscellaneous amortization	-	-	-
426	Other income deductions	155	155	0
	Total other income deductions	<u>\$ 155</u>	<u>\$ 155</u>	<u>\$ 0</u>
<b>Taxes Applicable to Other Income and Deductions</b>				
408.2	Taxes other than income taxes	\$ -	\$ -	\$ -
409.2	Income taxes - federal	-	-	-
409.2	Income taxes - state	-	-	-
410.2	Provision for deferred income taxes	-	-	-
411.2	Provision for deferred income taxes-cr.	-	-	-
	Total taxes on other income and deductions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Interest Charges</b>				
427	Interest on long term debt	\$ 20,609	\$ 20,609	\$ 0
428	Amortization of debt discount and expense	73	73	-
428.1	Amortization of loss on reacquired debt	48	53	(6)
429	Amortization of premium on debt credit	-	-	-
429.1	Amortization of gain on reacquired debt	-	-	-
430	Interest on debt to associated companies	2,263	1,138	1,125
431	Other interest expense	2,759	2,719	41
432	Allowance for borrowed funds used during construction - credit	(674)	(931)	257
	Total interest charges	<u>\$ 25,078</u>	<u>\$ 23,661</u>	<u>\$ 1,417</u>
	Income before extraordinary items	<u>\$ 79,398</u>	<u>\$ 115,257</u>	<u>\$ (35,859)</u>
<b>Extraordinary Items &amp; Related Taxes</b>				
434	Extraordinary income	\$ -	\$ -	\$ -
435	Extraordinary deductions	-	-	-
409.3	Income taxes - Federal & other	-	-	-
	Extraordinary items after taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Net income	<u>\$ 79,398</u>	<u>\$ 115,257</u>	<u>\$ (35,859)</u>

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-2:

“Provide a summary of test year adjustments which sets forth the effect of the adjustment upon the following: operating revenues, operating expenses, taxes other than income taxes, operating income before income taxes, State income tax, Federal income tax and income available for return. In addition, test year adjustments shall be presented on the basis of the major account categories set out at II-D-1.”

RESPONSE:

See West Penn Exhibit RAD-19, Attachment A.

West Penn Power Company

Line No.	Adj. No.	Support Schedule No.	Description	Operating Revenues (1)	Operating Expenses (2)	Taxes Other Than Income Taxes (3)	Operating Income Before Income Taxes (4)	State Income Tax (5)	Federal Income Tax (6)	Income Available for Return (7)=(4)-(5)-(6)
1			As budgeted (Exhibit RAD-2, Page 1, col. 1)	\$ 789,352	\$ 594,341	\$ 49,051	\$ 145,960	\$ -	\$ 47,913	\$ 98,047
<b>Normalizations and Adjustments</b>										
<b>Operating Revenues</b>										
2	1		Base Operating Revenues	(720)			(720)	(72)	(227)	(421)
3	2		State Tax Surcharge Revenues	-			-	-	-	-
4			<u>Other Operating Revenues</u>				-	-	-	-
5	3		Eliminate non-jurisdictional transmission revenues	(64,107)			(64,107)	(6,404)	(20,196)	(37,507)
6	3		Reduction in Late Payment Charges	(486)			(486)	(49)	(153)	(284)
<b>Operating Expenses</b>										
<b>Distribution</b>										
7	4	1	Distribution payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		251		(251)	(25)	(79)	(147)
8	4	1	Service company distribution payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		108		(108)	(11)	(34)	(63)
9	4		Eliminate non-jurisdictional transmission expense		(20,480)		20,480	2,046	6,452	11,982
10	4		Amortization of gain or loss on reacquired debt		97		(97)	(10)	(31)	(57)
<b>Customer Accounts</b>										
11	5		Customer account payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		114		(114)	(11)	(36)	(67)
12	5		Service company customer account payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		92		(92)	(9)	(29)	(54)
13	5	1	Increased O&M costs associated with increased number of customers in normalized revenue levels		14		(14)	(1)	(4)	(8)
14	5	2	Interest on customer deposits		1,189		(1,189)	(119)	(375)	(696)
<b>Customer Service</b>										
15	6		Customer service payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		8		(8)	(1)	(3)	(5)
16	6		Adjust customer service expense for expanded cost of customer assistance programs		12,045		(12,045)	(1,203)	(3,795)	(7,047)
<b>Administrative &amp; General Expenses</b>										
17	7		A&G payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		88		(88)	(9)	(28)	(51)
18	7		Service company A&G payroll adjustment to reflect year end employee levels and ongoing wage and salary rates		198		(198)	(20)	(62)	(116)
19	7	1	Adjust OPEB expense to service cost level		417		(417)	(42)	(131)	(244)
20	7	2	Adjust Pension Expense to ten year cash level		7,149		(7,149)	(714)	(2,252)	(4,183)
21	7	3	Adjust employee benefit costs		209		(209)	(21)	(66)	(122)
22	7									
23	7		Adjustment to remove non-jurisdictional A&G expense		(1,527)		1,527	153	481	893
24	7		Rate Case expenses normalized over 2 years		192		(192)	(19)	(60)	(112)
25	7		Increase in O&M costs for accelerated (3 day) switching for customers moving to a new supplier		402		(402)	(40)	(127)	(235)
25	7		Less legacy meters from budget		-		-	-	-	-
<b>Depreciation Expense</b>										
26	8		Adjustment for average remaining life accrual for jurisdictional plant		(10,356)		10,356	1,035	3,263	6,059
27	8		Adjustment of cost of removal/salvage expenses to a jurisdictional five year average		12,978		(12,978)	(1,297)	(4,089)	(7,593)
28	8	1	Adjustment for amortization of legacy meters		5,843		(5,843)	(584)	(1,841)	(3,419)
<b>Amortization</b>										
29	9		Adjustment for storms		5,155		(5,155)	(515)	(1,624)	(3,016)
30	9		Remove rate case expenses from budget		-		-	-	-	-
31	9		Remove legacy meters from budget		-		-	-	-	-
32	9		Remove accretion expense		-		-	-	-	-

Line No.	Adj. No.	Support Schedule No.	Description	Operating Revenues (1)	Operating Expenses (2)	Taxes Other Than Income Taxes (3)	Operating Income Before Income Taxes (4)	State Income Tax (5)	Federal Income Tax (6)	Income Available for Return (7)=(4)-(5)-(6)
<b><u>Taxes Other than Income</u></b>										
33	10		Eliminate non-jurisdictional payroll taxes			(404)	404	40	127	236
34	10		Eliminate other non-jurisdictional taxes			(514)	514	51	162	301
35	10		Adjustment for gross receipts tax at normalized revenue level			(27)	27	3	9	16
36	10	1	Adjustment for payroll taxes on normalized payroll			38	(38)	(4)	(12)	(22)
<b><u>Federal &amp; State Income Taxes</u></b>										
<b><u>Income Taxes</u></b>										
37	11		Current federal & state income taxes				-	5,613	(22,103)	16,490
38	12		Deferred federal & state income taxes				-		(5,205)	5,205
37	13		Amortization of ITC				-		161	(161)
38			Total adjustments (Exhibit RAD-2, Page 1, col. 2)	\$ (65,313)	\$ 14,186	\$ (907)	\$ (78,592)	\$ (2,238)	\$ (51,906)	\$ (24,447)
39			Budget as adjusted (Exhibit RAD-2, Page 1, col. 3)	\$ 724,039	\$ 608,527	\$ 48,144	\$ 67,368	\$ (2,238)	\$ (3,993)	\$ 73,600
40			PA Jurisdictional (Exhibit RAD-2, Page 1, col. 11)	<u>329,085</u>	<u>201,858</u>	<u>24,798</u>	<u>102,429</u>	<u>9,116</u>	<u>31,811</u>	<u>61,503</u>

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-3:

“List and explain all nonrecurring or extraordinary expenses incurred in the test year and all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years, for example, non-yearly maintenance programs, and the like.”

RESPONSE:

The fully projected future test year ending 4/30/16 does not include any non-recurring or extraordinary expenses.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-4:

“As a separate item, list extraordinary property losses related to property previously included in cost of service when the gain or loss on this property has occurred or is likely to occur in the future test year. The proposed ratemaking treatment of extraordinary gains and losses must also be disclosed. Sufficient supporting data must be provided.”

RESPONSE:

There are no extraordinary property losses.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-5:

“Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued and amounts written off in each of the last 3 calendar years.”

RESPONSE:

The future estimate of uncollectible accounts is based on a historically determined average of net write-offs to sales for each utility company. For the Uncollectible Customer Reserve, the regulated utility companies at FirstEnergy determine a 3-year rolling average of net write-offs to sales (36 months of net write-offs/ 36 months of sales). This percentage is then multiplied by the latest 6 months of sales to arrive at a reserve.

Beginning in 2013, the Uncollectible Customer Reserve includes a reserve for the Purchase of Receivables program (POR). This is determined by using a percentage of Non- POR Uncollectible Customer Reserve to Non- POR Customer Receivable Arrears (Uncollectible Customer Receivable Reserve/Non-Current Customer Receivable Arrears). This percentage is then multiplied by the POR Non-Current Customer Receivable Arrears to arrive at a reserve.

The Utility may record additional uncollectible customer reserve amounts as deemed necessary to fairly value Accounts Receivable.

The accruals, net write-offs and balance in FERC Account No. 144.1 Accumulated Reserve for Uncollectible Accounts for the last three calendar years are as follows:

Line No.	Description	Amount
1	<b>Balance, January 1, 2011</b>	\$ (8,173,573)
	Uncollectible Reserve netted with AR	
2	Balance as of Merger Date 02-28-11	\$ 7,844,292
3	Accruals	\$ (1,747,356)
4	Write-offs (Net)*	\$ 563,606
5	<b>Balance, December 31, 2011</b>	\$ (1,513,031)
6	Accruals **	\$ (8,163,563)
7	Write-offs (Net)	\$ 6,159,115
8	<b>Balance, December 31, 2012</b>	\$ (3,517,479)
9	Accruals	\$ (9,779,425)
10	Write-offs (Net)	\$ 8,569,210
11	<b>Balance, December 31, 2013</b>	\$ (4,727,694)

\* Post FE-AYE merger West Penn adopted the Legacy FE policy for write-offs. The effect of the change was a reduction to write-offs of approximately \$900K. See RAD-29.

\*\* WPP FERC Form 1 – 904 balance for 2012 was reported incorrectly as \$11,265,199, should have been \$8,163,563. The variance of \$3,101,606 should have been recorded to account 903 - Customer Records and Collection Expenses.

WEST PENN POWER COMPANY

## FILING REQUIREMENT II-D-6:

“Supply detailed calculations to support the total claim for rate case expense, including supporting data for outside service rendered. Provide the items comprising the estimated rate case expense claim for the current rate case.”

## RESPONSE:

The claim in the current rate case proceeding for rate case expenses, shown on West Penn Exhibit RAD-2, Adjustment No. 7 page 18, is based on the following total estimated expenses proposed to be amortized for ratemaking purposes over two years:

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u> (\$000)
1.	Legal Fees	\$ 356
2.	Expert Witnesses	42
3.	Other	<u>242</u>
4.	Total Current Filing	<u>\$ 640</u>

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-7:

“Submit schedules for the test year and for the 12-month period immediately prior to the test year showing by major components, if included in claimed test year expenses, the expenses incurred in each of the following expense categories:

- (a) Miscellaneous general expenses, including account 930.
- (b) Outside service expenses.
- (c) Regulatory commission expenses.
- (d) Advertising expenses, including advertising engaged in by trade associations whenever the utility has claimed a contribution to the trade association as a ratemaking claim - provide explanation of types and purposes of such advertising.
- (e) Research and development expenses – provide a listing of major projects.
- (f) Charitable and civic contributions, by recipient and amount.
- (g) Explain major variances between the test year expenses and those expenses for the prior 12-month period.”

RESPONSE:

- (a – d) See Page 2 of 3
- (e – f) See Page 3 of 3

Line No.	Description	12 Months Ending		
		April 30 2016	March 31 2015	March 31 2014
<b><u>930 - Miscellaneous General Expense</u></b>				
Institutional or Goodwill Advertising Expenses (930.1)				
1	Goodwill Advertising	\$ 1	\$ 1	\$ 5
2	Print Advertising	-	-	99
3	Radio Advertising	-	-	4
4	Total Institutional or Goodwill Advertising	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 108</u>
Misc. General Expenses (930.2)				
3	Bank Fees	\$ 159	\$ 159	\$ 143
4	Corporate Dues - Trade	74	74	108
5	Financing Admin Fees	37	37	33
6	Corporate Dues - Civic	10	10	7
7	Licenses, Permits & Regulation	-	-	5
8	FENOC - Benefits	-	-	5
9	Association Fees and Dues	-	-	4
10	FENOC - Tax	-	-	2
11	Other Miscellaneous Expenses	-	-	6
12	Purchase Accounting O&M Expense	(1,162)	(1,177)	(1,178)
13	Total Miscellaneous General Expenses	<u>\$ (881)</u>	<u>\$ (897)</u>	<u>\$ (864)</u>
14	Total Account 930	<u>\$ (880)</u>	<u>\$ (896)</u>	<u>\$ (756)</u>

**Account 923 - Outside Services Employed**

1	Outside Contractors	\$ 20,122	\$ 23,623	\$ 21,740 (A)
2	Admin - FE Service	17,190	17,502	15,405
3	FENOC	36	35	62
4	Penelec	2	1	-
5	MetEd	1	1	-
6	Monongahela Power Co-Del	-	-	5
7	Merger Expenses	-	-	(32)
8	Other	-	-	(6)
9	Total Account 923	<u>\$ 37,350</u>	<u>\$ 41,162</u>	<u>\$ 37,174</u>

(A) The variance in Outside Contractors expense is due primarily to fluctuations in Smart Meter and Energy Efficiency programs.

**Account 928 - Regulatory Commission Expenses**

1	Regulatory Commission Expense	\$ 2,467	\$ 2,476	\$ 2,565
2	Total Account 928	<u>\$ 2,467</u>	<u>\$ 2,476</u>	<u>\$ 2,565</u>

Line No.	Description of Project	12 Months Ending		
		April 30 2016	March 31 2015	March 31 2014
1	<b><u>Research and Development Expenditures</u></b>	\$ 128	\$ 124	\$ 206 (B)

(B) For the year ended March 31, 2014, R&D expenses represents actual amounts included in the income statement. Future amounts are projected expenditures which will settle to either capital or expense depending on the nature of the project.

**Acct. 426.1 -- Donations**

Organizations

1	Property Donations	\$ 109	\$ 109	\$ 110
2	Civic Donations	15	15	31
4	Total charitable and civic contributions	<u>\$ 124</u>	<u>\$ 124</u>	<u>\$ 142</u>

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-8:

“Provide an analysis by function of charges by affiliates, for the test year and the 12-month period immediately prior to the test year, for services rendered included in the operating expenses of the filing company. Explain the nature of the service and the basis on which charges or allocations are made, including a copy of an applicable contract. Also, explain major variances between the charges for the test year and the corresponding charges for the prior 12-month period.”

RESPONSE:

See West Penn Exhibit RAD-25, Attachment A for a summary of charges budgeted to be billed to West Penn Power Company by FirstEnergy Service Company for the twelve months ending April 30, 2016 and the twelve months ending March 31, 2015. West Penn Exhibit RAD-25, Attachment A also shows the charges billed to West Penn by FirstEnergy Service Company for the twelve months ended March 31, 2014.

See West Penn Exhibit RAD-25, Attachment B for a copy of the Service Agreement between the operating subsidiary West Penn Power Company and FirstEnergy Service Company outlining the services to be provided by FirstEnergy Service Company and the basis on which charges are to be billed.

West Penn Power Company  
Charges by Affiliates  
(000's)

Line No.	Description	Twelve Months Ending April 30, 2016			Twelve Months Ending March 31, 2015			Twelve Months Ending March 31, 2014		
		Labor *	Other than Labor **	Total	Labor *	Other than Labor **	Total	Labor *	Other than Labor **	Total
1	Production	-	-	-	-	-	-	30	18	48
2	Transmission	957	361	1,318	1,134	372	1,506	1,640	948	2,588
3	Distribution	4,292	2,277	6,568	4,110	2,296	6,406	5,448	4,417	9,865
4	Customer Accounting and Information	3,660	2,216	5,876	3,632	2,254	5,886	3,786	2,830	6,616
5	Administrative and General	7,890	11,202	19,092	8,698	10,023	18,721	9,292	6,618	15,910
6	Total	<u>16,798</u>	<u>16,056</u>	<u>32,853</u>	<u>17,574</u>	<u>14,945</u>	<u>32,519</u>	<u>20,196</u>	<u>14,830</u>	<u>35,026</u>

\* Labor is direct payroll only; excludes payroll overhead

\*\* OTL includes payroll overhead

**Service Company Agreement-Utility [Execution Copy]**

**SERVICE AGREEMENT**

This Service Agreement ("Agreement") is entered into as of the 25th day of February, 2011, by and between each of the associate companies listed on the signature page hereto (each a "Client Company"), and FirstEnergy Service Company, an Ohio corporation ("Service Company").

WHEREAS, Service Company is a direct wholly-owned subsidiary of FirstEnergy Corp., a holding company under the Public Utility Holding Company Act of 2005, as amended (the "Act");

WHEREAS, Service Company has been formed for the purpose of providing administrative, management and other services to FirstEnergy Corp. and its associate companies, including Client Company (together, the "Client Companies"); and

WHEREAS, Client Company believes that it is in its interest to enter into an arrangement whereby Client Company may agree to purchase such administrative, management and other services from Service Company as Client Company may choose at cost as determined in accordance with this Agreement and the Act;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. DESCRIPTION OF SERVICES.

Service Company agrees to provide certain administrative, management or other services (the "Services") to Client Company similar to those supplied to other Client Companies of Service Company. Such services are and will be provided to Client Company only at the request of Client Company. Exhibit A hereto lists and describes all of the Services that are available from Service Company.

2. PERSONNEL.

In order to provide the Services, Service Company will employ executive officers, accountants, financial advisers, technical advisers, attorneys and other persons with the necessary qualifications. If necessary, Service Company may also arrange for the services of nonaffiliated experts, consultants and attorneys in connection with the performance of any of the Services provided under this Agreement.

3. COMPENSATION AND ALLOCATION.

As and to the extent required by law, Service Company provides and will provide such services at fully allocated cost, determined in accordance with the Act. Exhibit A hereof contains rules for determining and allocating such costs.

4. TERMINATION AND MODIFICATION.

Either party to this Agreement may terminate this Agreement by providing 60 days written notice of such termination to the other party. This Agreement is subject to termination or modification at any time to the extent its performance may conflict with the provisions of the Act or with any rule, regulation or order of the Federal Regulatory Energy Commission (the "Commission") adopted before or after the making of this Agreement. This Agreement shall be subject to the approval of any state commission or other state regulatory body whose approval is, by the laws of said state, a legal prerequisite to the execution and delivery or the performance of this Agreement.

5. SERVICE REQUESTS.

Client Company and Service Company will prepare a Service Request on or before September 30<sup>th</sup> of each year listing Services to be provided to Client Company by Service Company and any special arrangements related to the provision of such Services for the coming year, based on Services provided during the preceding year. Client Company and Service Company may supplement the Service Request during the year to reflect any additional or special Services that Client Company wishes to obtain from Service Company, and the arrangements relating thereto.

6. BILLING AND PAYMENT.

Unless otherwise set forth in a Service Request, payment for Services provided by Service Company shall be by making remittance of the amount billed or by making appropriate accounting entries on the books of Client Company and Service Company. Billing will be made on a monthly basis, with the bill to be rendered as soon as practicable after the close of the month, and remittance or accounting entries completed within 30 days of billing. Any amount remaining unpaid after 30 days following receipt of the bill shall bear interest thereon from the due date of the bill until payment at a rate equal to the prime rate on the due date.

7. NOTICE.

Where written notice is required by this Agreement, all notices, consents, certificates, or other communications hereunder shall be in writing and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

To Client Company: c/o President  
76 South Main St.  
Akron, Ohio 44308

To Service Company: c/o Vice President and Controller  
76 South Main Street  
Akron, Ohio 44308

8. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to its conflict of laws provisions.

9. MODIFICATION.

No amendment, change or modification to this Agreement shall be valid, unless made in writing and signed by both parties hereto.

10. ENTIRE AGREEMENT.

This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and canceled in their entirety and are of no further force and effect, except to the extent transactions thereunder have taken place prior to such effective date in which case such agreements will govern the terms of such transactions.

11. WAIVER.

No waiver by either party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

12. ASSIGNMENT.

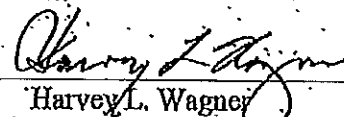
This Agreement shall inure to the benefit and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or either party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

13: SEVERABILITY.

If any provision or provisions of this Agreement shall be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

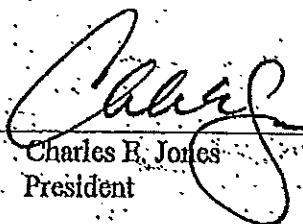
IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed effective as of the 25th day of February, 2011. This Agreement supercedes any previous agreement between the Service Company and the Client Companies.

FirstEnergy Service Company

By:   
Harvey L. Wagner  
Vice President & Controller

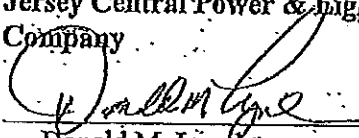
Client Companies:

Ohio Edison Company  
The Cleveland Electric Illuminating  
Company  
The Toledo Edison Company  
Pennsylvania Power Company  
American Transmission Systems,  
Incorporated  
Pennsylvania Electric Company  
Waverly Electric Power & Light  
Company  
Metropolitan Edison Company  
Monongahela Power Company  
The Potomac Edison Company  
West Penn Power Company  
PATH - Allegheny Land Acquisition  
Company  
PATH Allegheny Maryland  
Transmission Company, LLC  
PATH Allegheny Transmission  
Company, LLC  
PATH Allegheny Virginia  
Transmission Corporation  
AYE Series, Potomac-Appalachian Transmission  
Highline, LLC  
Trans-Allegheny Interstate Line  
Company

By:   
Charles R. Jones  
President

**Jersey Central Power & Light  
Company**

By: \_\_\_\_\_

  
Donald M. Lynch  
President

**EXHIBIT A**  
**DESCRIPTION OF SERVICES AND ALLOCATION METHODOLOGY**

1. Description Of Services

Overview

This Exhibit provides a description of all services provided by Service Company departments and the cost allocation methodologies to be used in connection therewith. All products and services are subject to Service Level Standards as negotiated between the Service Company department and Client Company. Each Client Company is classified as either a "Utility Subsidiary" or a "Non-Utility Subsidiary".

2. Cost Allocation Methodology

Overview

The costs of services provided by Service Company will be directly assigned, distributed or allocated by activity, project, program, work order or other appropriate basis. The primary basis for charges to affiliates is the direct charge method. The methodologies listed below pertain to all other costs which are not directly assigned but which make up the fully allocated cost of providing the product or service. The costs of product and services provided by the ServeCo that cannot be charged directly to the Subsidiary receiving the product or service will be allocated among the associate companies by utilizing one of the methods described below that most accurately distributes the costs. The method of cost allocation varies based on the department rendering the service. The allocation methods used by Service Company are as follows:

a. "Multiple Factor - All" - For the Indirect Costs for products or services benefiting the entire FirstEnergy system, FirstEnergy and all Subsidiaries will bear a fair and equitable portion of such costs. FirstEnergy will bear 5% of these Indirect Costs. The remaining Indirect Costs will be allocated among the Utility Subsidiaries and the Non-Utility Subsidiaries benefiting from the services provided based on FirstEnergy's equity investment in the respective groups. A subsequent allocation step will then occur. Among the Utility Subsidiaries, allocations will be based upon the "Multiple Factor - Utility" method. Among the Non-Utility Subsidiaries, allocations will be based upon the "Multiple Factor - Non-Utility" method.

b. "Multiple Factor - Utility" - For the Indirect Costs for a product or service solely benefiting one or more of the Utility Subsidiaries, each such Utility Subsidiary so benefiting will be charged a portion of the Indirect Costs based on the sum of the weighted averages of the following factors:

1. Gross transmission and/or distribution plant.
2. Operating and maintenance expense excluding purchase power and fuel costs.

3. Transmission and/or distribution revenues, excluding transactions with affiliates

These three (3) factors have been determined to be the most appropriate for the Utility Subsidiaries in the FirstEnergy system. Each factor will be weighted equally so that no one facet of the electric utility operations inordinately influences the distribution of Indirect Costs.

c. "Multiple Factor - Non-Utility" - For the Indirect Costs for products or services solely benefiting the Non-Utility Subsidiaries, each Non-Utility Subsidiary so benefiting receiving the product or service will be charged a proportion of the Indirect Costs based upon the total assets of each Non-Utility Subsidiary, including the generating assets under operating leases from the Utility Subsidiaries.

d. "Multiple Factor - Utility and Non-Utility" - For the Indirect Costs for a product or service benefiting one or more of the Utility and Non-Utility Subsidiaries, each such Subsidiary so benefiting is first assigned a distribution ratio that is in proportion to the Indirect Costs based on FirstEnergy's equity investment in such Subsidiaries. Following this distribution, a subsequent allocation step will then occur. Among the Utility Subsidiaries, allocations will be based upon the "Multiple Factor-Utility." Among the Non-Utility Subsidiaries, allocations will be based upon "Multiple Factor - Non-Utility"

e. "Direct Charge Ratio" - The ratio of direct charges for a particular product or service to an individual Subsidiary as a percentage of the total direct charges for a particular product or service to all Subsidiaries benefiting from such services. Indirect Costs are then allocated to each Subsidiary based on the calculated ratios.

f. "Number of Customers Ratio" - For costs of products and services driven by the number of Utility customers, the allocation method that will be used will be the number of Utility customers for the respective Utility Subsidiary receiving the product or service divided by the total number of utility customers.

g. "Number of Shopping Customers Ratio" - A "shopping customer" is defined as a Utility customer who has selected a competitive electric generation supplier. For costs of products and services driven by the number of shopping customers, the allocation method that will be used will be the number of shopping customers for the respective Utility Subsidiary receiving the product or service divided by the total number of shopping customers.

- h. **"Number of Participating Employees - General"** - For costs of products and services driven by all participating employees within the FirstEnergy system, the allocation method that will be used will be the number of participating employees for the respective Subsidiary receiving the product or service divided by the total number of participating employees.
- i. **"Number of Participating Employees - Utility and Non-Utility"** - For costs of products and services driven by participating employees who work for the Utility and Non-Utility Subsidiaries, the Subsidiaries receiving the product or service are first assigned a distribution ratio that is in proportion to the Indirect Costs based on FirstEnergy's equity investment in the respective groups. Costs are further allocated by using the number of participating employees for the respective Subsidiary divided by the total number of participating FirstEnergy employees.
- j. **"Gigabytes Used Ratio"** - Number of gigabytes utilized by a Subsidiary receiving the product or service divided by the total number of gigabytes used by the FirstEnergy system companies applicable to that respective product or service.
- k. **"Number of Computer Workstations Ratio"** - Number of computer workstations utilized by a Subsidiary receiving the product or service divided by the total number of computer workstations in use by the FirstEnergy system companies applicable to that respective product or service.
- l. **"Number of Billing Inserts Ratio"** - Number of billing inserts performed for a Subsidiary receiving the product or service divided by the total number of billing inserts performed for the FirstEnergy system companies applicable to that respective product or service.
- m. **"Number of Invoices Ratio"** - Number of invoices processed for a Subsidiary receiving the product or service divided by the total number of invoices processed for the FirstEnergy system companies applicable to that respective product or service.
- n. **"Number of Payments Ratio"** - Number of monthly payments processed for a Subsidiary divided by the total monthly number of payments processed for the FirstEnergy system companies applicable to that respective product or service. This will not be utilized until some historical information is available out of our new automated system.
- o. **"Daily Print Volume"** - Average daily print volume performed for a Subsidiary receiving the service divided by the total average daily print volume performed for the entire FirstEnergy system.

p. "Number of Intel Servers" - Number of Intel servers utilized by a Subsidiary receiving the product or service divided by the total number of Intel servers utilized by the FirstEnergy system.

q. "Application Development Ratio" - Number of application development hours budgeted for a Subsidiary receiving the service divided by the total number of budgeted application development hours for the year.

r. "Server Support Composite" - The average ratio of unix gigabytes, SAP gigabytes and Intel number of servers for a Subsidiary receiving the service.

3. Descriptions of Products and Services

**CALL CENTER**

Product or Service	Product / Service Description	Indirect Allocation Methods
Field All Inbound Regulated Calls	Field calls related to billing, credit, new service, service order completion, outages, and other miscellaneous activities.	Multiple Factor -- Utility and Non-Utility
Field All Inbound Unregulated Calls	Field calls related to billing, credit, new service, service order completion, outages, and other miscellaneous activities.	Multiple Factor -- Utility and Non-Utility

**CUSTOMER SERVICE**

Product or Service	Product / Service Description	Indirect Allocation Methods
Supplier Services	Provide customer services support to electric generation suppliers, administer and maintain Electronic Data Interface (EDI) functions and invoice suppliers.	Number of Shopping Customers Ratio
Regulatory Interface and Process Improvement: Supplier	Liaison to ensure Customer Choice requirements and develop and execute plans to improve supplier services processes.	Number of Shopping Customers Ratio
Market Support Generation (MSG) Administration	Administer and support MSG supplier functions.	Number of Shopping Customers Ratio
Regulatory Interface and Process Improvement: Regulatory	Respond to regulatory complaints from customers and develop and execute plans to improve regulatory compliance processes.	Number of Customers Ratio
Compliance	Work with regions to communicate and ensure regulatory requirements.	Multiple Factor -- Utility
Power Billing	Provide billing functions for large commercial/industrial contract customers.	Number of Customers Ratio
Revenue Reporting	Perform and manage revenue reporting functions.	Number of Customers Ratio
Billing Exception Processing	Process billing exceptions.	Number of Customers Ratio
Remittance Processing	Process customer payments and deposit funds.	Number of Payments Ratio
Human Services	Coordinate and administer the various social services programs.	Number of Customers Ratio

Arrears Management/ Outsourcing Services Incorporated (OSI) Administration	Coordinate and perform arrears, credit and bankruptcy functions. Manage outside collections agencies' performance and OSI credit activities.	Number of Customers Ratio
Revenue Protection Administration	Perform revenue reporting and compliance functions.	Number of Customers Ratio
Metrics and Budget/ Customer Satisfaction Measurement	Manage Customer Services and Call Center Departments' budgets and measure performance and customer satisfaction results.	Number of Customers Ratio
Policy/Procedures Development and Documentation	Develop, document and communicate Customer Services policies and procedures.	Number of Customers Ratio
Bill Administration/ Forms Administration	Design standardized customer bills, envelopes, and forms.	Number of Customers Ratio
Meter Reading Support	Coordinate Meter Reading schedules and routing activities.	Number of Customers Ratio
Customer Information System (CIS) Control	Operate and maintain CIS.	Number of Customers Ratio

**ECONOMIC DEVELOPMENT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Economic Development Services	Foster economic development to encourage capital investment in FirstEnergy's service areas.	Multiple Factor - Utility

**TRANSMISSION & DISTRIBUTION TECHNICAL SERVICES**

Product or Service	Product / Service Description	Indirect Allocation Methods
Forestry	Provide forestry services.	Multiple Factor - Utility
Distribution Reliability and Asset Records	Services include Joint User contracts, public works coordination, reliability reporting to regions and Public Utility Commissions, mutual assistance coordination, PowerOn support, cable locate ticket screening and tariff support.	Multiple Factor - Utility

Design Standards	Services include line material and construction standards, distribution line and underground maintenance practices and support, new business process support, and service practices.	Multiple Factor – Utility
Substation Services Support	Services include Substation maintenance plan coordination, practices and support, mobile substation administration and planning, and environmental compliance support.	Multiple Factor – Utility
Equipment Repair/Testing Services	Services include the maintenance, installation, maintenance, testing and repair of utility equipment.	Multiple Factor – Utility
Fleet Services	Develop fleet strategy, and perform fleet maintenance practices and support.	Multiple Factor – Utility
Financial Services	Identify revenue enhancements and cost reductions.	Multiple Factor – Utility
Substation Design and Transmission-Line Maintenance Support	Perform substation and transmission line design and project management and transmission line and substation design and material standards, right-of-way and survey services, transmission line maintenance plan coordination, practices and support, FAA activity coordination.	Multiple Factor – Utility
Planning and Protection	Perform planning and protection support for subtransmission system and overall radial system capacity planning overview, and interconnection coordination for distributed technology applications on distribution system.	Multiple Factor – Utility
Capital Budget and Equipment Support	Capital budget development and support, and major equipment specifications and procurement/repair activities for major equipment.	Multiple Factor – Utility

**WORKFORCE DEVELOPMENT**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Transmission and Distribution Skills Training	Develop and facilitate technical and safety training for workers associated with distribution activities, including line, substation, meter, fleet, warehouse, field engineering, and dispatch. Provide support through equipment evaluation, training analyses, job assessments, and project coordination.	Number of Participating Employees – General
Customer Service Skills Training	Develop and facilitate skills training for customer service groups.	Multiple Factor – Utility
External Learning Opportunities Through the Power Systems Institute	Develop educational partnerships with colleges to offer two-year degrees in electric utility technology.	Multiple Factor – Utility

**ADMINISTRATIVE SERVICES**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Provide Administrative Support Services	Provides services in production printing, document imaging, graphic services, food services, corporate mailroom and corporate courier.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*
Provide Records Management Services	Provides services in records storage, records retrieval, records retention, records planning and engineering records.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*
Provide Business Services	Provides services in convenience copiers, fax machines, pagers, printers, and business information center.	Multiple Factor – Utility and Non-Utility or Multiple Factor Utility*

\* For services rendered only to the utilities.

**EXECUTIVE**

Product or Service	Product / Service Description	Indirect Allocation Methods
Executive Management	Consultation and services in management and administration of all aspects of the business.	Multiple Factor – All

**COMMUNICATIONS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Public Relations	Provides services in media relations, financial communications, annual reports, executive presentation, public relations counsel, corporate writing, internet support and special projects.	Multiple Factor – All
Employee Communications	Provides services with update, retirees, satellite broadcast, human resource-related communications and special projects.	Number of Participating Employees – Utility and Non-Utility
Production	Provides services related to display, photography, Corporate ID, video and employee merchandise.	Multiple Factor – All
Sponsorship	Provides services related to sports marketing, university support and special projects.	Multiple Factor – All
Non-Utility Advertising	Provides services related to broadcast/print, collateral, direct mail, internet/intranet, display/merchandise, yellow/white pages, production/agency support and special projects.	Multiple Factor – Non-Utility
Utility Advertising	Provides services related to TV, radio, print, outdoors, Internet/Intranet, special projects, production, agency support and creative media placement.	Multiple Factor – Utility
Utility Bill Inserts	Provides services developing regulated bill service to Ohio, Pennsylvania and New Jersey.	Multiple Factor – Utility
Utility : Yellow / White Pages	Provides services with regulated yellow/white pages.	Multiple Factor – Utility
Utility: Research	Provides research services.	Multiple Factor – Utility
Ohio Consumer Education	Provides services related to Ohio Consumer Education statewide and locally.	Multiple Factor – Utility
Ohio Deregulation Education	Provides service related to Deregulation Education.	Multiple Factor – Utility

**CORPORATE AFFAIRS AND COMMUNITY INVOLVEMENT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Corporate Affairs Activities	Provide administrative support through oversight of the business practices and planning and implementation of staff, senior management and related meetings. Serves as community liaison.	Multiple Factor -- Utility
Direct Community Involvement Initiatives	Provides direction in employee volunteerism, supports viable community partnerships and educational initiatives.	Multiple Factor -- Utility
Energy Efficiency Programs	Directing and coordinating Ohio Weatherization and Energy Efficiency Programs for Low Income Customers.	Multiple Factor -- Utility
Community Initiatives Consulting Services	Consults to regional operations and other business units and client managers for the various community programs.	Multiple Factor -- Utility
Contributions Management	Directs, coordinates, monitors, and manages contributions.	Multiple Factor -- Utility

**CORPORATE**

Product or Service	Product / Service Description	Indirect Allocation Methods
Investor Services	Stock administration, perform recordkeeping, transfer agent, registrar, paying agent, reinvestment plan administration and other services for shareholders.	None (All Direct Charge to Holding Co.)
Board of Directors Support	Support and administration of Board of Directors meetings and director compensation.	None (All Direct Charge to Holding Co.)
Annual Meeting Coordination	Coordinate the Annual Meeting of Shareholders, including the preparation and mailing of proxy materials and annual reports and the tabulation of proxies.	None (All Direct Charge to Holding Co.)
Indenture Compliance	Administer the company's indentures	Multiple Factor -- Utility

**HUMAN RESOURCES**

Product or Service	Product / Service Description	Indirect Allocation Methods
Manage Employee Executive Compensation and Benefits	Provide management and supervision for employee and executive compensation and benefits.	Number of Participating Employees – General
Manage Workers Compensation and Disability Management	Provide management and supervision for workers compensation and disability programs.	Number of Participating Employees – General
Provide and Coordinate Human Resources Training	Design, prepare and conduct training.	Number of Participating Employees – General
Provide Employment Services	Provide staffing, relocation and employment expertise.	Number of Participating Employees – General
Provide HRIS Services	Provide and maintain Human Resources information.	Number of Participating Employees – General
Provide Diversity Management Services	Manage Affirmative Action programs, provide EEO/AA consulting services, and respond to charges.	Number of Participating Employees – General
Manage/ Administer Medical Services and Wellness Programs	Establish compliance, develop, implement, and administer medical and wellness programs.	Number of Participating Employees – General

**INDUSTRIAL RELATIONS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Provide Labor Contract Negotiations	Provide contract negotiation services for all labor agreements.	Number of Participating Employees – General
Provide Labor Consulting Services	Provide labor consulting services.	Number of Participating Employees – General
Manage/Administer Safety Programs	Develop, implement and administer occupational safety programs.	Number of Participating Employees – General

**REAL ESTATE**

Product or Service	Product / Service Description	Indirect Allocation Methods
Facilities Management	Management and maintenance of office facilities.	Multiple Factor – All or Multiple Factor Utility*
Facilities Planning and Project Management	Manage office design services, furniture, project management and other capital improvements.	Multiple Factor – All or Multiple Factor Utility*
Management of Real Estate Assets	Support internal and external inquiries regarding the acquisition, divestiture and management of real estate assets	Multiple Factor – All or Multiple Factor Utility*
Manage/Administer Security Programs	Administer physical security, special investigations, security audits, security consultation and contract guard services.	Multiple Factor – All or Multiple Factor Utility*

\* For services rendered only to the utilities.

**FIRSTENERGY TECHNOLOGIES**

Product or Service	Product / Service Description	Indirect Allocation Methods
Strategic Technologies	Develop, support and implement EPRI programs, industry initiatives, research and development programs, collaboratives and activities with universities, labs and the Department of Energy.	Multiple Factor – Utility
New Technology Assessment	Perform assessment activities for strategic technology pilots, technology assessments, marketing tests, customer pilots and due diligence reviews.	Multiple Factor – Utility and Non-Utility
Technical Application and Product Innovation	Develop, analyze and support strategic alliances, joint ventures, strategic startups, direct investments and Portfolio initiatives.	Multiple Factor – Utility and Non-Utility
New Technology and Product Market Deployment	Develop, support and implement the following initiatives: tailored solutions with existing products, commercial packages, operational efficiencies and business area solutions.	Multiple Factor – Utility and Non-Utility
Demand Response Initiatives	Provide support for corporate demand response initiatives.	Multiple Factor – Utility and Non-Utility
Renewable Energy Program and Strategy	Provide support for various corporate and regulatory initiatives to develop and implement renewable energy programs and products.	Multiple Factor – Utility

Regulated Programs and Services	Develop, support and implement programs and strategies to meet corporate initiatives and regulatory mandates and commitments related to Comprehensive Resource Assessment(CRA), customer end-use technology, distributed generation and load management.	Multiple Factor – Utility
Project Implementation Management Services	Develop and implement end-use and distributed generation technology-based products and services.	Multiple Factor – Utility and Non-Utility

**TECHNOLOGY & SUPPORT SERVICES**

Product or Service	Product/ Service Description	Indirect Allocation Methods
Provide Network Services	Provide Internal Network Services.	Multiple Factor – Utility and Non-Utility
Maintain wireless cell sites and fiber optics network	Maintain internal wireless cell sites and fiber optic network; provide engineering, procurement, and installation services.	Multiple Factor – Utility and Non-Utility

**INFORMATION TECHNOLOGY**

Product or Service	Product / Service Description	Indirect Allocation Methods
Application Development	Create new or enhance existing applications; including analysis design coding, testing; system integration, and implementation, as well as any required technical writing or project manual development.	Directly Billed
Development Supervision and Tool Support	Supervision of application development employees and the support of development software tools.	Application Development Ratio
Server Support (Unix, SAP)	Create and support the network and server infrastructure to accommodate unix and SAP client server applications.	Gigabytes Used Ratio
Client Server Storage Support	Support of storage requirements for all server applications.	Server Support Composite Ratio
Server Support (Intel)	Create and support the network and server infrastructure to accommodate windows and NT client server applications.	Number of Intel Servers Ratio
Mainframe Processing and Storage Support	Execute mainframe applications, including an appropriate portion of support, started tasks, mainframe backups and microfiche services.	Gigabytes Used Ratio

Desktop Support	Help desk email and end-user tools, remote access, repair services, and general workstation support.	Number of Computer Workstations Ratio
Network Services	Includes voice, data, EMS and radio access.	Direct Charge Ratio
Inserting Services	Provide document bursting, inserting and mailing.	Number of Billing Inserts Ratio
Printing Services	Provide mainframe and client server printing services at the data center.	Daily Print Volume Ratio
Technical Consulting	Provide consulting support to departments and end-users to enable them to leverage their IT capabilities. Provide advice and consultation regarding desktop setups and configurations.	Directly Billed
Training	Provide IT training.	Multiple Factor -- Utility and Non-Utility
Business Application Support	Support business application related software licenses and / or hardware maintenance provided by an outside vendor.	Directly Billed
Data Security	Disaster recovery and data security services.	Multiple Factor -- Utility and Non-Utility
Project Management Office	Oversee technology projects through benefit.	Multiple Factor -- Utility and Non-Utility
Provide Telecommunication Services	Provide telecommunication services and equipment.	Direct Charge Ratio
Portal Support	Support the infrastructure to accommodate internet and intranet application access.	Multiple Factor -- Utility and Non-Utility

**PERFORMANCE PLANNING**

Product or Service	Product / Service Description	Indirect Allocation Methods
Performance Planning Services	Develop, support and execute performance planning services.	Multiple Factor -- All

**SUPPLY CHAIN**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Strategic Planning, Demand management and Procurement Projects	Provide assistance in materials and services planning (demand management) and performs special procurement projects.	Multiple Factor – Utility and Non-Utility
Goods and services procurement	Procure material, equipment and contractor services. Establish, manage and administer programs, which allow internal customers to obtain goods without having to process the need through Procurement. Develop specifications, construction standards, schedules, and bills of materials.	Multiple Factor – Utility and Non-Utility
Materials Management Support	Maintain the computerized purchasing and materials management systems, and material related modules; maintain and/or modify select management reports. Analyze Supply Chain processes and measure performance. Monitor and forecast demand to ensure a continuous supply of materials.	Multiple Factor – Utility and Non-Utility
Investment Recovery Projects	Develop and implement plans for disposition of surplus assets.	Multiple Factor – Utility and Non-Utility
Process, Refurbish and Sell Materials	Perform recovery processing, investment recovery processing, refurbishing and selling materials.	Multiple Factor – Utility and Non-Utility
Provide Warehousing Services - Non-nuclear	Receive and place material into stock, insure quality requirements are met at receipt, maintain inventory counts, and update information systems. Fill customer requests for material from stock.	Multiple Factor – Utility and Non-Utility
Provide Warehousing Services - Nuclear	Receive and place material into stock, insure quality requirements are met at receipt, maintain inventory counts, and update information systems. Fill customer requests for material from stock.	None (All direct charged)
Warehousing Space Charge	Provide warehousing space to internal customers.	Multiple Factor – Utility and Non-Utility

**CONTROLLERS**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Accounting Research	Provide accounting research and consulting to ensure compliance with existing and proposed financial reporting, and regulatory accounting requirements.	Multiple Factor - All
Accounts Payable	Nonpayroll corporate disbursement services including account distribution to the general ledger. Resolve problems associated with invoice processing and maintain the accounts payable system.	Multiple Factor - All
Billing Services	Prepare non-retail electric billings.	Multiple Factor Utility
Infrastructure and Corporate Reporting, Accounting and Budgeting	Prepare Corporate Sustaining reports, subsidiary accounting and corporate budgeting, which includes reporting and support of the ledger, property records and SAP system.	Multiple Factor - All
Due Diligence	Assist value centers to determine whether proposed business acquisitions/combinations and similar transactions are desirable from a financial perspective; extensive review/analysis following preliminary review and firm intent to proceed with transaction through commitment and closing phases.	None (All direct charged)
Value Center Accounting and Budgeting	Maintain the property accounting system and provide value center accounting such as management reporting.	Multiple Factor -- Utility and Non-Utility
Property Record Maintenance	Maintain corporate continuing property records.	Multiple Factor -- Utility and Non-Utility or Multiple Factor Utility*
Tax Consulting and Research	Conduct tax research and tax consulting to assure compliance with statutes, while evaluating alternative tax strategies within the constraints of regulations that provide additional shareholder value to the company. In addition, provide tax consulting advice to the value centers on tax compliance and reporting issues, which includes business "start-up" support to organizations requiring assistance.	Multiple Factor -- All

\* For services rendered only to the utilities.

<b>Tax Compliance</b>	Prepare and process all schedules and information associated with corporate and subsidiary tax returns, audits, and tax litigation, assuring compliance with tax regulations and statutes.	Multiple Factor – All or Multiple Factor Utility*
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\* For services rendered only to the utilities.

**CREDIT MANAGEMENT**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Credit Analysis and Supporting Functions	Provide detailed written credit analysis issuing recommendations on counterparty creditworthiness and assigning credit limits.	Multiple Factor – Utility and Non-Utility
Credit Policies and Procedures	Develop and support credit policies and procedures for managing credit risk. Implement and support standardized credit approval processes.	Multiple Factor – Utility and Non-Utility
Credit Management Information System	Develop and support credit management reports and calculate credit exposure on a corporate wide basis.	Multiple Factor - All

**ENTERPRISE RISK MANAGEMENT**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
General Risk Management	Develop and maintain an enterprise risk management system.	Multiple Factor - All

**INSURANCE SERVICES**

<b>Product or Service</b>	<b>Product / Service Description</b>	<b>Indirect Allocation Methods</b>
Insurance Policies	Manage and support insurance policies for all the business units.	Multiple Factor – Utility and Non-Utility
Loss Control Services	Manage and support property inspections to prevent losses.	Multiple Factor – Utility and Non-Utility
Surety Bonds	Manage and support Surety Bonds.	Multiple Factor – Utility and Non-Utility
Risk Transfer and Risk Mitigation Services	Manage and support risk transfer and risk mitigation services.	Multiple Factor – Utility and Non-Utility
Ancillary Coverages	Manage and support ancillary coverages.	None (All direct charged)

**INTERNAL AUDIT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Audit Services	Perform the following internal audit services based on risk levels and / or requests: financial, performance analysis, safeguarding of assets, computer-related and fraud investigations.	Multiple Factor - All or Multiple Factor - Utility*

**INVESTMENT MANAGEMENT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Qualified and Non-qualified Pension and Savings Plan	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Number of Participating Employees - Utility and Non-Utility
FirstEnergy Foundation	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor - All
Voluntary Employee Benefit Association (VEBA) Trust	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Number of Participating Employees - Utility and Non-Utility
Nuclear Decommissioning	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	None (All direct charged)
Non-Utility Generator Trust	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor - Non-Utility
Spent Nuclear Fuel	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	None (All direct charged)
Low-Income Housing Tax Credit Partnership	Establish and implement investment policy and asset allocation strategy and monitor investment performance.	Multiple Factor - All

**INVESTOR RELATIONS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Investor Information	Compile and communicate information to investors.	Multiple Factor - Utility* or Direct Charge to Holding Co.
Investor Education	Target and educate potential investors to promote FirstEnergy's valuation characteristics and business strategy.	None (All Direct Charge to Holding Co.)

\* For services rendered only to the utilities.

Regulations Compliance	Ensure compliance with SEC Fair Disclosure regulations.	Multiple Factor - All
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FirstEnergy Management Education	Provide education to management of business concerns and valuation issues of analyst/investors	Multiple Factor – All
FirstEnergy Employee Education	Actively promote understanding of financial and investor relations' issues.	Multiple Factor – All

**RATES AND REGULATORY AFFAIRS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Regulatory Activities and Consulting	Manage regulatory activities and interfaces, including tariff development and interpretation. Monitor and participate in regulatory affairs at the local, state and federal levels.	Multiple Factor – Utility
Customer Pricing and Contracting	Develop pricing programs for regulated electric service for retail and wholesale customers; including "unbundled" costs and prices for generation, transmission and distribution service and support justification to regulators. Provide support in developing pricing for special-purpose customer programs and non-regulated energy services (e.g. prepayment, economic development, interruptible load, conjunctive-billing electric service programs).	Multiple Factor – Utility
Billing Support	Provide assistance calculating customer (external and internal) invoices and operate and maintain systems to render, collect and account for these invoices.	Multiple Factor – Utility
Sales and Load Forecasting	Develop short-term and long-term sales forecast, peak load projections and customer counts	Multiple Factor – Utility and Non-Utility

**TREASURY**

Product or Service	Product / Service Description	Indirect Allocation Methods
Capital Structure Management and Administration	Perform all activities related to acquiring capital and establish and administer funding, legal documentation, and record-keeping activities associated with finance programs	Multiple Factor – All
Corporate Funds Management	Plan, manage, and operate the corporate "cash-flow-cycle."	Multiple Factor – All
Corporate Forecasting	Provide regulatory support, strategy support, financial modeling and forecasting, financial and economic analysis and development of annual corporate KPI target.	Multiple Factor – All

Capital Project Evaluation and Support	Provide analytical support in the areas of financing, profitability, capital structure and cash flow.	Multiple Factor – Utility and Non-Utility
Investor Relations Activities	Provide institutional and retail security holder, buy and sell-side analysts, rating agencies, and other key members of the financial community with qualitative and quantitative information.	Multiple Factor – All

**BUSINESS DEVELOPMENT**

Product or Service	Product / Service Description	Indirect Allocation Methods
Mergers and Acquisitions Support	Support, evaluate and assist in the management of merger, asset acquisition and asset disposition activities.	None (All direct charged)
Internal Consulting	Perform strategic analysis/business fit, and economic analysis. Provide integration and transitional management services as needed.	None (All direct charged)

**GOVERNMENTAL AFFAIRS**

Product or Service	Product / Service Description	Indirect Allocation Methods
Federal Governmental Affairs Support	Activities associated with developing and maintaining relationships with federal government institutions; includes lobbying, and other support activities.	None (All direct charged)
State Governmental Affairs Support	Activities associated with developing and maintaining relationships with state government institutions; includes lobbying, and other support activities.	None (All direct charged)

**LEGAL**

Product or Service	Product / Service Description	Indirect Allocation Methods
Provide Governmental Affairs Support	Activities associated with developing and maintaining relationships with government institutions; includes lobbying, litigation, and other support activities.	None (All direct charged)
Nuclear Legal Consultation and Case Management	Provide legal advice for federal and state nuclear matters.	None (All direct charged)
Human Resources Legal Consultation & Case Management	Provide legal advice for human resource matters (including workers compensation, union negotiations, arbitrations, class action lawsuits, etc.).	Multiple Factor – Utility and Non-Utility

Product or Service	Product / Service Description	Indirect Allocation Methods
Employee Benefits Legal Consultation & Case Management	Provide legal advice for employee benefits matters (including health and welfare benefits, tax-qualified and non-tax qualified benefit plans and programs, pension administration, etc.).	Number of Participating Employees – Utility and Non-Utility
Tax Legal Consultation & Case Management	Provide legal advice for tax matters including federal, state & local tax matters (land tax, sales & use tax, IRS, etc.).	Multiple Factor – All
Bankruptcy Legal Consultation & Case Management	Provide legal advice for bankruptcy matters.	Multiple Factor – Utility and Non-Utility
International Legal Consultation & Case Management	Provide legal advice for international matters – contract negotiations, sale/lease agreements.	None (All direct charged)
Non-Utility Legal Consultation & Case Management	Provide legal advice on federal and state matters to Non-Utility Subsidiaries.	Multiple Factor – Non-Utilities
Regulatory Legal Consultation & Case Management	Provide legal advice for federal and state regulatory matters.	Multiple Factor – Utility
Environmental Legal Consultation & Case Management	Provide legal advice for environmental matters (other than PCB – related matters) – federal (EPA) and state (EPA), regulatory/legislative compliance issues.	None (All direct charged)
PCB Environmental Legal Consultation & Case Management	Provide legal advice for PCB-related matters – federal (EPA) and state (EPA), regulatory/legislative compliance issues.	Multiple Factor – Utility
Real Estate Legal Consultation & Case Management	Provide legal advice for real estate matters.	Multiple Factor – Utility and Non-Utility
Corporate Legal Consultation & Case Management	Provide legal advice for general corporate and transactional matters (including SEC filings, Board of Directors matters, PUHCA, Financings, Securities Matters, Intellectual Property, Technology, General Counsel matters, etc.).	Multiple Factor – All
Claims Legal Consultation & Case Management	Provide legal advice for Claims matters.	Multiple Factor – All

**CLAIMS**

Product or Service	Product / Service Description	Indirect Allocation Methods
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Process Receivable Claims	Provide management, supervision, and performance of tasks associated with the resolution and chargeback of receivable claims.	Multiple Factor - All
Provide Corporate Support	Claims support in evaluating claims, and procuring appropriate external/internal legal resources.	Multiple Factor - All

WEST PENN POWER COMPANY

## FILING REQUIREMENT II-D-9:

“Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for, the cost thereof, the accounting treatment and whether included in claimed test year expenses.”

## RESPONSE:

West Penn Power Company  
Social and Service Organization Memberships Paid  
(000's)

Line No.	Organization	12 Months Ending		
		April 30, 2016 (1)	March 31, 2015 (2)	March 31, 2014 (3)
<b><u>Business Associations</u></b>				
<b><u>Account 930</u></b>				
1	Edison Electric Institute	\$ 65 *	\$ 65 *	\$ 108
2	Chamber of Commerce, Economic Development, & Local Community Organizations	19	19	8
3	Southeastern Electric Exchange Inc.			4
4	Total Account 930.20	<u>\$ 84</u>	<u>\$ 84</u>	<u>\$ 120</u>
<b><u>Account 923</u></b>				
5	Southeastern Electric Exchange Inc.	-	-	2
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>
<b><u>Account 426</u></b>				
6	Edison Electric Institute	25	25	31
		<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 31</u>
7	Total (line 4 + line 5 + line 6)	<u>\$ 109</u>	<u>\$ 109</u>	<u>\$ 153</u>

- In the April 30, 2016 and March 31, 2015 budgets, Edison Electric Institute Dues were incorrect. This resulted in an understatement of expense for the test year and the prior 12-month period by \$46,000, in each period. This error will be corrected in future budgets. Actual expense will be recorded correctly.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-10:

“Provide the following payroll and employee benefit data – regular and overtime – separately for the test year and for the 12-month period immediately prior to the test year:

- (a) The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with union personnel.
- (b) The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with nonunion personnel.
- (c) The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with managerial employees.
- (d) A summary of the wage rate, salary and employee benefit changes granted or to be granted during the year.
- (e) The claimed test year payroll expense and employee benefit expense.
- (f) The percentage of payroll expense and employee benefit expense applicable to operation and maintenance expenses and the basis thereof.”

RESPONSE:

(a – b) See West Penn Exhibit RAD-27, Attachment A.

(c) Managerial employees shown below are also included in response (a) and (b) under “Full-Time NonBargaining” employees.

Line No		Payroll and Employee Benefits (\$000)		
		12 Months Ending 4/30/2016	12 Months Ending 3/31/2015	12 Months Ending 3/31/2014
		Full-Time	Full-Time	Full-Time
		<u>NonBargaining</u>	<u>NonBargaining</u>	<u>NonBargaining</u>
	Number of Management Employees			
1	Average	21	21	21
2	Year-End	21	21	21
3	Straight Time Payroll	\$ 2,581	\$ 2,506	\$ 2,433
4	Overtime Payroll	-	-	-
5	Incentive Compensation	173	168	163
6	Total Payroll	<u>\$ 2,754</u>	<u>\$ 2,674</u>	<u>\$ 2,596</u>
7	Total Employees Benefits	<u>\$ 518</u>	<u>\$ 503</u>	<u>\$ 488</u>

- (d) The following wage increase assumptions were incorporated in the May 2015 – Apr. 2016 test period: Non-Bargaining 3.00% effective 3/1/16. Non-Bargaining Physical employees 3.00% effective 3/1/16. Bargaining UWUA 102 2.50% effective 5/1/15.

The following assumptions were incorporated in the May 2015 – Apr. 2016 test period: Pension discount rate 6.50%, OPEB discount rate 6.25%, Return on Assets 7.75%, effective January 1, 2016.

The following wage increase assumptions were incorporated in the Apr. 2014 – Mar. 2015 test period: Non-Bargaining 3.00% effective 9/1/14 and 3.00% effective 3/1/15. Non-Bargaining Physical employees 3.00% effective 3/1/15. Bargaining UWUA 102 3.00% effective 5/1/14.

The following assumptions were incorporated in the Apr. 2014 – Mar. 2015 test period: Pension discount rate 5.75%, OPEB discount rate 5.50%, Return on Assets 7.75%, effective January 1, 2015.

The following benefit changes were incorporated:

May 2015 – Apr. 2016 test period – increase saving plan match by 1%, effective January 1, 2016, average increase per employee, \$827.

Apr. 2014 – Mar. 2015 test period – increase saving plan match by 1%, effective January 1, 2015, average increase per employee, \$312.

- (e) The claimed test year payroll expense is detailed on West Penn Exhibit RAD-2 page 12. Total claimed employee benefit expense consists of the O&M portion of the test year expense listed on West Penn Exhibit RAD-27, Attachment A, lines 7 through 21, and the normalizing adjustment detailed on West Penn Exhibit RAD-2, page 21
- (f) The percentage of payroll expense directly charged to O&M expense for the Apr. 2013 - Mar. 2014 period is 42%. The percentage of employee benefits directly charged to O&M expense for the Apr. 2013 – Mar. 2014 period is 41%. The benefit percentage does not include pension or OPEB costs which are not charged to O&M expense as part of the benefit labor adder applied to payroll.

The percentage of forecast payroll expense directly charged to O&M expense for the Apr. 2014 - Mar. 2015 test period is 40%. The percentage of employee benefits directly charged to O&M expense for the Apr. 2014 – Mar. 2015 test period is 36%. The benefit percentage does not include pension or OPEB costs which are not charged to O&M expense as part of the benefit labor adder applied to payroll.

The percentage of forecast payroll expense directly charged to O&M expense for the May 2015 - Apr. 2016 test period is 40%. The percentage of employee benefits directly charged to O&M expense for the May 2015 – Apr. 2016 test period is 37%. The benefit percentage does not include pension or OPEB costs which are not charged to O&M expense as part of the benefit labor adder applied to payroll.

West Penn Power Company  
 Payroll and Employee Benefits  
 (\$000)

Line No.	Description	12 Months Ending 4/30/2016			12 Months Ending 3/31/2015			12 Months Ending 3/31/2014		
		Full-Time Bargaining	Full-Time NonBargaining	Total	Full-Time Bargaining	Full-Time NonBargaining	Total	Full-Time Bargaining	Full-Time NonBargaining	Total
Number of Employees										
1	Average	430	262	692	427	265	691	426	244	669
2	Year-End	430	262	692	430	262	692	418	250	668
3	Straight Time Payroll	28,862	21,690	50,552	28,025	20,707	48,732	\$ 26,539	\$ 18,778	\$ 45,318
4	Overtime Payroll	5,926	797	6,722	6,487	772	7,259	\$ 8,813	\$ 1,471	\$ 10,284
5	Incentive Compensation	776	700	1,477	790	687	1,477	\$ 1,493	\$ 1,734	\$ 3,226
6	Total Payroll	<u>35,564</u>	<u>23,187</u>	<u>58,751</u>	<u>35,302</u>	<u>22,166</u>	<u>57,468</u>	<u>\$ 36,845</u>	<u>\$ 21,983</u>	<u>\$ 58,828</u>
Total Company Employee Benefits:										
7	Workers Compensation	\$ 273	\$ 166	\$ 440	\$ 271	\$ 168	\$ 440	\$ 446	\$ 272	\$ 718
8	Pension Costs	381	232	613	267	165	432	(16,419)	(10,004)	(26,423)
9	OPEB	722	440	1,162	614	381	994	(5,085)	(3,099)	(8,184)
10	Life Insurance	58	35	94	63	39	102	63	39	102
11	Medical/Dental Insurance	3,697	2,253	5,950	3,443	2,135	5,578	3,306	2,014	5,320
12	Executive Benefits	0	279	279	0	270	270	0	(514)	(514)
13	Restricted Stock	0	0	0	0	51	51	0	62	62
14	Savings Plan	1,136	692	1,828	774	480	1,255	625	381	1,006
15	Long Term Disability	103	63	165	102	63	165	108	66	173
16	Education Assistance	39	23	62	42	26	68	3	2	5
17	Employee Awards	4	3	7	4	3	7	0	0	0
18	Employee Assistance Program	8	5	13	8	5	13	8	5	12
19	Wellness Program	147	90	237	134	83	217	63	38	101
20	Relocation	0	331	331	0	361	361	0	121	121
21	Other	31	19	50	32	20	52	45	27	72
22	Total Employee Benefits	<u>6,599</u>	<u>4,631</u>	<u>\$ 11,230</u>	<u>5,754</u>	<u>4,250</u>	<u>\$ 10,005</u>	<u>(16,839)</u>	<u>(10,591)</u>	<u>\$ (27,430)</u>

(1) Employee Counts exclude Part-time and Temporary employees  
 (2) Benefit costs allocated to Bargaining/NonBargaining based on average number of employees except for Executive Benefits, Restricted Stock and Relocation expenses (100% non-bargaining)

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-11:

“Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.”

RESPONSE:

<u>Line No.</u>	<u>Name of Lessor</u>	<u>Basic Detail of Lease</u>	<u>12 Months Ended April 30, 2016 (In thousands)</u>
1	Altec Capital Services, LLC	Fair market value (FMV) lease for BLC Corp lease buyouts & new base term 48-96 months for Aerial/Crane trucks and forklifts with end of term option to return, purchase outright at FMV or renew lease at FMV for 36 months with a fixed rate of 294 BPS plus federal swap rate. Fixed rate for BLC Corp lease buyouts is 200 BPS plus federal swap rate and new is 170 bps plus federal swap rate.	\$2,320
2.	Key Equipment Finance, Inc.	TRAC/Modified TRAC lease with 20% residual for BLC Corp lease buyouts & base term 60-96 months for light, medium and heavy duty vehicles excluding Aerial/Crane trucks with fixed rate. Fair market value (FMV) lease for all BLC Corp lease buyouts & new base term 60-96 months for all off road equipment with fixed rate. Fixed rate for BLC Corp lease buyouts is 272 BPS plus federal swap rate and new is 231 BPS plus federal swap rate.	\$1,644

3	RBS Asset Finance, Inc.	<u>Motor Vehicles &amp; Trailers</u> – Base term 60 months for light and medium duty vehicles, 96 months for heavy duty high use trouble trucks and 120 months for all other heavy duty vehicles & trailers with a \$1 buy out at end of term for all. <u>Other Equipment</u> – Base term 96 months for miscellaneous equipment like ATVs, sweeper/scrubbers, etc. and 120 months for construction equipment & forklifts with a \$1 buy out at end of term for all. Rates for both motor vehicles/trailers & other equipment leases are fixed based on 200 BPS plus Bloomberg Avg Life swap rate (2.5 years for 60 month term, 4 years for 96 month term and 5.5 years for 120 month term).	\$543
4	Parker H. Clancy Marital Trust	Service Center Land Lease - inception 7/6/1972, expires 7/2/2022 with 2 options of 10 years each.	\$180
5	Land Work and Cattle	Service Center Parking Lease - inception 10/1/2002, expiration date 9/30/2015 with no renewal options.	\$80

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-12:

“Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures, explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate cases, and list all internal and independent audit reports for the most recent 2 year period.”

RESPONSE:

A list of all internal audit reports performed by the Internal Audit Department from April 2012 thru March 2014 appears on pages 4 thru 7.

A list of all independent audits performed from April 2012 thru March 2014 appears on page 7.

The following is a list of major changes in accounting procedures adopted since the previous rate case:

- 1 In 1994, the Company changed its revenue recognition method to include the accrual of estimated unbilled revenues for electric services. This change resulted in a better matching of revenues and expenses, and is consistent with predominant utility industry practice.
- 2 In 1998, the Company adopted SFAS No. 130 (ASC 220), *Reporting Comprehensive Income*, establishing standards for reporting comprehensive income and its components (revenues, expenses, gains, and losses) in the financial statements.
- 3 In 2003, the Company adopted SFAS No. 143 (ASC 410), *Accounting for Asset Retirement Obligations*, which provides accounting and disclosure requirements for retirement obligations associated with long-lived assets, SFAS No. 143 requires that the fair value of asset retirement costs for which West Penn has a legal obligation be recorded as liabilities with an equivalent amount added to the assets cost. The liability is accreted (increased) to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity settles the obligation for its recorded amount or records a gain or loss if settled at a different amount.

In 2005, the Company adopted FIN 47, *Accounting for Conditional Asset Retirement Obligations* (“*Conditional AROs*”), which requires an entity to recognize a liability for the fair value of a Conditional ARO if the fair value of the liability can be reasonably estimated. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the time and (or) method of settlement.

Under the rate-making process, regulators generally permit recovery of costs associated with removing property, plant and equipment. West Penn believes it is probable that any difference between expenses recorded under SFAS No. 143 and FIN 47 and expenses recovered currently in rates with respect to these assets will be recoverable in future rates. Therefore, West Penn is deferring these differences as a regulatory asset.

- 4 In 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FAS Statement No. 109*. FIN 48 prescribes a comprehensive model for how companies should recognize, measure, present and disclose in their financial statements uncertain tax positions taken or expected to be taken on an income tax return. Under FIN 48, tax benefits should be recognized in the financial statements when it is more likely than not that the position will be sustained upon examination by the tax authorities based on the technical merits of the position. Such tax positions should be measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and all relevant facts. West Penn adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation, West Penn recognized a \$12.5 million reduction to its January 1, 2007 balance of retained earnings.
  
- 5 In connection with the merger between FirstEnergy (FE) and Allegheny Energy Inc. (AE) on February 25, 2011, FE acquired all of the outstanding common stock of AE. The merger was accounted for as a business combination with FE treated as the acquirer for accounting purposes. Accordingly, the assets and liabilities of AE were recorded at their fair values as of the merger consummation date. Purchase accounting impacts were “pushed down” to AE and West Penn, resulting in the assets and liabilities of West Penn being recorded at their respective fair values as of February 25, 2011. Under the rate setting and recovery provisions in place for West Penn's regulated operations which provide revenues derived from costs, the fair values of certain tangible and intangible assets and liabilities were determined to approximate their carrying values.

West Penn's consolidated financial statements for periods subsequent to the merger include amortization relating to purchase accounting adjustments and reflect the reclassifications as of the merger date of retained earnings to other paid-in-capital, accumulated depreciation to property, plant and equipment and the allowance for uncollectible accounts to receivables. In addition, West Penn conformed its accounting policies to those of FirstEnergy as of the merger date.

- 6 After the February 25, 2011 merger West Penn changed the following accounting procedures to align with FirstEnergy's methods.
  - a. Uncollectible Expense: revised from a calculation utilizing a 12 month rolling average to using a 36 month rolling average which is then applied to sales for the month.
  - b. Bad Debt Expense: converted from a policy of writing off accounts at 45 days after final bill date to writing of after 90 to 95 days.
  - c. Reduced the threshold for capitalization from \$2,000 to \$1,000
  - d. West Penn began to capitalize A&G overheads.
  - e. West Penn adopted FirstEnergy's policy of expensing all vegetation cleared subsequent to the first time clearing, except for priority trees. Priority trees are any tree within the corridor, but located outside the actual corridor clearing zone, that is dead, dying, diseased, or severely encroaching such that if it fell it could cause damage to poles, circuits, conductors, etc., or any tree that, due to its proximity, shape, type or size, otherwise endangers these assets.
  
- 7 In 2011, the Company changed its method of recognizing actuarial gains and losses for its defined benefit pension and OPEB plans. Previously, the Company recognized the net actuarial gains and losses as a component of AOCI and amortized the gains and losses into income over future periods.

The Company, with this accounting change, elected to immediately recognize the change in fair value of plan assets and actuarial gains and losses annually in the fourth quarter of each year. The Company retroactively applied immediate recognition of gains and losses for its defined benefit pension and OPEB plans to each year, from 1986 through 2010.

**Internal Audits Performed During April thru December 31, 2012**

**Compliance:**

1. Audit of the IBM Consulting Services' Pennsylvania "Smart Meter Implementation and Procurement" Plan Development as of February 10, 2012.
2. Limited Scope Review of US Bank Travel Card as of July 27, 2012
3. Audit of Substation Safety/Security Inspection and Corrective Maintenance as of October 3, 2012
4. Review of Purchasing Card Usage – Severed Employees as of December 12, 2012
5. 2012 Corporate Compliance Program Update
6. Annual Review of the Code of Business Conduct as of November 26, 2012

**Operational:**

1. Audit of the Streetlight Repair Process as of May 2, 2012
2. Data Analysis of Wood Pole Inspection Results (Years 2007-2011) as of October 8, 2012
3. Audit of Rate Change and Rate Adjustment Processes Documentation as of September 17, 2012
4. Energy Efficiency Program Support (Memorandum)

**IT Related:**

1. Audit of IT Merger Project - Consolidate IT Security Policies (L01) as of March 16, 2012
2. Audit of IT Merger Project - Energy Delivery Meter and Transformer Testing Systems (B07.1) as of February 27, 2012
3. Audit of IT Merge Project - Energy Delivery Graphical Information System (B02.3) as of March 23, 2012
4. Audit of IT Merger Project - Energy Delivery Outage Management Ancillary (B01.2) as of April 13, 2012
5. Audit of IT Merger Project - Energy Delivery Internet Vegetation Management System (B06.1) as of May 7, 2012
6. Audit of IT Merger Project - Cascade (B02.1) as of May 11, 2012
7. Audit of IT Merger Project - Energy Delivery Meter Reading and Route Completion (B07.2) as of May 18, 2012
8. Audit of IT Merger Project - Energy Efficiency & Conservation/Demand Response Program Integration (C03.1) as of May 11, 2012
9. Audit of IT Merger Project - Energy Delivery Outage Management (B01.1) as of May 11, 2012
10. Audit of IT Merger Project - Consolidate Sensitive Customer Information Programs (L01) as of May 21, 2012
11. Audit of IT Merger Project - SAP Project Light-year as of May 14, 2012
12. Audit of IT Merger Project - Contact Center Technologies as of June 25, 2012

13. Audit of IT Merger Project - Energy Delivery Work Management System (B04.2) as of June 12, 2012
14. Audit of IT Merger Project - Rates/Load Forecasting System (B08.1) as of April 2, 2012
15. Audit of IT Merger Project - Consolidate eDiscovery and Record Retention Processes (L01.1) as of October 31, 2012

**Financial:**

1. Audit of the Pennsylvania Energy Efficiency Conservation Service Provider Invoice Validation Guidelines as of January 31, 2012
2. Audit of Allegheny Energy's Accounts Payable Duplicate Payments for the Period of January 1, 2009, Through August 31, 2011
3. Reconciliation of Advanced Billing Platform System Data to Electric Distribution Company Data as of July 8, 2012
4. Audit of Regulated Metered But Unbilled Revenue as of September 27, 2012
5. Sarbanes-Oxley Annual Progress Report as of December 28, 2012
6. First Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of March 31, 2012
7. Second Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of June 30, 2012
8. Third Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of September 30, 2012
9. Sarbanes-Oxley Annual Progress Report as of December 28, 2012

**Internal Audits Performed During – January thru December 31, 2013**

**Compliance:**

1. Audit of 2012 Occupational Safety & Health Administration (OSHA) Recordable Incident Rate as of January 15, 2013
2. Audit Pennsylvania Distribution Vegetation Maintenance Practices as of January 15, 2013 - Privileged and Confidential - Prepared at the Request of Counsel
3. Audit of FirstEnergy's Compliance With Section 114 of the Fair and Accurate Credit Transactions Act as of March 31, 2013
4. Audit of Contract Compliance of Osmose Utilities Services, Inc., as of September 24, 2013
5. Interim Report of the Pre-Implementation Audit of the State Code of Conduct Project as of December 6, 2013
6. 2013 Corporate Compliance Program Update
7. Annual Review of the Code of Business Conduct as of November 27, 2013

**Operational:**

1. Audit of Energy Delivery Joint Use Revenue as of October 26, 2012

2. Audit of the Implementation of Energy Delivery's Resources on-Demand Application as of November 4, 2013
3. Request for Guidance on Inflated Labor Rates for Diversified Services - Hurricane Sandy – Memorandum
4. Internal Auditing's Partnering Engagement in Documenting Regulated Settlements' Processes and High Risk Procedures
5. Internal Auditing Risk Assessment - Smart Meter Implementation Procurement (SMIP) Project

**IT Related:**

1. Interim Memorandum - Facilitation of the Control Design for the Office Productivity Transformation Project
2. Interim Report of the Pre-Implementation Audit of the Financial Transformation Project Budget, Forecast, and Planning System as of August 16, 2013
3. Audit of the Cascade Order Integration Project as of June 25, 2013
4. Office Productivity Transformation Testing and Pilot Project
5. Interim Report of the Pre-Implementation Audit of the Financial Transformation Project - New General Ledger Technology as of December 6, 2013
6. Interim Report of the Pre-Implementation Audit of the Financial Transformation Project -Business Objects Planning and Consolidation System as of December 6, 2013
7. PowerPlant Continuous Improvement Project

**Financial:**

1. Audit of FirstEnergy Utilities' Capital and Operation & Maintenance Expenses as of January 31, 2013
2. Audit of the PA Top 100 Hours Demand Response Program Invoicing Process as of February 13, 2013
3. Audit of Legacy Allegheny Energy Power Billing Manually Calculated Accounts as of February 13, 2013
4. Audit of Transmission Control Center Affiliate Rent Calculation as of July 12, 2013
5. Audit of the Smart Meter Tracking, Accounting and Cost Allocations Process as of November 7, 2013
6. Audit of the 2012 SOx 404 Assessment of Internal Controls as of December 31, 2012
7. First Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of March 31, 2013
8. Second Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of June 30, 2013

9. Third Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of September 30, 2013
10. Audit of the Purchasing Card Automated Reconciliation and Travel Expenses Implementation as of February 28, 2013
11. Vendor Payroll Tax Reconciliation Audit Review

**Internal Audits Performed During – January thru March 31, 2014**

**Compliance:**

1. Audit of FirstEnergy Utilities Waste Management Practices as of November 7, 2013
2. Audit of FirstEnergy's Compliance to the Clean Air Act – Sulfur Hexafluoride Mandatory Emissions Tracking and Reporting as of January 21, 2014

**Operational:**

1. Audit of 2013 Occupational Safety & Health Administration (OSHA) Recordable Incident Rate as of January 10, 2014

**IT Related:**

1. IT Merger Support - EMS Auxiliary (F01.3)

**Financial:**

1. Revene's Payment Recovery Audit for Accounts Payable – 2012
2. Sarbanes-Oxley Annual Progress Report as of December 31, 2013
3. Audit of Pennsylvania Storm Deferral Accounting as of January 14, 2014
4. Sarbanes-Oxley 404 Assessment of Internal Controls Over Financial Reporting as of December 31, 2013
5. Sarbanes-Oxley Annual Progress Report as of December 31, 2013

**Independent Audits Performed for the years ended December 31, 2012 and 2013**

PricewaterhouseCoopers LLP – Independent Registered Public Accounting Firm

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-13:

“Regardless of whether a claim for negative or positive net salvage is made, attach an exhibit showing gross salvage, cost of removal, third party reimbursements, if any, and net salvage for the test year and 4 previous years.”

RESPONSE:

See West Penn Exhibit RAD-30, Attachment A.

**West Penn Power Company**  
**Third Party Reimbursement, Cost of Removal and Salvage**  
**For the Twelve Months Ending 4/30/16, Twelve Months Ending 3/31/15 and 6 Historical Years**

	Third Party Reimbursements (1)	Cost of Removal (2)	Salvage (3)	Net Salvage (4)=(2)+(3)
4/1/2009 thru 3/31/2010	\$ (15,075,689.51)	\$ 20,085,531.52	\$ (71,041.63)	\$ 20,014,489.89
4/1/2010 thru 3/31/2011	\$ (20,109,241.15)	\$ 28,152,457.95	\$ (3,465,117.60)	\$ 24,687,340.35
4/1/2011 thru 3/31/2012	\$ (13,220,803.86)	\$ 24,532,264.53	\$ (2,504,964.57)	\$ 22,027,299.96
4/1/2012 thru 3/31/2013	\$ (1,090,907.30)	\$ 3,909,205.99	\$ -	\$ 3,909,205.99
4/1/2013 thru 3/31/2014	\$ (1,917,006.56)	\$ 16,074,847.06	\$ (6,023,865.49)	\$ 10,050,981.57
4/1/2014 thru 3/31/2015	\$ (7,072,863.35)	\$ -	\$ -	\$ -
5/1/2015 thru 4/30/2016	\$ (5,979,000.10)	\$ -	\$ -	\$ -

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-14:

“State the amount of debt interest utilized for test year income tax calculations, including the amount so utilized which has been allocated from the debt interest of an affiliate, and provide details of debt interest and allocation computations.”

RESPONSE:

Debt interest utilized in the normalized fully projected future test year under present rates is \$34,538,000 as calculated in West Penn Exhibit RAD-2, Adjustment No. 11, page 27.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-15:

“Provide a schedule for the test year of Federal and Pennsylvania taxes other than income taxes, per books, pro forma at present rates, and pro forma at proposed rates, including the following tax categories:

- (a) Social Security.
- (b) Unemployment.
- (c) Capital stock.
- (d) Public utility
- (e) P.U.C. assessment.
- (f) Other property taxes.
- (g) Any other appropriate tax categories.”

RESPONSE:

See West Penn Exhibit RAD-32, Attachment A for a schedule of taxes other than income taxes showing per budget and pro forma at present rates for the fully projected future test year.

West Penn Power Company  
 Summary of Taxes Other Than Income Taxes  
Twelve Months Ending April 30, 2016  
 (\$000)

Line No.	Description	Per Budget	Pro Forma Under Present Rates	
		Total Electric Operating (1)	Normalizing Adjustments (2)	As Adjusted (3)
	<u>Federal</u>			
1	Federal and State payroll taxes	\$ 4,487	\$ 366	\$ 4,121
	<u>State</u>			
2	Capital Stock	74	14	60
3	Gross Receipts	41,937	27	41,910
4	Public utility realty	2,334	457	1,877
5	Gross premiums	-	-	-
6	Use tax	0	0	0
	<u>Local</u>			
7	Real estate & other	<u>219</u>	<u>43</u>	<u>176</u>
8	TOTAL	<u>\$ 49,051</u>	<u>\$ 907</u>	<u>\$ 48,144</u>

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-16:

“Submit a schedule showing the adjustments from taxable net income per books to taxable net income pro forma under existing rates and pro forma under proposed rates, together with an explanation of all normalizing adjustments. Submit detailed calculations supporting taxable income before State and Federal income taxes where the income tax is subject to allocation due to operations in another state or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.”

RESPONSE:

See West Penn Exhibit RAD 33, Attachment A.

Line No.	Description	In Thousands		
		Fully Projected Future Test Year Ending 4/30/16 Per Budget (1)	Pro-Forma Test Year Under Existing Rates (2)	Pro-Forma Test Year Under Proposed Rates (3)
1	Balance after preferred stock dividends	\$ 79,825		
	Net utility operating income:			
2	Exhibit RAD-2, page 1, line 23, column 11	-	\$ 61,502	
3	Exhibit RAD-2, page 3, line 23, column 27			\$ 104,785
	Add:			
4	Income Taxes-Federal	36,569	28,747	52,053
5	Income Taxes-State	8,083	9,116	16,506
6	Provision for Deferred Income Taxes	10,342	3,724	3,724
7	Provision for Deferred Income Taxes-Credit	(6,403)		-
8	Investment Tax Credit	(820)	(659)	(659)
9	Book Income Subject to Tax	\$ 127,596	\$ 102,430	\$ 176,409
	Adjustments:			
10	Book Depreciation	\$ 62,443	\$ 70,864	\$ 70,864
11	Tax Depreciation	(59,562)	(67,716)	(67,716)
12	Interest expense per Ratemaking	-	(34,538)	(34,538)
13	Business Meals	115		115
14	Life Insurance	(1)		(1)
15	Energy Efficiency Deferral	484		484
16	ESOP Dividend	(620)		(620)
17	Lobbying	25		25
18	Capitalized Interest-Avoided Costs in Excess of AFC	-		-
19	FAS 123R - Restricted Stock Units	-		-
20	FAS 143	-		-
21	Price to Compare Rider	(685)		(685)
22	Default Serv. Support - Unbilled Rev.	2,182		2,182
23	Storm Damage & Other Deferrals	7,267		7,267
24	Deferrals / Amort SEIA			-
25	OPEBs	3,078		3,078
26	Tax Capitalized Interest	607		607
27	Reacquired Debt - Book Amortization of Loss	168		168
28	Casualty Loss	(11,632)		(11,632)
29	Section 263	-		-
30	T&D Repairs	(13,900)		(13,900)
31	AFUDC Equity	(1,176)		(1,176)
32	Capitalized Interest-Book AFC	(674)		(674)
33	PA PTC Deferral	(685)		(685)
34	Pension Accrual	(1,823)		(1,823)
35	Research & Development - 174	(244)		(244)
36	Asset Retirement Obligation	-		-
37	Capital Lease Vehicle - Book Expense	-		-
38	Universal Service Program (incl interest)	-		-
39	Other Reg Assets / Liabilities	2,631		2,631
40	CIAC - Post 86	-	-	-
41	State Taxable Income before Tax Preferences	\$ 115,594	\$ 71,040	\$ 130,136
42	State Tax Preference Items	0	-	-
43	State Taxable Income	\$ 115,594	\$ 71,040	\$ 130,136
	State Income Tax:			
44	Current Year	8,083	7,097	13,001
45	Total State Tax	\$ 8,083	\$ 7,097	\$ 13,001
46	Less: State Tax Preference Items	-	-	-
47	Federal Taxable Income (Line 40-L42-L43)	\$ 107,511	\$ 63,943	\$ 117,135

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-17:

“Submit a schedule showing for the last 5 years the income tax refunds, plus interest - net of taxes, received from the Federal government due to prior years’ claims.”

RESPONSE:

The Company did not receive any income tax refunds from the Federal government due to prior years’ claims in the last 5 years.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-18:

“Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.”

RESPONSE:

See West Penn Exhibit RAD-35, Attachment A.

West Penn Power Company  
Accumulated Deferred Taxes  
 (\$000)

Line No.		Balance at 04/30/16 (1)	Balance at 03/31/15 (2)	Balance at 03/31/14 (3)	Balance at 12/31/13 (4)
<u>Account 190-Accumulated Deferred Income Taxes</u>					
1	Accumulated Deferred FIT FIN 48 Gross Up - S/T	\$ 48	\$ 48	\$ 48	\$ 48
2	Accumulated Deferred FIT FIN 48 Gross Up - L/T	9,289	9,289	9,289	9,289
3	Adverse Purchase Power Beaver Valley - L/T	38,716	38,716	38,716	38,716
4	Amortization Premium/Discount on Debt	70	38	8	-
5	Asbestos Removal	2,055	2,055	2,055	2,055
6	Charitable Contribution Limitation	53	53	53	53
7	Customer Advances	1,400	1,400	1,400	1,400
8	Deferred Compensation	9	9	9	9
9	Energy Efficiency Conservation Phase 2	1,562	1,420	1,417	1,427
10	Energy Insurance Services Cells	1,009	1,009	1,009	1,009
11	Environmental Costs	139	139	139	139
12	FAS 123 R - APIC	34	34	34	34
13	FAS123R - Performance Shares	12	12	12	12
14	FAS 123R - Restricted Stock	63	63	63	63
15	FAS 123R - Restricted Stock Units	147	147	147	147
16	Federal NOL	4,097	7,390	29,010	29,010
17	IBNR - Injuries and Damages	1,758	1,758	1,758	1,758
18	IBNR - Workers Compensation	572	572	572	572
19	Injuries and Damages Reserve	165	165	165	165
20	Intercompany Charges AESC	835	835	835	835
21	ITC FAS 109	4,868	5,498	6,080	6,080
22	Long Term Disability Accrual	548	548	548	548
23	Medical IBNR Reserve S/T	177	177	177	177
24	Merger Costs - D&O Insurance	8	8	8	8
25	Merger Costs - Licenses	340	340	358	364
26	Merger Liability - L/T	747	747	747	747
27	Other Post Employment Benefits (OPEB)	887	887	887	749
28	PA Gross Receipts	2,814	2,814	2,814	2,814
29	PA NOL	9,877	12,257	14,586	14,586
30	Pension	21,267	22,069	22,854	23,050
31	Pension EDCP-SERP Payments	237	237	237	237
32	Post Retirement Benefits not Pension	25,952	24,556	22,332	21,748
33	Price to Compare Rider	2,936	3,240	1,774	2,309
34	Regulatory Asset PA Act 129 - L/T	1,236	1,236	1,236	1,641
35	Reserve for Bad Debts	1,383	1,383	1,383	1,383
36	Revaluation Adjustments	31,326	31,326	31,326	31,326
37	Storm Adjustment	(181)	(302)	242	481
38	Unamortized Debt Expense for Tax	4	4	4	4
39	Unearned Revenue - Other	47	47	47	47
40	Vacation Pay Accrual	643	643	643	643
41	Workers Compensation Reserve	1,072	1,072	1,072	1,072
	Total Account 190	\$ 168,221	\$ 173,939	\$ 196,094	\$ 196,755
<u>Account 281-283 Accum. Deferred Income Taxes</u>					
42	Liberalized Depreciation	\$ (482,756)	\$ (470,447)	\$ (461,689)	\$ (458,942)
43	Adverse Purchase Power Beaver Valley - S/T	(1)	(1)	(1)	(1)
44	AFUDC Equity Flow Thru	(7,361)	(7,361)	(7,361)	(7,280)
45	Contract Acquisition Costs	(112)	(112)	(112)	(112)
46	Default Service Support-Unbilled Deferral	784	(158)	(413)	(450)
47	Deferred Charge EIB	(2,058)	(2,058)	(2,058)	(2,058)
48	Depletion Allowance	(11)	(11)	(11)	(11)
49	FAS 109 - Gross-up	(75,555)	(77,084)	(77,491)	(77,813)
50	FAS 123R - Stock Options Exercised Deduction	(97)	(97)	(97)	(97)
51	FE Service Non Property Timing Allocation	(1,790)	(1,790)	(1,790)	(1,790)
52	FE Service RSU 162(m) Valuation Allowance Allocation	(169)	(169)	(169)	(169)
53	FIN 48 - Prior Year Reversal (Federal Deferred)	(22,858)	(22,858)	(9,958)	(485)
54	Incentive Compensation	(471)	(471)	(471)	(471)
55	OCI - Excess Prior Service Cost	(3,979)	(4,578)	(5,130)	(5,130)
56	Other Post Employment Benefits - Payment	(357)	(357)	(357)	(357)
57	Regulatory Assets - Other	210	210	210	-
58	Reserve for Obsolescence	(190)	(190)	(190)	(190)
59	Sate Income Taxes	(9,351)	(9,351)	(9,351)	(9,351)
60	State Income Tax - Federal Deferred Only	(1,054)	(1,054)	(1,054)	(1,054)
61	Stores Accrual	(803)	(803)	(803)	(803)
62	Transportation Clearing	(70)	(70)	(70)	(70)
63	Unamortized Loss on Recquired Debt	(114)	(136)	(158)	(164)
64	Vegetation Management	(1,034)	(1,034)	(1,034)	(1,034)
65	WV February 2010 Storm Deferral L/T	(2,118)	(5,133)	(5,133)	(5,133)
	Total Account 281-283	\$ (611,315)	\$ (605,113)	\$ (584,691)	\$ (572,965)
	Total Deferred Taxes	\$ (443,094)	\$ (431,174)	\$ (388,597)	\$ (376,210)

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-19:

“Explain how the Federal corporate graduated tax rates have been reflected for rate case purposes. If the Pennsylvania jurisdictional utility is part of a multi-corporate system, explain how the tax savings are allocated to each member of the system.”

RESPONSE:

West Penn is not entitled to a Federal graduated tax rate. West Penn files as a member of a Consolidated group and its taxable income exceeds where graduated rates apply. Therefore, the Company uses a flat 35% Federal income tax rate in this filing.

FirstEnergy allocates its current federal consolidated income tax liability, pursuant to an agreement approved by the Securities and Exchange Commission, in accordance with the Energy Policy Act of 2005.

Members of the FirstEnergy consolidated group follow the allocation rules under the IRS Regulations under Code Section 1552. The consolidated group is treated as one taxpayer for federal income tax. Each member is required to compute its separate company taxable income. The members with positive taxable income (Paying Members) pay the consolidated tax liability based on an allocation of its separate company income. The aggregate of all amounts paid by Members of the consolidated, as a result of the excess of each Members' Separate Return Tax liability, (as determined under Section 1.1552-1(a)(2)(ii) of the IRS Regulations) over the amount allocated to such Member as its share of the Consolidated Tax Liability under Code Section 1552 (i.e., the Tax Benefit Amount) is paid by FirstEnergy to the other Members (the “Loss Members”) which had tax deductions, losses and credits to which such payments by the Paying Members are attributable. The apportionment of such payments among Loss Members is allocated among the group Members pursuant to IRS Regulations Section 1.1502-21(b).

However, the Tax Benefit Amount allocated to FirstEnergy and paid to FirstEnergy as a result of its being a Loss Member is limited to its Tax Benefit Amount determined by multiplying its total loss benefit amount by a fraction, the numerator of which is FirstEnergy's interest deduction attributable to Acquisition Indebtedness, and the denominator of which is the sum of all of FirstEnergy's deductions. The portion of FirstEnergy's Tax Benefit Amount which cannot be

allocated and paid to FirstEnergy due to the operation of this limitation is reallocated to Paying Members of the Consolidated Group other than FirstEnergy in accordance with the method described in Sections 1.1502-33(d)(3) and 1.1552-1(a)(2) of the IRS Regulations.

The general effect of the method is to first allocate the consolidated tax liability among the Members of the Consolidated Group on the basis of the percentage of the total consolidated tax which the tax of such Member, if computed on a separate return basis would bear to the total amount of the taxes for all Members of the group so computed. Then the method allocates an additional amount (the "Tax Benefit Amount") to each Member up to, but not greater than, the excess, if any, of its Separate Return Tax liability, over the amount allocated to such Member in the previous sentence. The total of the Tax Benefit Amounts allocated to Members results in payments to the Members who had items of deduction, loss or credits to which such Tax Benefit Amount is attributable.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-20:

“Explain the treatment given to costs of removal in the income tax calculation and the basis for such treatment.”

RESPONSE:

On property acquired from 1971 to 1980, the Company utilizes the A.D.R. Tax Depreciation Method.

Under those regulations, when an asset is retired, the cost of dismantling, demolishing, or removing is deductible as a current year's expense.

On property acquired in 1981 and subsequent thereto, the Company, in accordance with ACRS and MACRS regulations, elected to use Cost of Removal in the calculation of gain or loss on retirements of 1981 and subsequent property.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-21:

“Show income tax loss/gain carryovers from previous years. Show loss/gain carryovers by years of origin and amounts remaining by years at the beginning of the test year.”

RESPONSE:

See West Penn Exhibit RAD-38, Attachment A.

**West Penn Power Company**  
**Net Operating Loss Carryforwards - Federal & State**  
**Cumulative Balance at 12-31-14**

	2011	2012	2013	2014	Total
<b>Federal NOL</b>	\$ 61,769,746	\$ 13,720,938	\$ -	\$ -	\$ 75,490,684
2014 Utilization	(40,376,746)	-	-	-	(40,376,746)
Balance	\$ 21,393,000	\$ 13,720,938	\$ -	\$ -	\$ 35,113,938
<b>PA NOL</b>	\$ 244,179,323	\$ -	\$ -	\$ -	\$ 244,179,323
2012 Utilization	(4,821,304)	-	-	-	(4,821,304)
2013 Utilization	(14,791,569)	-	-	-	(14,791,569)
2014 Utilization	(28,704,672)	-	-	-	(28,704,672)
Balance	\$ 195,861,778	\$ -	\$ -	\$ -	\$ 195,861,778

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-22:

“State whether the company eliminates tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative:

- (a) Set forth amount of construction claimed in this tax savings reduction, and explain the basis for this amount
- (b) Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.
- (c) State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived.
- (d) Provide details of calculation to determine tax savings reduction, and state whether State taxes are increased to reflect the construction interest elimination.”

RESPONSE:

One of the revisions made to the Internal Revenue Code (IRC) by the Tax Reform Act of 1996 was the elimination of the current deduction for construction period interest. The IRC now requires construction period interest to be capitalized for tax purposes using an avoided cost methodology. This methodology results in a similar required capitalized interest amount for tax purposes than the debt component of AFUDC. Therefore, there are no current tax savings to eliminate.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-23:

“Under section 1552 of the Internal Revenue Code (26 U.S.C.A. § 1552) and 26 CFR 1.1552 (1983), if applicable, a parent company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member’s tax liability to the Federal government (if this interrogatory is not applicable, so state):

- (a) State what option has been chosen by the group.
- (b) Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.
- (c) Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.
- (d) Provide the most recent annual income tax return for the group.
- (e) Provide details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.
- (f) Provide details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.”

RESPONSE:

- (a) The option used is Reg. §1.1552-1(a)(2) – the tax liability of the group is allocated based on the percentage of total tax computed on a separate basis for each member over the total amount of tax for all members of the group so computed.

- (b) See West Penn Exhibit RAD-40, Attachment A<sup>1</sup>, page 1, for the amount of the tax liability that has been allocated to each of the participating members in the Consolidated Federal income tax return for the most recent three years.
- (c) See West Penn Exhibit RAD-40, Attachment A, pages 8 – 38, for the payments and refunds made for the most recent filed returns for years 2010, 2011 and 2012 as computed on the basis of separate returns of members.
- (d) See West Penn Exhibit RAD-40, Attachment A, pages 2 – 6, for a copy of the U.S. Corporation Income Tax Return (Form 1120) as filed by FirstEnergy Corp. and Subsidiaries for the year 2012.
- (e) See West Penn Exhibit RAD-40, Attachment A, pages 2 – 38.
- (f) See West Penn Exhibit RAD-40, Attachment A, pages 2 – 38.

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<sup>1</sup> Attachment A to West Penn Exhibit RAD-40 is **Highly Confidential** and is being provided to the Commission in hard copy only.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-24:

“Provide detailed computations by vintage year showing State and Federal deferred income taxes resulting from the use of accelerated tax depreciation associated with post-1969 public utility property, ADR rates, and accelerated tax depreciation associated with post-1980 public utility property under the Accelerated Cost Recovery System (ACRS).

- (a) Reconcile and explain any differences in the base used to calculate State and Federal deferred income taxes.
- (b) State whether tax depreciation is based on all rate base items claimed as of the end of the test year, and whether it is the annual tax depreciation at the end of the test year.
- (c) Reconcile differences between the deferred tax balance, as shown as a reduction to rate base, and the deferred tax balance as shown on the balance sheet.”

RESPONSE:

- (a) See West Penn Exhibit RAD-41, Attachment A. No basis difference, however, there is a timing difference due to PA disallowance in year one of the 50% Federal Bonus Depreciation.
- (b) See West Penn Exhibit RAD-41, Attachment A. Tax depreciation for the fully projected future test year is based on all electric plant in service claimed as of 4/30/16 and the annual tax depreciation is based on the same plant.
- (c) See West Penn Exhibit RAD-41, Attachment B.

WEST PENN POWER COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant In Service April, 2013 - March, 2014

Provision:	Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
		State	Federal	Total	Normalizing Adjustments	Total
	1970	\$ -	\$ -	\$ -	\$ -	\$ -
	1971	-	-	-	-	-
	1972	-	(1,642)	(1,642)	-	(1,642)
	1973	-	-	-	-	-
	1974	-	(177)	(177)	-	(177)
	1975	-	-	-	-	-
	1976	-	(316)	(316)	-	(316)
	1977	-	-	-	-	-
	1978	-	(579)	(579)	-	(579)
	1979	-	-	-	-	-
	1980	-	-	-	-	-
	1981	-	(45)	(45)	-	(45)
	1982	-	(31)	(31)	-	(31)
	1983	-	(16)	(16)	-	(16)
	1984	-	(21)	(21)	-	(21)
	1985	-	(25)	(25)	-	(25)
	1986	-	(267)	(267)	-	(267)
	1987	-	39,868	39,868	-	39,868
	1987 Q1	-	-	-	-	-
	1987 Q2	-	-	-	-	-
	1987 Q3	-	-	-	-	-
	1987 Q4	-	-	-	-	-
	1988	-	13,690	13,690	-	13,690
	1989	-	(95,390)	(95,390)	-	(95,390)
	1990	-	29,671	29,671	-	29,671
	1991	-	37,833	37,833	-	37,833
	1992	-	17,113	17,113	-	17,113
	1993	-	(27,454)	(27,454)	-	(27,454)
	1993 Q1	-	-	-	-	-
	1993 Q2	-	16,596	16,596	-	16,596
	1993 Q3	-	57,463	57,463	-	57,463
	1993 Q4	-	261,801	261,801	-	261,801
	1994	-	327,609	327,609	-	327,609
	1995	-	530,083	530,083	-	530,083
	1996	-	457,021	457,021	-	457,021
	1997	-	587,032	587,032	-	587,032
	1998	-	768,062	768,062	-	768,062
	1999	-	(20,588)	(20,588)	-	(20,588)
	1999 Q1	-	134,128	134,128	-	134,128
	1999 Q2	-	149,027	149,027	-	149,027
	1999 Q3	-	225,431	225,431	-	225,431
	1999 Q4	-	182,551	182,551	-	182,551
	2000	-	449,088	449,088	-	449,088
	2001	-	449,821	449,821	-	449,821
	2001 JCA	-	1,090	1,090	-	1,090
	2002	-	(143,361)	(143,361)	-	(143,361)
	2002 JCA	-	394,973	394,973	-	394,973
	2003 30%	-	154,625	154,625	-	154,625
	2003 50%	-	107,261	107,261	-	107,261
	2003 NQ	-	33,855	33,855	-	33,855
	2004 30%	-	(2,007)	(2,007)	-	(2,007)
	2004 50%	-	266,315	266,315	-	266,315
	2004 NQ	-	(19,292)	(19,292)	-	(19,292)
	2005	-	828,939	828,939	-	828,939
	2006	-	943,126	943,126	-	943,126
	2007	-	(238,346)	(238,346)	-	(238,346)
	2007 Q1	-	223,749	223,749	-	223,749
	2007 Q2	-	306,641	306,641	-	306,641
	2007 Q3	-	363,889	363,889	-	363,889
	2007 Q4	-	265,524	265,524	-	265,524
	2008 50%	-	455,968	455,968	-	455,968
	2008 NQ	-	9,180	9,180	-	9,180
	2009 NQ	-	(196,715)	(196,715)	-	(196,715)
	2009 Q1 50%	-	126,348	126,348	-	126,348
	2009 Q1 NQ	-	(2,005)	(2,005)	-	(2,005)
	2009 Q2 50%	-	138,673	138,673	-	138,673
	2009 Q2 NQ	-	2,615	2,615	-	2,615
	2009 Q3 50%	-	112,134	112,134	-	112,134
	2009 Q3 NQ	-	3,112	3,112	-	3,112
	2009 Q4 50%	-	148,687	148,687	-	148,687
	2009 Q4 NQ	-	(12,744)	(12,744)	-	(12,744)
	2010 100%	-	18,512	18,512	-	18,512
	2010 50%	-	642,306	642,306	-	642,306
	2010 NQ	-	(256,230)	(256,230)	-	(256,230)
	2011	-	14,147	14,147	-	14,147
	2011 100%	-	1,573	1,573	-	1,573
	2011 50%	-	8,125	8,125	-	8,125
	2012	-	(141,309)	(141,309)	-	(141,309)
	2012 50%	-	4,258,014	4,258,014	-	4,258,014
	2013	-	1,561,809	1,561,809	-	1,561,809
	2013 50%	-	16,119,661	16,119,661	-	16,119,661
	2014	-	643,041	643,041	-	643,041
Total Provision		\$ -	\$ 31,729,219	\$ 31,729,219	\$ -	\$ 31,729,219

WEST PENN POWER COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2013 - March, 2014

Reversal	Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
		State	Federal	Total	Normalizing Adjustments	Total
	1970	\$ -	\$ -	\$ -	\$ -	-
	1971	-	(188)	(188)	-	(188)
	1972	-	9	9	-	9
	1973	-	-	-	-	-
	1974	-	-	-	-	-
	1975	-	(173)	(173)	-	(173)
	1976	-	-	-	-	-
	1977	-	(189)	(189)	-	(189)
	1978	-	-	-	-	-
	1979	-	(1,272)	(1,272)	-	(1,272)
	1980	-	-	-	-	-
	1981	-	(166,856)	(166,856)	-	(166,856)
	1982	-	(28,104)	(28,104)	-	(28,104)
	1983	-	(138,838)	(138,838)	-	(138,838)
	1984	-	(114,282)	(114,282)	-	(114,282)
	1985	-	(154,206)	(154,206)	-	(154,206)
	1986	-	(68,184)	(68,184)	-	(68,184)
	1987	-	941	941	-	941
	1987 Q1	-	(17,173)	(17,173)	-	(17,173)
	1987 Q2	-	(7,246)	(7,246)	-	(7,246)
	1987 Q3	-	(17,807)	(17,807)	-	(17,807)
	1987 Q4	-	(34,740)	(34,740)	-	(34,740)
	1988	-	(126,025)	(126,025)	-	(126,025)
	1989	-	(599,013)	(599,013)	-	(599,013)
	1990	-	(227,781)	(227,781)	-	(227,781)
	1991	-	(140,945)	(140,945)	-	(140,945)
	1992	-	(158,776)	(158,776)	-	(158,776)
	1993	-	(31,966)	(31,966)	-	(31,966)
	1993 Q1	-	(33,824)	(33,824)	-	(33,824)
	1993 Q2	-	(10,498)	(10,498)	-	(10,498)
	1993 Q3	-	(13,050)	(13,050)	-	(13,050)
	1993 Q4	-	(43,590)	(43,590)	-	(43,590)
	1994	-	16,515	16,515	-	16,515
	1995	-	(15,464)	(15,464)	-	(15,464)
	1996	-	(32,262)	(32,262)	-	(32,262)
	1997	-	(55,758)	(55,758)	-	(55,758)
	1998	-	(171,418)	(171,418)	-	(171,418)
	1999	-	(26,824)	(26,824)	-	(26,824)
	1999 Q1	-	(1,565)	(1,565)	-	(1,565)
	1999 Q2	-	(6,380)	(6,380)	-	(6,380)
	1999 Q3	-	3,978	3,978	-	3,978
	1999 Q4	-	44,869	44,869	-	44,869
	2000	-	(91,579)	(91,579)	-	(91,579)
	2001	-	56,332	56,332	-	56,332
	2001 JCA	-	80	80	-	80
	2002	-	28,522	28,522	-	28,522
	2002 JCA	-	83,365	83,365	-	83,365
	2003 30%	-	1,927	1,927	-	1,927
	2003 50%	-	14,677	14,677	-	14,677
	2003 NQ	-	(242,333)	(242,333)	-	(242,333)
	2004 30%	-	66	66	-	66
	2004 50%	-	(57,935)	(57,935)	-	(57,935)
	2004 NQ	-	(171,499)	(171,499)	-	(171,499)
	2005	-	(545,666)	(545,666)	-	(545,666)
	2006	-	39,159	39,159	-	39,159
	2007	-	1,113,537	1,113,537	-	1,113,537
	2007 Q1	-	(13,162)	(13,162)	-	(13,162)
	2007 Q2	-	1,084	1,084	-	1,084
	2007 Q3	-	13,877	13,877	-	13,877
	2007 Q4	-	(4,057)	(4,057)	-	(4,057)
	2008 50%	-	(553,623)	(553,623)	-	(553,623)
	2008 NQ	-	(1,062,359)	(1,062,359)	-	(1,062,359)
	2009 NQ	-	(52,559)	(52,559)	-	(52,559)
	2009 Q1 50%	-	(3,300)	(3,300)	-	(3,300)
	2009 Q1 NQ	-	4,088	4,088	-	4,088
	2009 Q2 50%	-	(469,857)	(469,857)	-	(469,857)
	2009 Q2 NQ	-	395	395	-	395
	2009 Q3 50%	-	8,452	8,452	-	8,452
	2009 Q3 NQ	-	2,070	2,070	-	2,070
	2009 Q4 50%	-	10,882	10,882	-	10,882
	2009 Q4 NQ	-	5,003	5,003	-	5,003
	2010 100%	-	(286,378)	(286,378)	-	(286,378)
	2010 50%	-	(139,473)	(139,473)	-	(139,473)
	2010 NQ	-	(217,578)	(217,578)	-	(217,578)
	2011	-	144	144	-	144
	2011 100%	-	(6,466,900)	(6,466,900)	-	(6,466,900)
	2011 50%	-	(1,061,116)	(1,061,116)	-	(1,061,116)
	2012	-	(192,227)	(192,227)	-	(192,227)
	2012 50%	-	4,443,445	4,443,445	-	4,443,445
	2013	-	(61,179)	(61,179)	-	(61,179)
	2013 50%	-	(285,704)	(285,704)	-	(285,704)
	2014	-	(16,600)	(16,600)	-	(16,600)
Total Reversal		\$ -	\$ (8,546,088)	\$ (8,546,088)	\$ -	\$ (8,546,088)
Net Provision		\$ -	\$ 23,183,131	\$ 23,183,131	\$ -	\$ 23,183,131

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		State	Deferral of Taxes		Total
		State	Federal		Federal	Federal	
Provision							
1970	\$ -	0%	35%	\$ -	\$ -	\$ -	-
1971	-	0%	35%	-	-	-	-
1972	(4,692)	0%	35%	-	(1,642)	(1,642)	(1,642)
1973	-	0%	35%	-	-	-	-
1974	(506)	0%	35%	-	(177)	(177)	(177)
1975	-	0%	35%	-	-	-	-
1976	(902)	0%	35%	-	(316)	(316)	(316)
1977	-	0%	35%	-	-	-	-
1978	(1,654)	0%	35%	-	(579)	(579)	(579)
1979	-	0%	35%	-	-	-	-
1980	-	0%	35%	-	-	-	-
1981	(128)	0%	35%	-	(45)	(45)	(45)
1982	(89)	0%	35%	-	(31)	(31)	(31)
1983	(45)	0%	35%	-	(16)	(16)	(16)
1984	(59)	0%	35%	-	(21)	(21)	(21)
1985	(73)	0%	35%	-	(25)	(25)	(25)
1986	(763)	0%	35%	-	(267)	(267)	(267)
1987	111,615	0%	35%	-	39,065	39,065	39,065
1987 Q1	-	0%	35%	-	-	-	-
1987 Q2	-	0%	35%	-	-	-	-
1987 Q3	-	0%	35%	-	-	-	-
1987 Q4	-	0%	35%	-	-	-	-
1988	38,035	0%	35%	-	13,312	13,312	13,312
1989	(310,082)	0%	35%	-	(108,529)	(108,529)	(108,529)
1990	77,936	0%	35%	-	27,277	27,277	27,277
1991	102,967	0%	35%	-	36,039	36,039	36,039
1992	43,624	0%	35%	-	15,268	15,268	15,268
1993	(82,560)	0%	35%	-	(28,896)	(28,896)	(28,896)
1993 Q1	(33)	0%	35%	-	(11)	(11)	(11)
1993 Q2	47,356	0%	35%	-	16,575	16,575	16,575
1993 Q3	164,042	0%	35%	-	57,415	57,415	57,415
1993 Q4	747,464	0%	35%	-	261,612	261,612	261,612
1994	920,421	0%	35%	-	322,147	322,147	322,147
1995	1,491,338	0%	35%	-	521,968	521,968	521,968
1996	1,282,012	0%	35%	-	448,704	448,704	448,704
1997	1,647,846	0%	35%	-	576,746	576,746	576,746
1998	2,112,454	0%	35%	-	739,359	739,359	739,359
1999	(58,822)	0%	35%	-	(20,588)	(20,588)	(20,588)
1999 Q1	377,356	0%	35%	-	132,075	132,075	132,075
1999 Q2	421,321	0%	35%	-	147,462	147,462	147,462
1999 Q3	636,833	0%	35%	-	222,891	222,891	222,891
1999 Q4	508,585	0%	35%	-	178,005	178,005	178,005
2000	1,181,181	0%	35%	-	413,414	413,414	413,414
2001	1,225,278	0%	35%	-	428,847	428,847	428,847
2001 JCA	3,026	0%	35%	-	1,059	1,059	1,059
2002	(410,694)	0%	35%	-	(143,743)	(143,743)	(143,743)
2002 JCA	1,096,927	0%	35%	-	383,925	383,925	383,925
2003 30%	430,196	0%	35%	-	150,569	150,569	150,569
2003 50%	296,338	0%	35%	-	103,718	103,718	103,718
2003 NQ	90,908	0%	35%	-	31,818	31,818	31,818
2004 30%	(5,509)	0%	35%	-	(1,928)	(1,928)	(1,928)
2004 50%	738,767	0%	35%	-	258,568	258,568	258,568
2004 NQ	(57,494)	0%	35%	-	(20,123)	(20,123)	(20,123)
2005	2,215,248	0%	35%	-	775,337	775,337	775,337
2006	2,439,326	0%	35%	-	853,764	853,764	853,764
2007	(685,970)	0%	35%	-	(240,089)	(240,089)	(240,089)
2007 Q1	583,009	0%	35%	-	204,053	204,053	204,053
2007 Q2	797,007	0%	35%	-	278,952	278,952	278,952
2007 Q3	947,928	0%	35%	-	331,775	331,775	331,775
2007 Q4	676,276	0%	35%	-	236,697	236,697	236,697
2008 50%	1,183,804	0%	35%	-	414,332	414,332	414,332
2008 NQ	(18,582)	0%	35%	-	(5,804)	(5,804)	(5,804)
2009 NQ	(562,042)	0%	35%	-	(196,715)	(196,715)	(196,715)
2009 Q1 50%	347,761	0%	35%	-	121,716	121,716	121,716
2009 Q1 NQ	(7,505)	0%	35%	-	(2,627)	(2,627)	(2,627)
2009 Q2 50%	382,253	0%	35%	-	133,789	133,789	133,789
2009 Q2 NQ	7,405	0%	35%	-	2,592	2,592	2,592
2009 Q3 50%	309,682	0%	35%	-	108,389	108,389	108,389
2009 Q3 NQ	7,973	0%	35%	-	2,791	2,791	2,791
2009 Q4 50%	410,723	0%	35%	-	143,753	143,753	143,753
2009 Q4 NQ	(38,285)	0%	35%	-	(13,400)	(13,400)	(13,400)
2010 100%	52,892	0%	35%	-	18,512	18,512	18,512
2010 50%	1,602,570	0%	35%	-	560,900	560,900	560,900
2010 NQ	(738,760)	0%	35%	-	(258,566)	(258,566)	(258,566)
2011	34,627	0%	35%	-	12,120	12,120	12,120
2011 100%	4,494	0%	35%	-	1,573	1,573	1,573
2011 50%	21,282	0%	35%	-	7,442	7,442	7,442
2012	(305,281)	0%	35%	-	(106,848)	(106,848)	(106,848)
2012 50%	11,051,901	0%	35%	-	3,868,165	3,868,165	3,868,165
2013	4,345,476	0%	35%	-	1,520,917	1,520,917	1,520,917
2013 50%	45,810,583	0%	35%	-	16,033,704	16,033,704	16,033,704
2014	1,837,260	0%	35%	-	643,041	643,041	643,041
	\$ 87,574,761			\$ -	\$ 30,651,166	\$ 30,651,166	\$ 30,651,166

Provision Gains/Losses Page ( 5 ) \$ - \$ 1,078,053 \$ 1,078,053

Provision \$ - \$ 31,729,219 \$ 31,729,219

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		State	Deferral of Taxes		Total
		State	Federal		Federal	State	
Reversal							
1970	\$ -	0%	0%	\$ -	\$ -	\$ -	-
1971	(454)	0%	41%	-	(188)	-	(188)
1972	21	0%	41%	-	9	-	9
1973	-	0%	0%	-	-	-	-
1974	-	0%	0%	-	-	-	-
1975	(427)	0%	40%	-	(173)	-	(173)
1976	0	0%	0%	-	-	-	-
1977	(473)	0%	40%	-	(189)	-	(189)
1978	0	0%	0%	-	-	-	-
1979	(3,255)	0%	39%	-	(1,272)	-	(1,272)
1980	-	0%	0%	-	-	-	-
1981	(414,419)	0%	40%	-	(166,856)	-	(166,856)
1982	(71,068)	0%	40%	-	(28,104)	-	(28,104)
1983	(359,257)	0%	39%	-	(138,838)	-	(138,838)
1984	(302,571)	0%	38%	-	(114,282)	-	(114,282)
1985	(418,860)	0%	37%	-	(154,206)	-	(154,206)
1986	(190,743)	0%	36%	-	(68,184)	-	(68,184)
1987	2,436	0%	39%	-	941	-	941
1987 Q1	(48,141)	0%	36%	-	(17,173)	-	(17,173)
1987 Q2	(20,364)	0%	36%	-	(7,246)	-	(7,246)
1987 Q3	(50,180)	0%	35%	-	(17,807)	-	(17,807)
1987 Q4	(98,149)	0%	35%	-	(34,740)	-	(34,740)
1988	(363,286)	0%	35%	-	(126,025)	-	(126,025)
1989	(1,710,555)	0%	35%	-	(599,013)	-	(599,013)
1990	(654,075)	0%	35%	-	(227,781)	-	(227,781)
1991	(403,681)	0%	35%	-	(140,945)	-	(140,945)
1992	(453,819)	0%	35%	-	(158,776)	-	(158,776)
1993	(91,332)	0%	35%	-	(31,966)	-	(31,966)
1993 Q1	(96,641)	0%	35%	-	(33,824)	-	(33,824)
1993 Q2	(29,955)	0%	35%	-	(10,498)	-	(10,498)
1993 Q3	(37,285)	0%	35%	-	(13,050)	-	(13,050)
1993 Q4	(124,543)	0%	35%	-	(43,590)	-	(43,590)
1994	47,186	0%	35%	-	16,515	-	16,515
1995	(44,183)	0%	35%	-	(15,464)	-	(15,464)
1996	(92,177)	0%	35%	-	(32,262)	-	(32,262)
1997	(159,309)	0%	35%	-	(55,758)	-	(55,758)
1998	(489,766)	0%	35%	-	(171,418)	-	(171,418)
1999	(76,640)	0%	35%	-	(26,824)	-	(26,824)
1999 Q1	(4,471)	0%	35%	-	(1,565)	-	(1,565)
1999 Q2	(18,229)	0%	35%	-	(6,380)	-	(6,380)
1999 Q3	11,365	0%	35%	-	3,978	-	3,978
1999 Q4	128,196	0%	35%	-	44,869	-	44,869
2000	(261,655)	0%	35%	-	(91,579)	-	(91,579)
2001	160,950	0%	35%	-	56,332	-	56,332
2001 JCA	228	0%	35%	-	80	-	80
2002	81,490	0%	35%	-	28,522	-	28,522
2002 JCA	238,185	0%	35%	-	83,365	-	83,365
2003 30%	5,505	0%	35%	-	1,927	-	1,927
2003 50%	41,934	0%	35%	-	14,677	-	14,677
2003 NQ	(692,381)	0%	35%	-	(242,333)	-	(242,333)
2004 30%	188	0%	35%	-	66	-	66
2004 50%	(165,629)	0%	35%	-	(57,935)	-	(57,935)
2004 NQ	(489,998)	0%	35%	-	(171,499)	-	(171,499)
2005	(1,559,047)	0%	35%	-	(545,666)	-	(545,666)
2006	111,883	0%	35%	-	39,159	-	39,159
2007	4,511,192	0%	25%	-	1,113,637	-	1,113,637
2007 Q1	(37,605)	0%	35%	-	(13,162)	-	(13,162)
2007 Q2	3,097	0%	35%	-	1,084	-	1,084
2007 Q3	39,649	0%	35%	-	13,877	-	13,877
2007 Q4	(11,592)	0%	35%	-	(4,057)	-	(4,057)
2008 50%	(1,581,780)	0%	35%	-	(553,623)	-	(553,623)
2008 NQ	(3,035,313)	0%	35%	-	(1,062,359)	-	(1,062,359)
2009 NQ	(150,168)	0%	35%	-	(52,559)	-	(52,559)
2009 Q1 50%	(9,430)	0%	35%	-	(3,300)	-	(3,300)
2009 Q1 NQ	11,681	0%	35%	-	4,088	-	4,088
2009 Q2 50%	(1,342,448)	0%	35%	-	(469,857)	-	(469,857)
2009 Q2 NQ	1,128	0%	35%	-	395	-	395
2009 Q3 50%	24,149	0%	35%	-	8,452	-	8,452
2009 Q3 NQ	5,914	0%	35%	-	2,070	-	2,070
2009 Q4 50%	31,033	0%	35%	-	10,862	-	10,862
2009 Q4 NQ	14,293	0%	35%	-	5,003	-	5,003
2010 100%	(818,222)	0%	35%	-	(286,378)	-	(286,378)
2010 50%	(398,493)	0%	35%	-	(139,473)	-	(139,473)
2010 NQ	(621,652)	0%	35%	-	(217,578)	-	(217,578)
2011	411	0%	35%	-	144	-	144
2011 100%	(18,476,857)	0%	35%	-	(6,466,900)	-	(6,466,900)
2011 50%	(3,031,781)	0%	35%	-	(1,061,116)	-	(1,061,116)
2012	(549,219)	0%	35%	-	(192,227)	-	(192,227)
2012 50%	12,695,557	0%	35%	-	4,443,445	-	4,443,445
2013	571,576	0%	-11%	-	(61,179)	-	(61,179)
2013 50%	372,729	0%	-77%	-	(285,704)	-	(285,704)
2014	81,047	0%	-20%	-	(16,600)	-	(16,600)
Reversal	\$ (20,868,476)			\$ -	\$ (8,546,088)	\$ -	\$ (8,546,088)
Total Net Provision				\$ -	\$ 23,183,131	\$ -	\$ 23,183,131

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2013 - March, 2014  
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/ Effective Rates		Deferral of Taxes		Total
	Basis of Property	Accumulated Tax Depreciation		State	Federal	State	Federal	
	1	2	3	4	5	6 = 3 x 4	7 = 3 x 5	8 = 6 + 7
Provision - 4/13-3/14								
1987	\$ 12,063	\$ 9,770	\$ 2,293	0%	35%	\$ -	\$ 802	\$ 802
1987 Q1	25,403	25,403	-	0%	35%	-	-	-
1987 Q2	10,746	10,746	-	0%	35%	-	-	-
1987 Q3	26,449	26,449	-	0%	35%	-	-	-
1987 Q4	51,791	51,791	-	0%	35%	-	-	-
1988	80,413	79,334	1,079	0%	35%	-	378	378
1989	288,528	250,991	37,538	0%	35%	-	13,138	13,138
1990	148,758	141,920	6,838	0%	35%	-	2,393	2,393
1991	101,432	96,304	5,128	0%	35%	-	1,795	1,795
1992	121,427	116,156	5,271	0%	35%	-	1,845	1,845
1993	15,403	11,281	4,122	0%	35%	-	1,443	1,443
1993 Q1	36,413	36,380	33	0%	35%	-	11	11
1993 Q2	23,144	23,082	62	0%	35%	-	22	22
1993 Q3	29,667	29,529	138	0%	35%	-	48	48
1993 Q4	84,677	84,138	539	0%	35%	-	189	189
1994	152,930	137,325	15,606	0%	35%	-	5,462	5,462
1995	245,338	222,154	23,184	0%	35%	-	8,114	8,114
1996	152,475	128,714	23,762	0%	35%	-	8,317	8,317
1997	190,518	161,131	29,387	0%	35%	-	10,285	10,285
1998	400,114	318,105	82,009	0%	35%	-	28,703	28,703
1999	-	-	-	0%	35%	-	-	-
1999 Q1	24,969	19,104	5,865	0%	35%	-	2,053	2,053
1999 Q2	24,917	20,448	4,469	0%	35%	-	1,564	1,564
1999 Q3	33,514	26,257	7,256	0%	35%	-	2,540	2,540
1999 Q4	62,768	49,777	12,990	0%	35%	-	4,547	4,547
2000	352,861	250,934	101,926	0%	35%	-	35,674	35,674
2001	132,958	73,034	59,924	0%	35%	-	20,973	20,973
2001 JCA	143	55	88	0%	35%	-	31	31
2002	1,091	-	1,091	0%	35%	-	382	382
2002 JCA	91,339	59,772	31,567	0%	35%	-	11,049	11,049
2003 30%	34,591	23,001	11,591	0%	35%	-	4,057	4,057
2003 50%	25,933	15,812	10,121	0%	35%	-	3,542	3,542
2003 NQ	11,605	5,784	5,821	0%	35%	-	2,037	2,037
2004 30%	(486)	(260)	(226)	0%	35%	-	(79)	(79)
2004 50%	56,540	34,407	22,132	0%	35%	-	7,746	7,746
2004 NQ	4,313	1,940	2,373	0%	35%	-	831	831
2005	313,185	160,037	153,149	0%	35%	-	53,602	53,602
2006	462,022	206,702	255,319	0%	35%	-	89,362	89,362
2007	(2,048)	(7,029)	4,981	0%	35%	-	1,743	1,743
2007 Q1	184,336	128,064	56,272	0%	35%	-	19,695	19,695
2007 Q2	130,749	51,638	79,111	0%	35%	-	27,689	27,689
2007 Q3	220,423	128,668	91,754	0%	35%	-	32,114	32,114
2007 Q4	168,315	85,953	82,362	0%	35%	-	28,827	28,827
2008 50%	197,669	78,709	118,960	0%	35%	-	41,636	41,636
2008 NQ	102,089	59,278	42,812	0%	35%	-	14,984	14,984
2009 NQ	-	-	-	0%	35%	-	-	-
2009 Q1 50%	28,363	15,130	13,234	0%	35%	-	4,632	4,632
2009 Q1 NQ	1,921	143	1,778	0%	35%	-	622	622
2009 Q2 50%	26,685	12,729	13,956	0%	35%	-	4,885	4,885
2009 Q2 NQ	136	70	66	0%	35%	-	23	23
2009 Q3 50%	15,937	5,235	10,702	0%	35%	-	3,746	3,746
2009 Q3 NQ	1,272	354	917	0%	35%	-	321	321
2009 Q4 50%	21,111	7,016	14,095	0%	35%	-	4,933	4,933
2009 Q4 NQ	1,547	(326)	1,873	0%	35%	-	656	656
2010 100%	-	-	-	0%	35%	-	-	-
2010 50%	301,922	69,333	232,590	0%	35%	-	81,406	81,406
2010 NQ	7,330	655	6,675	0%	35%	-	2,336	2,336
2011	6,294	501	5,792	0%	35%	-	2,027	2,027
2011 100%	-	-	-	0%	35%	-	-	-
2011 50%	5,457	3,504	1,953	0%	35%	-	684	684
2012	(106,778)	(8,318)	(98,460)	0%	35%	-	(34,461)	(34,461)
2012 50%	1,216,610	102,756	1,113,854	0%	35%	-	389,849	389,849
2013	122,370	5,533	116,836	0%	35%	-	40,893	40,893
2013 50%	258,806	13,214	245,592	0%	35%	-	85,957	85,957
Provision - (gains/losses)						\$ 1,078,053	\$ 1,078,053	

WEST PENN POWER COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2014 - April, 2015

Provision:	Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
		State	Federal	Total	Normalizing Adjustments	Total
	1970	\$ -	\$ -	\$ -	\$ -	\$ -
	1971	-	-	-	-	-
	1972	-	(1,639)	(1,639)	-	(1,639)
	1973	-	-	-	-	-
	1974	-	(192)	(192)	-	(192)
	1975	-	-	-	-	-
	1976	-	(342)	(342)	-	(342)
	1977	-	-	-	-	-
	1978	-	(627)	(627)	-	(627)
	1979	-	-	-	-	-
	1980	-	-	-	-	-
	1981	-	-	-	-	-
	1982	-	-	-	-	-
	1983	-	-	-	-	-
	1984	-	-	-	-	-
	1985	-	-	-	-	-
	1986	-	-	-	-	-
	1987	-	40,545	40,545	-	40,545
	1987 Q1	-	-	-	-	-
	1987 Q2	-	-	-	-	-
	1987 Q3	-	-	-	-	-
	1987 Q4	-	-	-	-	-
	1988	-	14,126	14,126	-	14,126
	1989	-	(660,846)	(660,846)	-	(660,846)
	1990	-	24,051	24,051	-	24,051
	1991	-	38,712	38,712	-	38,712
	1992	-	15,750	15,750	-	15,750
	1993	-	(12,223)	(12,223)	-	(12,223)
	1993 Q1	-	-	-	-	-
	1993 Q2	-	-	-	-	-
	1993 Q3	-	-	-	-	-
	1993 Q4	-	-	-	-	-
	1994	-	65,898	65,898	-	65,898
	1995	-	383,983	383,983	-	383,983
	1996	-	462,818	462,818	-	462,818
	1997	-	599,860	599,860	-	599,860
	1998	-	699,131	699,131	-	699,131
	1999	-	(21,664)	(21,664)	-	(21,664)
	1999 Q1	-	146,654	146,654	-	146,654
	1999 Q2	-	163,709	163,709	-	163,709
	1999 Q3	-	248,594	248,594	-	248,594
	1999 Q4	-	195,790	195,790	-	195,790
	2000	-	348,749	348,749	-	348,749
	2001	-	585,223	585,223	-	585,223
	2001 JCA	-	1,193	1,193	-	1,193
	2002	-	(40,992)	(40,992)	-	(40,992)
	2002 JCA	-	436,097	436,097	-	436,097
	2003 30%	-	170,982	170,982	-	170,982
	2003 50%	-	117,976	117,976	-	117,976
	2003 NQ	-	37,950	37,950	-	37,950
	2004 30%	-	(2,388)	(2,388)	-	(2,388)
	2004 50%	-	302,462	302,462	-	302,462
	2004 NQ	-	(19,306)	(19,306)	-	(19,306)
	2005	-	840,285	840,285	-	840,285
	2006	-	800,319	800,319	-	800,319
	2007	-	(229,979)	(229,979)	-	(229,979)
	2007 Q1	-	188,347	188,347	-	188,347
	2007 Q2	-	259,894	259,894	-	259,894
	2007 Q3	-	320,332	320,332	-	320,332
	2007 Q4	-	203,845	203,845	-	203,845
	2008 50%	-	336,961	336,961	-	336,961
	2008 NQ	-	661	661	-	661
	2009 NQ	-	(187,508)	(187,508)	-	(187,508)
	2009 Q1 50%	-	126,982	126,982	-	126,982
	2009 Q1 NQ	-	441	441	-	441
	2009 Q2 50%	-	138,982	138,982	-	138,982
	2009 Q2 NQ	-	2,872	2,872	-	2,872
	2009 Q3 50%	-	113,512	113,512	-	113,512
	2009 Q3 NQ	-	3,508	3,508	-	3,508
	2009 Q4 50%	-	150,582	150,582	-	150,582
	2009 Q4 NQ	-	(13,828)	(13,828)	-	(13,828)
	2010 100%	-	-	-	-	-
	2010 50%	-	382,156	382,156	-	382,156
	2010 NQ	-	(307,876)	(307,876)	-	(307,876)
	2011	-	18,861	18,861	-	18,861
	2011 100%	-	-	-	-	-
	2011 50%	-	7,046	7,046	-	7,046
	2012	-	(185,532)	(185,532)	-	(185,532)
	2012 50%	-	2,299,651	2,299,651	-	2,299,651
	2013	-	794,175	794,175	-	794,175
	2013 50%	-	1,295,612	1,295,612	-	1,295,612
	2014	-	3,268,856	3,268,856	-	3,268,856
	2015	-	2,359,664	2,359,664	-	2,359,664
Total Provision		\$ -	\$ 17,328,855	\$ 17,328,855	\$ -	\$ 17,328,855

WEST PENN POWER COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
	State	Federal	Total	Normalizing Adjustments	Total
Reversal					
1970	\$ -	\$ -	\$ -	\$ -	\$ -
1971	-	(204)	(204)	-	(204)
1972	-	10	10	-	10
1973	-	-	-	-	-
1974	-	-	-	-	-
1975	-	(187)	(187)	-	(187)
1976	-	-	-	-	-
1977	-	(204)	(204)	-	(204)
1978	-	-	-	-	-
1979	-	(1,377)	(1,377)	-	(1,377)
1980	-	-	-	-	-
1981	-	(197,366)	(197,366)	-	(197,366)
1982	-	(32,502)	(32,502)	-	(32,502)
1983	-	(164,545)	(164,545)	-	(164,545)
1984	-	(132,347)	(132,347)	-	(132,347)
1985	-	(182,790)	(182,790)	-	(182,790)
1986	-	(77,139)	(77,139)	-	(77,139)
1987	-	1,324	1,324	-	1,324
1987 Q1	-	(26,027)	(26,027)	-	(26,027)
1987 Q2	-	(10,981)	(10,981)	-	(10,981)
1987 Q3	-	(26,983)	(26,983)	-	(26,983)
1987 Q4	-	(52,639)	(52,639)	-	(52,639)
1988	-	(146,289)	(146,289)	-	(146,289)
1989	-	(195,324)	(195,324)	-	(195,324)
1990	-	(259,207)	(259,207)	-	(259,207)
1991	-	(161,581)	(161,581)	-	(161,581)
1992	-	(185,247)	(185,247)	-	(185,247)
1993	-	(11,238)	(11,238)	-	(11,238)
1993 Q1	-	(65,665)	(65,665)	-	(65,665)
1993 Q2	-	(40,342)	(40,342)	-	(40,342)
1993 Q3	-	(52,628)	(52,628)	-	(52,628)
1993 Q4	-	(158,092)	(158,092)	-	(158,092)
1994	-	(24,680)	(24,680)	-	(24,680)
1995	-	(10,367)	(10,367)	-	(10,367)
1996	-	(34,460)	(34,460)	-	(34,460)
1997	-	(64,003)	(64,003)	-	(64,003)
1998	-	(183,126)	(183,126)	-	(183,126)
1999	-	(29,700)	(29,700)	-	(29,700)
1999 Q1	-	(120)	(120)	-	(120)
1999 Q2	-	(8,174)	(8,174)	-	(8,174)
1999 Q3	-	5,613	5,613	-	5,613
1999 Q4	-	63,676	63,676	-	63,676
2000	-	(101,905)	(101,905)	-	(101,905)
2001	-	(54,675)	(54,675)	-	(54,675)
2001 JCA	-	90	90	-	90
2002	-	(82,354)	(82,354)	-	(82,354)
2002 JCA	-	123,789	123,789	-	123,789
2003 30%	-	934	934	-	934
2003 50%	-	21,692	21,692	-	21,692
2003 NQ	-	(263,204)	(263,204)	-	(263,204)
2004 30%	-	123	123	-	123
2004 50%	-	50,697	50,697	-	50,697
2004 NQ	-	(185,450)	(185,450)	-	(185,450)
2005	-	(361,452)	(361,452)	-	(361,452)
2006	-	(3,296)	(3,296)	-	(3,296)
2007	-	65,622	65,622	-	65,622
2007 Q1	-	(57,183)	(57,183)	-	(57,183)
2007 Q2	-	(305)	(305)	-	(305)
2007 Q3	-	(20,391)	(20,391)	-	(20,391)
2007 Q4	-	(26,431)	(26,431)	-	(26,431)
2008 50%	-	(188,766)	(188,766)	-	(188,766)
2008 NQ	-	(608,562)	(608,562)	-	(608,562)
2009 NQ	-	(62,604)	(62,604)	-	(62,604)
2009 Q1 50%	-	(9,915)	(9,915)	-	(9,915)
2009 Q1 NQ	-	2,919	2,919	-	2,919
2009 Q2 50%	-	(379,687)	(379,687)	-	(379,687)
2009 Q2 NQ	-	1,392	1,392	-	1,392
2009 Q3 50%	-	14,268	14,268	-	14,268
2009 Q3 NQ	-	1,462	1,462	-	1,462
2009 Q4 50%	-	19,108	19,108	-	19,108
2009 Q4 NQ	-	6,205	6,205	-	6,205
2010 100%	-	(303,420)	(303,420)	-	(303,420)
2010 50%	-	(132,209)	(132,209)	-	(132,209)
2010 NQ	-	(160,977)	(160,977)	-	(160,977)
2011	-	283	283	-	283
2011 100%	-	(2,833,230)	(2,833,230)	-	(2,833,230)
2011 50%	-	(362,548)	(362,548)	-	(362,548)
2012	-	(170,436)	(170,436)	-	(170,436)
2012 50%	-	(450,000)	(450,000)	-	(450,000)
2013	-	(21,285)	(21,285)	-	(21,285)
2013 50%	-	(193,762)	(193,762)	-	(193,762)
2014	-	(92,183)	(92,183)	-	(92,183)
2015	-	(50,497)	(50,497)	-	(50,497)
Total Reversal	\$0	(\$9,333,056)	(\$9,333,056)	\$0	(\$9,333,056)
Net Provision	\$ -	\$ 7,995,799	\$ 7,995,799	\$ -	\$ 7,995,799

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Provision						
1970	\$ -	0%	35%	\$ -	\$ -	-
1971	-	0%	35%	-	-	-
1972	(4,683)	0%	35%	-	(1,639)	(1,639)
1973	-	0%	35%	-	-	-
1974	(548)	0%	35%	-	(192)	(192)
1975	-	0%	35%	-	-	-
1976	(977)	0%	35%	-	(342)	(342)
1977	-	0%	35%	-	-	-
1978	(1,792)	0%	35%	-	(627)	(627)
1979	-	0%	35%	-	-	-
1980	-	0%	35%	-	-	-
1981	-	0%	35%	-	-	-
1982	-	0%	35%	-	-	-
1983	-	0%	35%	-	-	-
1984	-	0%	35%	-	-	-
1985	-	0%	35%	-	-	-
1986	-	0%	35%	-	-	-
1987	107,089	0%	35%	-	37,481	37,481
1987 Q1	-	0%	35%	-	-	-
1987 Q2	-	0%	35%	-	-	-
1987 Q3	-	0%	35%	-	-	-
1987 Q4	-	0%	35%	-	-	-
1988	38,197	0%	35%	-	12,669	12,669
1989	(1,978,299)	0%	35%	-	(692,405)	(692,405)
1990	42,223	0%	35%	-	14,778	14,778
1991	90,667	0%	35%	-	31,734	31,734
1992	24,316	0%	35%	-	8,511	8,511
1993	(51,007)	0%	35%	-	(17,852)	(17,852)
1993 Q1	-	0%	35%	-	-	-
1993 Q2	-	0%	35%	-	-	-
1993 Q3	-	0%	35%	-	-	-
1993 Q4	-	0%	35%	-	-	-
1994	137,244	0%	35%	-	48,036	48,036
1995	1,055,230	0%	35%	-	369,331	369,331
1996	1,268,962	0%	35%	-	444,137	444,137
1997	1,658,429	0%	35%	-	580,450	580,450
1998	1,926,993	0%	35%	-	674,448	674,448
1999	(61,898)	0%	35%	-	(21,664)	(21,664)
1999 Q1	398,066	0%	35%	-	139,323	139,323
1999 Q2	452,743	0%	35%	-	158,460	158,460
1999 Q3	685,494	0%	35%	-	239,923	239,923
1999 Q4	512,443	0%	35%	-	179,355	179,355
2000	922,600	0%	35%	-	322,910	322,910
2001	1,578,977	0%	35%	-	552,642	552,642
2001 JCA	3,198	0%	35%	-	1,119	1,119
2002	(121,452)	0%	35%	-	(42,508)	(42,508)
2002 JCA	1,139,110	0%	35%	-	398,688	398,688
2003 30%	452,094	0%	35%	-	158,233	158,233
2003 50%	305,402	0%	35%	-	106,891	106,891
2003 NQ	88,103	0%	35%	-	30,836	30,836
2004 30%	(5,849)	0%	35%	-	(2,082)	(2,082)
2004 50%	781,919	0%	35%	-	273,672	273,672
2004 NQ	(64,452)	0%	35%	-	(22,558)	(22,558)
2005	2,191,075	0%	35%	-	766,876	766,876
2006	2,088,825	0%	35%	-	731,089	731,089
2007	(676,709)	0%	35%	-	(236,848)	(236,848)
2007 Q1	489,276	0%	35%	-	171,246	171,246
2007 Q2	675,936	0%	35%	-	236,578	236,578
2007 Q3	835,102	0%	35%	-	292,286	292,286
2007 Q4	512,147	0%	35%	-	179,252	179,252
2008 50%	842,462	0%	35%	-	294,862	294,862
2008 NQ	(73,640)	0%	35%	-	(25,774)	(25,774)
2009 NQ	(535,736)	0%	35%	-	(187,508)	(187,508)
2009 Q1 50%	319,086	0%	35%	-	111,680	111,680
2009 Q1 NQ	(5,763)	0%	35%	-	(2,017)	(2,017)
2009 Q2 50%	348,877	0%	35%	-	122,107	122,107
2009 Q2 NQ	7,957	0%	35%	-	2,785	2,785
2009 Q3 50%	285,652	0%	35%	-	99,978	99,978
2009 Q3 NQ	6,423	0%	35%	-	2,248	2,248
2009 Q4 50%	378,831	0%	35%	-	132,591	132,591
2009 Q4 NQ	(46,955)	0%	35%	-	(16,434)	(16,434)
2010 100%	-	0%	35%	-	-	-
2010 50%	981,025	0%	35%	-	343,359	343,359
2010 NQ	(905,973)	0%	35%	-	(317,091)	(317,091)
2011	32,460	0%	35%	-	11,361	11,361
2011 100%	-	0%	35%	-	-	-
2011 50%	16,969	0%	35%	-	5,939	5,939
2012	(477,902)	0%	35%	-	(167,266)	(167,266)
2012 50%	6,279,120	0%	35%	-	2,197,692	2,197,692
2013	2,063,861	0%	35%	-	722,351	722,351
2013 50%	3,457,333	0%	35%	-	1,210,067	1,210,067
2014	9,107,847	0%	35%	-	3,187,746	3,187,746
2015	6,741,897	0%	35%	-	2,359,664	2,359,664
	\$ 46,315,927			\$ -	\$ 16,210,574	\$ 16,210,574
Provision Gains/Losses Page ( 10 )				\$ -	\$ 1,118,281	\$ 1,118,281
Provision				\$ -	\$ 17,328,855	\$ 17,328,855

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Reversal						
1970	\$ -	0%	0%	\$ -	\$ -	-
1971	(492)	0%	41%	-	(204)	(204)
1972	23	0%	41%	-	10	10
1973	-	0%	0%	-	-	-
1974	-	0%	0%	-	-	-
1975	(482)	0%	40%	-	(187)	(187)
1976	(0)	0%	0%	-	-	-
1977	(513)	0%	40%	-	(204)	(204)
1978	0	0%	0%	-	-	-
1979	(3,525)	0%	39%	-	(1,377)	(1,377)
1980	-	0%	0%	-	-	-
1981	(489,641)	0%	40%	-	(197,366)	(197,366)
1982	(81,847)	0%	40%	-	(32,502)	(32,502)
1983	(425,708)	0%	39%	-	(164,545)	(164,545)
1984	(350,263)	0%	38%	-	(132,347)	(132,347)
1985	(496,460)	0%	37%	-	(182,790)	(182,790)
1986	(215,565)	0%	36%	-	(77,139)	(77,139)
1987	3,451	0%	38%	-	1,324	1,324
1987 Q1	(73,205)	0%	36%	-	(26,027)	(26,027)
1987 Q2	(30,967)	0%	35%	-	(10,981)	(10,981)
1987 Q3	(76,306)	0%	35%	-	(26,983)	(26,983)
1987 Q4	(149,260)	0%	35%	-	(52,639)	(52,639)
1988	(421,784)	0%	35%	-	(146,289)	(146,289)
1989	(650,005)	0%	36%	-	(195,324)	(195,324)
1990	(744,516)	0%	35%	-	(259,207)	(259,207)
1991	(482,855)	0%	35%	-	(161,581)	(161,581)
1992	(629,539)	0%	35%	-	(185,247)	(185,247)
1993	(32,108)	0%	35%	-	(11,238)	(11,238)
1993 Q1	(187,616)	0%	35%	-	(65,665)	(65,665)
1993 Q2	(115,263)	0%	35%	-	(40,342)	(40,342)
1993 Q3	(150,365)	0%	35%	-	(52,628)	(52,628)
1993 Q4	(451,692)	0%	35%	-	(158,092)	(158,092)
1994	(70,515)	0%	35%	-	(24,680)	(24,680)
1995	(29,620)	0%	35%	-	(10,367)	(10,367)
1996	(98,458)	0%	35%	-	(34,460)	(34,460)
1997	(182,867)	0%	35%	-	(64,003)	(64,003)
1998	(523,218)	0%	35%	-	(183,126)	(183,126)
1999	(84,857)	0%	35%	-	(29,700)	(29,700)
1999 Q1	(344)	0%	35%	-	(120)	(120)
1999 Q2	(23,355)	0%	35%	-	(8,174)	(8,174)
1999 Q3	16,036	0%	35%	-	5,613	5,613
1999 Q4	181,932	0%	35%	-	63,676	63,676
2000	(291,156)	0%	35%	-	(101,905)	(101,905)
2001	(166,214)	0%	35%	-	(54,675)	(54,675)
2001 JCA	266	0%	35%	-	90	90
2002	(235,296)	0%	35%	-	(82,354)	(82,354)
2002 JCA	353,682	0%	35%	-	123,789	123,789
2003 30%	2,668	0%	35%	-	934	934
2003 50%	61,978	0%	35%	-	21,692	21,692
2003 NQ	(762,011)	0%	35%	-	(263,204)	(263,204)
2004 30%	351	0%	35%	-	123	123
2004 50%	144,850	0%	35%	-	50,697	50,697
2004 NQ	(529,857)	0%	35%	-	(185,450)	(185,450)
2005	(1,032,719)	0%	35%	-	(361,452)	(361,452)
2006	(9,417)	0%	35%	-	(3,296)	(3,296)
2007	424,549	0%	15%	-	65,622	65,622
2007 Q1	(163,381)	0%	35%	-	(57,183)	(57,183)
2007 Q2	(873)	0%	35%	-	(305)	(305)
2007 Q3	(58,259)	0%	35%	-	(20,391)	(20,391)
2007 Q4	(76,516)	0%	35%	-	(26,431)	(26,431)
2008 50%	(539,331)	0%	35%	-	(188,766)	(188,766)
2008 NQ	(1,738,748)	0%	35%	-	(608,562)	(608,562)
2009 NQ	(178,869)	0%	35%	-	(62,604)	(62,604)
2009 Q1 50%	(28,328)	0%	35%	-	(9,915)	(9,915)
2009 Q1 NQ	8,341	0%	35%	-	2,919	2,919
2009 Q2 50%	(1,084,820)	0%	35%	-	(379,687)	(379,687)
2009 Q2 NQ	3,977	0%	35%	-	1,392	1,392
2009 Q3 50%	40,766	0%	35%	-	14,268	14,268
2009 Q3 NQ	4,178	0%	35%	-	1,462	1,462
2009 Q4 50%	54,694	0%	35%	-	19,108	19,108
2009 Q4 NQ	17,729	0%	35%	-	6,205	6,205
2010 100%	(886,915)	0%	35%	-	(303,420)	(303,420)
2010 50%	(377,739)	0%	35%	-	(132,209)	(132,209)
2010 NQ	(459,935)	0%	35%	-	(160,977)	(160,977)
2011	809	0%	35%	-	283	283
2011 100%	(8,094,943)	0%	35%	-	(2,833,230)	(2,833,230)
2011 50%	(1,035,852)	0%	35%	-	(362,548)	(362,548)
2012	(486,981)	0%	35%	-	(170,436)	(170,436)
2012 50%	(1,285,715)	0%	35%	-	(450,000)	(450,000)
2013	(60,814)	0%	35%	-	(21,285)	(21,285)
2013 50%	(553,605)	0%	35%	-	(193,762)	(193,762)
2014	122,053	0%	-76%	-	(92,183)	(92,183)
2015	193,429	0%	-26%	-	(60,497)	(60,497)
Reversal	\$ (25,514,799)			\$ -	\$ (9,333,056)	\$ (9,333,056)
Total Net Provision				\$ -	\$ 7,995,800	\$ 7,995,800

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2014 - April, 2015  
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/ Effective Rates		Deferral of Taxes		
	Basis of Property	Accumulated Tax Depreciation		State	Federal	State	Federal	Total
	1	2	3	4	5	6 = 3 x 4	7 = 3 x 5	8 = 6+7
Provision - 4/14-4/15								
1987	\$ 47,896	\$ 39,143	\$ 8,753	0%	35%	\$ -	\$ 3,064	\$ 3,064
1987 Q1	37,440	37,440	-	0%	35%	-	-	-
1987 Q2	15,838	15,838	-	0%	35%	-	-	-
1987 Q3	38,908	38,908	-	0%	35%	-	-	-
1987 Q4	76,333	76,333	-	0%	35%	-	-	-
1988	236,577	232,415	4,163	0%	35%	-	1,457	1,457
1989	605,792	515,626	90,166	0%	35%	-	31,558	31,558
1990	476,282	449,787	26,495	0%	35%	-	9,273	9,273
1991	311,526	291,588	19,938	0%	35%	-	6,978	6,978
1992	329,836	309,151	20,686	0%	35%	-	7,240	7,240
1993	61,158	45,073	16,085	0%	35%	-	5,630	5,630
1993 Q1	97,978	97,978	-	0%	35%	-	-	-
1993 Q2	62,416	62,416	-	0%	35%	-	-	-
1993 Q3	78,488	78,488	-	0%	35%	-	-	-
1993 Q4	223,937	223,937	-	0%	35%	-	-	-
1994	391,354	340,319	51,035	0%	35%	-	17,862	17,862
1995	432,135	390,270	41,865	0%	35%	-	14,653	14,653
1996	364,525	311,151	53,374	0%	35%	-	18,681	18,681
1997	395,903	340,446	55,457	0%	35%	-	19,410	19,410
1998	412,988	342,466	70,523	0%	35%	-	24,683	24,683
1999	-	-	-	0%	35%	-	-	-
1999 Q1	80,615	59,671	20,944	0%	35%	-	7,331	7,331
1999 Q2	91,804	76,807	14,997	0%	35%	-	5,249	5,249
1999 Q3	117,405	92,631	24,774	0%	35%	-	8,671	8,671
1999 Q4	238,143	191,187	46,956	0%	35%	-	16,435	16,435
2000	265,608	191,781	73,827	0%	35%	-	25,839	25,839
2001	249,068	155,979	93,089	0%	35%	-	32,581	32,581
2001 JCA	303	93	209	0%	35%	-	73	73
2002	4,331	-	4,331	0%	35%	-	1,516	1,516
2002 JCA	304,051	197,170	106,881	0%	35%	-	37,408	37,408
2003 30%	95,222	58,796	36,427	0%	35%	-	12,749	12,749
2003 50%	83,618	51,946	31,672	0%	35%	-	11,085	11,085
2003 NQ	38,413	18,087	20,326	0%	35%	-	7,114	7,114
2004 30%	(1,930)	(1,055)	(875)	0%	35%	-	(306)	(306)
2004 50%	199,988	117,729	82,258	0%	35%	-	28,790	28,790
2004 NQ	17,125	7,833	9,291	0%	35%	-	3,252	3,252
2005	423,288	213,548	209,740	0%	35%	-	73,409	73,409
2006	397,594	199,793	197,801	0%	35%	-	69,230	69,230
2007	(8,132)	(27,758)	19,626	0%	35%	-	6,869	6,869
2007 Q1	103,217	54,358	48,860	0%	35%	-	17,101	17,101
2007 Q2	119,907	53,289	66,618	0%	35%	-	23,316	23,316
2007 Q3	151,645	71,512	80,133	0%	35%	-	28,047	28,047
2007 Q4	122,556	52,289	70,268	0%	35%	-	24,594	24,594
2008 50%	205,501	85,218	120,283	0%	35%	-	42,099	42,099
2008 NQ	139,937	64,407	75,530	0%	35%	-	26,436	26,436
2009 NQ	-	-	-	0%	35%	-	-	-
2009 Q1 50%	68,833	25,113	43,720	0%	35%	-	15,302	15,302
2009 Q1 NQ	7,628	604	7,024	0%	35%	-	2,458	2,458
2009 Q2 50%	79,540	31,326	48,214	0%	35%	-	16,875	16,875
2009 Q2 NQ	541	292	249	0%	35%	-	87	87
2009 Q3 50%	58,540	19,871	38,668	0%	35%	-	13,534	13,534
2009 Q3 NQ	5,049	1,450	3,599	0%	35%	-	1,260	1,260
2009 Q4 50%	78,018	26,614	51,404	0%	35%	-	17,992	17,992
2009 Q4 NQ	6,144	(1,301)	7,446	0%	35%	-	2,606	2,606
2010 100%	-	-	-	0%	35%	-	-	-
2010 50%	173,314	62,464	110,850	0%	35%	-	38,798	38,798
2010 NQ	29,104	2,776	26,327	0%	35%	-	9,215	9,215
2011	23,326	1,897	21,429	0%	35%	-	7,500	7,500
2011 100%	-	-	-	0%	35%	-	-	-
2011 50%	16,688	13,526	3,162	0%	35%	-	1,107	1,107
2012	(59,141)	(6,950)	(52,191)	0%	35%	-	(18,267)	(18,267)
2012 50%	378,649	87,339	291,311	0%	35%	-	101,959	101,959
2013	231,851	26,640	205,211	0%	35%	-	71,824	71,824
2013 50%	307,868	63,452	244,416	0%	35%	-	85,546	85,546
2014	250,151	18,410	231,742	0%	35%	-	81,110	81,110
Provision - (gains/losses)						\$ 1,118,281	\$ 1,118,281	

WEST PENN POWER COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service May, 2015 - April, 2016

Provision:	Vintage Year	Deferral of Taxes		Total
		State	Federal	
	1970	\$ -	\$ -	\$ -
	1971	-	-	-
	1972	-	(310)	(310)
	1973	-	-	-
	1974	-	(67)	(67)
	1975	-	-	-
	1976	-	(120)	(120)
	1977	-	-	-
	1978	-	(220)	(220)
	1979	-	-	-
	1980	-	-	-
	1981	-	-	-
	1982	-	-	-
	1983	-	-	-
	1984	-	-	-
	1985	-	-	-
	1986	-	-	-
	1987	-	7,215	7,215
	1987 Q1	-	-	-
	1987 Q2	-	-	-
	1987 Q3	-	-	-
	1987 Q4	-	-	-
	1988	-	2,594	2,594
	1989	-	(296,796)	(296,796)
	1990	-	(10,130)	(10,130)
	1991	-	4,017	4,017
	1992	-	(1,160)	(1,160)
	1993	-	(13,084)	(13,084)
	1993 Q1	-	-	-
	1993 Q2	-	-	-
	1993 Q3	-	-	-
	1993 Q4	-	-	-
	1994	-	(23,630)	(23,630)
	1995	-	(4,973)	(4,973)
	1996	-	96,134	96,134
	1997	-	182,573	182,573
	1998	-	217,614	217,614
	1999	-	(6,903)	(6,903)
	1999 Q1	-	45,706	45,706
	1999 Q2	-	50,943	50,943
	1999 Q3	-	79,001	79,001
	1999 Q4	-	54,576	54,576
	2000	-	102,504	102,504
	2001	-	182,951	182,951
	2001 JCA	-	346	346
	2002	-	(13,506)	(13,506)
	2002 JCA	-	126,023	126,023
	2003 30%	-	49,678	49,678
	2003 50%	-	29,348	29,348
	2003 NQ	-	10,432	10,432
	2004 30%	-	(615)	(615)
	2004 50%	-	77,920	77,920
	2004 NQ	-	(5,925)	(5,925)
	2005	-	262,836	262,836
	2006	-	250,438	250,438
	2007	-	(71,112)	(71,112)
	2007 Q1	-	58,168	58,168
	2007 Q2	-	80,446	80,446
	2007 Q3	-	97,279	97,279
	2007 Q4	-	52,666	52,666
	2008 50%	-	77,656	77,656
	2008 NQ	-	5,298	5,298
	2009 NQ	-	(53,354)	(53,354)
	2009 Q1 50%	-	29,214	29,214
	2009 Q1 NQ	-	113	113
	2009 Q2 50%	-	31,801	31,801
	2009 Q2 NQ	-	779	779
	2009 Q3 50%	-	26,184	26,184
	2009 Q3 NQ	-	1,129	1,129
	2009 Q4 50%	-	34,703	34,703
	2009 Q4 NQ	-	(3,582)	(3,582)
	2010 100%	-	-	-
	2010 50%	-	96,362	96,362
	2010 NQ	-	(118,624)	(118,624)
	2011	-	2,867	2,867
	2011 100%	-	-	-
	2011 50%	-	1,765	1,765
	2012	-	(56,930)	(56,930)
	2012 50%	-	535,932	535,932
	2013	-	189,925	189,925
	2013 50%	-	433,192	433,192
	2014	-	1,311,408	1,311,408
	2015	-	2,143,403	2,143,403
	2016	-	1,299,503	1,299,503
Total Provision		\$ 7,661,601	\$ 7,661,601	\$ 7,661,601

WEST PENN POWER COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service May, 2015 - April, 2016

Reversal	Vintage Year	Deferral of Taxes		Total
		State	Federal	
	1970	\$ -	\$ -	\$ -
	1971	-	(107)	(107)
	1972	-	1,523	1,523
	1973	-	-	-
	1974	-	-	-
	1975	-	(66)	(66)
	1976	-	-	-
	1977	-	(72)	(72)
	1978	-	-	-
	1979	-	(483)	(483)
	1980	-	-	-
	1981	-	(87,708)	(87,708)
	1982	-	(14,991)	(14,991)
	1983	-	(73,801)	(73,801)
	1984	-	(59,529)	(59,529)
	1985	-	(82,174)	(82,174)
	1986	-	(38,330)	(38,330)
	1987	-	99	99
	1987 Q1	-	(11,772)	(11,772)
	1987 Q2	-	(4,966)	(4,966)
	1987 Q3	-	(12,204)	(12,204)
	1987 Q4	-	(23,807)	(23,807)
	1988	-	(66,377)	(66,377)
	1989	-	(78,588)	(78,588)
	1990	-	(114,184)	(114,184)
	1991	-	(73,025)	(73,025)
	1992	-	(83,029)	(83,029)
	1993	-	(4,236)	(4,236)
	1993 Q1	-	(29,601)	(29,601)
	1993 Q2	-	(18,222)	(18,222)
	1993 Q3	-	(23,807)	(23,807)
	1993 Q4	-	(71,270)	(71,270)
	1994	-	(67,428)	(67,428)
	1995	-	(38,105)	(38,105)
	1996	-	(17,948)	(17,948)
	1997	-	(25,152)	(25,152)
	1998	-	(66,811)	(66,811)
	1999	-	(11,120)	(11,120)
	1999 Q1	-	406	406
	1999 Q2	-	(3,372)	(3,372)
	1999 Q3	-	2,329	2,329
	1999 Q4	-	23,982	23,982
	2000	-	(42,659)	(42,659)
	2001	-	(19,971)	(19,971)
	2001 JCA	-	34	34
	2002	-	(30,007)	(30,007)
	2002 JCA	-	47,764	47,764
	2003 30%	-	528	528
	2003 50%	-	8,673	8,673
	2003 NQ	-	(93,517)	(93,517)
	2004 30%	-	46	46
	2004 50%	-	22,914	22,914
	2004 NQ	-	(67,670)	(67,670)
	2005	-	(144,652)	(144,652)
	2006	-	(2,951)	(2,951)
	2007	-	(67,449)	(67,449)
	2007 Q1	-	(18,132)	(18,132)
	2007 Q2	-	(81)	(81)
	2007 Q3	-	(4,939)	(4,939)
	2007 Q4	-	(11,596)	(11,596)
	2008 50%	-	(23,847)	(23,847)
	2008 NQ	-	(191,197)	(191,197)
	2009 NQ	-	(28,151)	(28,151)
	2009 Q1 50%	-	(3,545)	(3,545)
	2009 Q1 NQ	-	(0)	(0)
	2009 Q2 50%	-	(174,337)	(174,337)
	2009 Q2 NQ	-	647	647
	2009 Q3 50%	-	5,849	5,849
	2009 Q3 NQ	-	(556)	(556)
	2009 Q4 50%	-	7,892	7,892
	2009 Q4 NQ	-	520	520
	2010 100%	-	(98,760)	(98,760)
	2010 50%	-	(68,310)	(68,310)
	2010 NQ	-	(37,856)	(37,856)
	2011	-	191	191
	2011 100%	-	(439,272)	(439,272)
	2011 50%	-	(29,230)	(29,230)
	2012	-	(68,919)	(68,919)
	2012 50%	-	(211,725)	(211,725)
	2013	-	31,516	31,516
	2013 50%	-	31,659	31,659
	2014	-	(46,619)	(46,619)
	2015	-	(75,557)	(75,557)
	2016	-	(17,294)	(17,294)
Total Reversal		\$ -	\$ (3,030,515)	\$ (3,030,515)
Net Provision		\$ -	\$ 4,631,085	\$ 4,631,085

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant in Service May, 2015 - April, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Provision						
1970	\$ -	0%	35%	\$ -	\$ -	\$ -
1971	-	0%	35%	-	-	-
1972	(885)	0%	35%	-	(310)	(310)
1973	-	0%	35%	-	-	-
1974	(192)	0%	35%	-	(67)	(67)
1975	-	0%	35%	-	-	-
1976	(343)	0%	35%	-	(120)	(120)
1977	-	0%	35%	-	-	-
1978	(629)	0%	35%	-	(220)	(220)
1979	-	0%	35%	-	-	-
1980	-	0%	35%	-	-	-
1981	-	0%	35%	-	-	-
1982	-	0%	35%	-	-	-
1983	-	0%	35%	-	-	-
1984	-	0%	35%	-	-	-
1985	-	0%	35%	-	-	-
1986	-	0%	35%	-	-	-
1987	18,480	0%	35%	-	6,468	6,468
1987 Q1	-	0%	35%	-	-	-
1987 Q2	-	0%	35%	-	-	-
1987 Q3	-	0%	35%	-	-	-
1987 Q4	-	0%	35%	-	-	-
1988	6,337	0%	35%	-	2,218	2,218
1989	(874,124)	0%	35%	-	(305,943)	(305,943)
1990	(35,853)	0%	35%	-	(12,584)	(12,584)
1991	6,102	0%	35%	-	2,138	2,138
1992	(9,160)	0%	35%	-	(3,206)	(3,206)
1993	(41,799)	0%	35%	-	(14,630)	(14,630)
1993 Q1	-	0%	35%	-	-	-
1993 Q2	-	0%	35%	-	-	-
1993 Q3	-	0%	35%	-	-	-
1993 Q4	-	0%	35%	-	-	-
1994	(81,324)	0%	35%	-	(28,463)	(28,463)
1995	(23,212)	0%	35%	-	(8,124)	(8,124)
1996	263,035	0%	35%	-	92,062	92,062
1997	510,506	0%	35%	-	178,677	178,677
1998	606,193	0%	35%	-	212,167	212,167
1999	(19,724)	0%	35%	-	(6,903)	(6,903)
1999 Q1	125,400	0%	35%	-	43,890	43,890
1999 Q2	142,289	0%	35%	-	49,801	49,801
1999 Q3	220,054	0%	35%	-	77,019	77,019
1999 Q4	143,943	0%	35%	-	50,380	50,380
2000	274,373	0%	35%	-	96,031	96,031
2001	498,895	0%	35%	-	174,613	174,613
2001 JCA	936	0%	35%	-	328	328
2002	(39,883)	0%	35%	-	(13,959)	(13,959)
2002 JCA	332,003	0%	35%	-	116,201	116,201
2003 30%	132,461	0%	35%	-	46,361	46,361
2003 50%	75,612	0%	35%	-	26,464	26,464
2003 NQ	24,138	0%	35%	-	8,447	8,447
2004 30%	(1,527)	0%	35%	-	(534)	(534)
2004 50%	200,905	0%	35%	-	70,317	70,317
2004 NQ	(19,524)	0%	35%	-	(6,833)	(6,833)
2005	694,352	0%	35%	-	243,023	243,023
2006	662,294	0%	35%	-	231,803	231,803
2007	(208,833)	0%	35%	-	(73,092)	(73,092)
2007 Q1	152,956	0%	35%	-	53,534	53,534
2007 Q2	211,745	0%	35%	-	74,111	74,111
2007 Q3	256,223	0%	35%	-	89,678	89,678
2007 Q4	131,136	0%	35%	-	45,898	45,898
2008 50%	189,076	0%	35%	-	66,177	66,177
2008 NQ	(5,904)	0%	35%	-	(2,066)	(2,066)
2009 NQ	(152,441)	0%	35%	-	(53,354)	(53,354)
2009 Q1 50%	71,573	0%	35%	-	25,050	25,050
2009 Q1 NQ	(1,724)	0%	35%	-	(603)	(603)
2009 Q2 50%	77,737	0%	35%	-	27,208	27,208
2009 Q2 NQ	2,169	0%	35%	-	759	759
2009 Q3 50%	64,247	0%	35%	-	22,486	22,486
2009 Q3 NQ	2,207	0%	35%	-	773	773
2009 Q4 50%	85,114	0%	35%	-	29,790	29,790
2009 Q4 NQ	(12,463)	0%	35%	-	(4,362)	(4,362)
2010 100%	-	0%	35%	-	-	-
2010 50%	245,622	0%	35%	-	85,968	85,968
2010 NQ	(346,551)	0%	35%	-	(121,293)	(121,293)
2011	1,987	0%	35%	-	696	696
2011 100%	-	0%	35%	-	-	-
2011 50%	4,419	0%	35%	-	1,547	1,547
2012	(148,126)	0%	35%	-	(51,844)	(51,844)
2012 50%	1,454,171	0%	35%	-	508,960	508,960
2013	487,366	0%	35%	-	170,578	170,578
2013 50%	1,178,692	0%	35%	-	412,542	412,542
2014	3,471,612	0%	35%	-	1,215,064	1,215,064
2015	6,051,889	0%	35%	-	2,118,161	2,118,161
2016	3,712,866	0%	35%	-	1,299,503	1,299,503
\$	20,766,794			\$	7,268,378	\$ 7,268,378
Provision Gains/Losses Page ( 15 )				\$	393,223	\$ 393,223
Provision				\$	7,661,601	\$ 7,661,601

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant In Service May, 2015 - April, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Reversal						
1970	\$ -	0%	0%	\$ -	\$ -	-
1971	(257)	0%	41%	-	(107)	(107)
1972	4,278	0%	36%	-	1,523	1,523
1973	-	0%	0%	-	-	-
1974	0	0%	0%	-	-	-
1975	(162)	0%	40%	-	(66)	(66)
1976	(0)	0%	0%	-	-	-
1977	(180)	0%	40%	-	(72)	(72)
1978	0	0%	0%	-	-	-
1979	(1,237)	0%	39%	-	(483)	(483)
1980	-	0%	0%	-	-	-
1981	(217,770)	0%	40%	-	(87,708)	(87,708)
1982	(37,851)	0%	40%	-	(14,991)	(14,991)
1983	(190,959)	0%	39%	-	(73,801)	(73,801)
1984	(157,578)	0%	38%	-	(59,529)	(59,529)
1985	(223,215)	0%	37%	-	(82,174)	(82,174)
1986	(101,627)	0%	36%	-	(36,330)	(36,330)
1987	128	0%	78%	-	99	99
1987 Q1	(33,135)	0%	36%	-	(11,772)	(11,772)
1987 Q2	(14,016)	0%	35%	-	(4,966)	(4,966)
1987 Q3	(34,538)	0%	35%	-	(12,204)	(12,204)
1987 Q4	(67,555)	0%	35%	-	(23,807)	(23,807)
1988	(191,355)	0%	35%	-	(66,377)	(66,377)
1989	(221,546)	0%	35%	-	(78,588)	(78,588)
1990	(326,002)	0%	35%	-	(114,184)	(114,184)
1991	(209,187)	0%	35%	-	(73,025)	(73,025)
1992	(237,335)	0%	35%	-	(83,029)	(83,029)
1993	(12,102)	0%	35%	-	(4,236)	(4,236)
1993 Q1	(84,575)	0%	35%	-	(29,601)	(29,601)
1993 Q2	(62,062)	0%	35%	-	(18,222)	(18,222)
1993 Q3	(69,020)	0%	35%	-	(23,807)	(23,807)
1993 Q4	(203,628)	0%	35%	-	(71,270)	(71,270)
1994	(192,651)	0%	35%	-	(67,428)	(67,428)
1995	(108,871)	0%	35%	-	(38,105)	(38,105)
1996	(51,279)	0%	35%	-	(17,948)	(17,948)
1997	(71,862)	0%	35%	-	(25,152)	(25,152)
1998	(190,890)	0%	35%	-	(66,811)	(66,811)
1999	(31,772)	0%	35%	-	(11,120)	(11,120)
1999 Q1	1,160	0%	35%	-	406	406
1999 Q2	(9,635)	0%	35%	-	(3,372)	(3,372)
1999 Q3	6,656	0%	35%	-	2,329	2,329
1999 Q4	68,521	0%	35%	-	23,982	23,982
2000	(121,883)	0%	35%	-	(42,659)	(42,659)
2001	(57,061)	0%	35%	-	(19,971)	(19,971)
2001 JCA	98	0%	35%	-	34	34
2002	(85,735)	0%	35%	-	(30,007)	(30,007)
2002 JCA	136,488	0%	35%	-	47,764	47,764
2003 30%	1,503	0%	35%	-	526	526
2003 50%	24,779	0%	35%	-	8,673	8,673
2003 NQ	(267,192)	0%	35%	-	(93,517)	(93,517)
2004 30%	132	0%	35%	-	46	46
2004 50%	65,468	0%	35%	-	22,914	22,914
2004 NQ	(193,342)	0%	35%	-	(67,670)	(67,670)
2005	(413,291)	0%	35%	-	(144,652)	(144,652)
2006	(8,432)	0%	35%	-	(2,951)	(2,951)
2007	(192,712)	0%	35%	-	(67,449)	(67,449)
2007 Q1	(51,807)	0%	35%	-	(18,132)	(18,132)
2007 Q2	(231)	0%	35%	-	(81)	(81)
2007 Q3	(14,111)	0%	35%	-	(4,939)	(4,939)
2007 Q4	(33,133)	0%	35%	-	(11,596)	(11,596)
2008 50%	(68,135)	0%	35%	-	(23,847)	(23,847)
2008 NQ	(548,279)	0%	35%	-	(191,197)	(191,197)
2009 NQ	(80,431)	0%	35%	-	(28,151)	(28,151)
2009 Q1 50%	(10,128)	0%	35%	-	(3,545)	(3,545)
2009 Q1 NQ	(1)	0%	35%	-	(0)	(0)
2009 Q2 50%	(498,107)	0%	35%	-	(174,337)	(174,337)
2009 Q2 NQ	1,849	0%	35%	-	647	647
2009 Q3 50%	16,710	0%	35%	-	5,849	5,849
2009 Q3 NQ	(1,588)	0%	35%	-	(556)	(556)
2009 Q4 50%	22,550	0%	35%	-	7,892	7,892
2009 Q4 NQ	1,485	0%	35%	-	520	520
2010 100%	(282,173)	0%	35%	-	(98,760)	(98,760)
2010 50%	(189,458)	0%	35%	-	(66,310)	(66,310)
2010 NQ	(108,159)	0%	35%	-	(37,856)	(37,856)
2011	546	0%	35%	-	191	191
2011 100%	(1,255,062)	0%	35%	-	(439,272)	(439,272)
2011 50%	(83,514)	0%	35%	-	(29,230)	(29,230)
2012	(196,913)	0%	35%	-	(68,919)	(68,919)
2012 50%	(604,928)	0%	35%	-	(211,725)	(211,725)
2013	90,047	0%	35%	-	31,516	31,516
2013 50%	90,453	0%	35%	-	31,659	31,659
2014	(133,198)	0%	35%	-	(46,619)	(46,619)
2015	40,872	0%	-185%	-	(75,557)	(75,557)
2016	178,450	0%	-10%	-	(17,294)	(17,294)
Reversal	\$ (8,089,701)			\$ -	\$ (3,030,515)	\$ (3,030,515)
Total Net Provision				\$ -	\$ 4,631,085	\$ 4,631,085

WEST PENN POWER COMPANY  
 Computation of Deferred Income Taxes  
 Based upon Electric Plant in Service May, 2015 - April, 2016  
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52		(Gain)/Loss recognized	Statutory/ Effective Rates		Deferral of Taxes		Total
	Basis of Property	Accumulated Tax Depreciation		State	Federal	State	Federal	
	1	2	3	4	5	6 = 3 x 4	7 = 3 x 5	8 = 6+7
Provision - 5/15-4/16								
1987 \$	14,313	\$ 12,180	\$ 2,133	0%	35%	\$ -	\$ 746	\$ 746
1987 Q1	11,188	11,188	-	0%	35%	-	-	-
1987 Q2	4,733	4,733	-	0%	35%	-	-	-
1987 Q3	11,627	11,627	-	0%	35%	-	-	-
1987 Q4	22,810	22,810	-	0%	35%	-	-	-
1988	70,696	69,621	1,075	0%	35%	-	376	376
1989	181,027	154,891	26,136	0%	35%	-	9,148	9,148
1990	142,326	135,316	7,010	0%	35%	-	2,454	2,454
1991	93,092	87,719	5,374	0%	35%	-	1,881	1,881
1992	98,564	92,719	5,845	0%	35%	-	2,046	2,046
1993	18,276	13,858	4,418	0%	35%	-	1,546	1,546
1993 Q1	29,279	29,279	-	0%	35%	-	-	-
1993 Q2	18,652	18,652	-	0%	35%	-	-	-
1993 Q3	23,454	23,454	-	0%	35%	-	-	-
1993 Q4	66,918	66,918	-	0%	35%	-	-	-
1994	116,947	103,139	13,809	0%	35%	-	4,833	4,833
1995	129,134	120,130	9,004	0%	35%	-	3,151	3,151
1996	108,930	97,296	11,634	0%	35%	-	4,072	4,072
1997	118,307	107,175	11,132	0%	35%	-	3,896	3,896
1998	123,412	107,849	15,563	0%	35%	-	5,447	5,447
1999	-	-	-	0%	35%	-	-	-
1999 Q1	24,090	18,900	5,190	0%	35%	-	1,816	1,816
1999 Q2	27,434	24,172	3,262	0%	35%	-	1,142	1,142
1999 Q3	35,084	29,422	5,662	0%	35%	-	1,982	1,982
1999 Q4	71,164	59,176	11,988	0%	35%	-	4,196	4,196
2000	79,371	60,875	18,495	0%	35%	-	6,473	6,473
2001	74,428	50,607	23,821	0%	35%	-	8,337	8,337
2001 JCA	90	38	52	0%	35%	-	18	18
2002	1,294	-	1,294	0%	35%	-	453	453
2002 JCA	90,859	62,795	28,064	0%	35%	-	9,822	9,822
2003 30%	28,455	18,979	9,476	0%	35%	-	3,317	3,317
2003 50%	24,987	16,748	8,239	0%	35%	-	2,884	2,884
2003 NQ	11,479	5,810	5,669	0%	35%	-	1,984	1,984
2004 30%	(577)	(346)	(231)	0%	35%	-	(81)	(81)
2004 50%	59,762	38,037	21,725	0%	35%	-	7,604	7,604
2004 NQ	5,117	2,522	2,595	0%	35%	-	908	908
2005	126,490	69,883	56,607	0%	35%	-	19,812	19,812
2006	118,812	65,568	53,244	0%	35%	-	18,635	18,635
2007	(2,430)	(8,086)	5,656	0%	35%	-	1,980	1,980
2007 Q1	30,844	17,605	13,239	0%	35%	-	4,634	4,634
2007 Q2	35,832	17,732	18,100	0%	35%	-	6,335	6,335
2007 Q3	45,316	23,598	21,718	0%	35%	-	7,601	7,601
2007 Q4	36,623	17,284	19,339	0%	35%	-	6,769	6,769
2008 50%	61,409	28,610	32,800	0%	35%	-	11,480	11,480
2008 NQ	41,817	20,777	21,040	0%	35%	-	7,364	7,364
2009 NQ	-	-	-	0%	35%	-	-	-
2009 Q1 50%	20,569	8,673	11,896	0%	35%	-	4,164	4,164
2009 Q1 NQ	2,279	234	2,046	0%	35%	-	716	716
2009 Q2 50%	23,769	10,646	13,123	0%	35%	-	4,593	4,593
2009 Q2 NQ	162	104	57	0%	35%	-	20	20
2009 Q3 50%	17,493	6,928	10,565	0%	35%	-	3,698	3,698
2009 Q3 NQ	1,509	490	1,018	0%	35%	-	356	356
2009 Q4 50%	23,314	9,275	14,039	0%	35%	-	4,914	4,914
2009 Q4 NQ	1,836	(392)	2,228	0%	35%	-	780	780
2010 100%	-	-	-	0%	35%	-	-	-
2010 50%	51,791	22,092	29,699	0%	35%	-	10,394	10,394
2010 NQ	8,697	1,071	7,626	0%	35%	-	2,669	2,669
2011	6,971	767	6,204	0%	35%	-	2,171	2,171
2011 100%	-	-	-	0%	35%	-	-	-
2011 50%	4,987	4,364	623	0%	35%	-	218	218
2012	(17,673)	(3,141)	(14,532)	0%	35%	-	(5,086)	(5,086)
2012 50%	113,151	36,089	77,062	0%	35%	-	26,972	26,972
2013	69,284	14,005	55,278	0%	35%	-	19,347	19,347
2013 50%	91,999	32,999	59,001	0%	35%	-	20,650	20,650
2014	305,808	30,539	275,269	0%	35%	-	96,344	96,344
2015	80,529	8,410	72,119	0%	35%	-	25,242	25,242
Provision - (gains/losses)							\$ 393,223	\$ 393,223

WEST PENN POWER COMPANY  
 (\$000)

POST 1969 VINTAGES

	<u>Per Power Tax</u>	<u>Pro Forma Under Present Rates Normalization Adjustment</u>	<u>Total</u>
Liberalized Depreciation Deferred Taxes			
Balance per Budget 3/31/14	\$ (324,971)	\$ -	\$ (324,971)
Balance per Budget 3/31/13	<u>(301,719)</u>	<u>-</u>	<u>(301,719)</u>
Liberalized Depreciation Activity - April, 2013 to March, 2014	\$ <u>(23,252)</u>	\$ <u>-</u>	\$ <u>(23,252)</u>
Net Federal and State Provision	\$ 23,252	\$ -	\$ 23,252
Less: Net State Provision (negative)	<u>106</u>	<u>-</u>	<u>106</u>
Net Federal Provision per Budget	\$ 23,146	\$ -	\$ 23,146
Add: Federal Benefit (increase) of State	<u>37</u>	<u>-</u>	<u>37</u>
Net Federal - April, 2013 to March, 2014 Provision for Rates	<u>\$ 23,183</u>	<u>\$ -</u>	<u>\$ 23,183</u>

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	<u>Per Power Tax</u>	<u>Pro Forma Under Present Rates Normalization Adjustment</u>	<u>Total</u>
Liberalized Depreciation Deferred Taxes			
Balance per Budget 4/30/16	\$ (333,120)	\$ -	\$ (333,120)
Balance per Budget 3/31/14	<u>(324,971)</u>	<u>-</u>	<u>(324,971)</u>
Liberalized Depreciation Activity - April, 2014 to April, 2015	\$ <u>(8,149)</u>	\$ <u>-</u>	\$ <u>(8,149)</u>
Net Federal and State Provision	\$ 8,149	\$ -	\$ 8,149
Less: Net State Provision (negative)	<u>235</u>	<u>-</u>	<u>235</u>
Net Federal Provision per Budget	\$ 7,914	\$ -	\$ 7,914
Add: Federal Benefit (increase) of State	<u>82</u>	<u>-</u>	<u>82</u>
Net Federal - April, 2014 to April, 2015 Provision for Rates	<u>\$ 7,996</u>	<u>\$ -</u>	<u>\$ 7,996</u>

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	<u>Per Power Tax</u>	<u>Pro Forma Under Present Rates Normalization Adjustment</u>	<u>Total</u>
Liberalized Depreciation Deferred Taxes			
Balance per Budget 4/30/16	\$ (337,846)	\$ -	\$ (337,846)
Balance per Budget 4/30/15	<u>(333,120)</u>	<u>-</u>	<u>(333,120)</u>
Liberalized Depreciation Activity - May, 2015 to April, 2016	\$ <u>(4,726)</u>	\$ <u>-</u>	\$ <u>(4,726)</u>
Net Federal and State Provision	\$ 4,726	\$ -	\$ 4,726
Less: Net State Provision (negative)	<u>147</u>	<u>-</u>	<u>147</u>
Net Federal Provision per Budget	\$ 4,579	\$ -	\$ 4,579
Add: Federal Benefit (increase) of State	<u>52</u>	<u>-</u>	<u>52</u>
Net Federal - May, 2015 to April, 2016 Provision for Rates	<u>\$ 4,631</u>	<u>\$ -</u>	<u>\$ 4,631</u>

**Reconciliation of the Deferred Tax Balance Shown on the Rate Base and the  
 Deferred Tax Balance on the Balance Sheet**

	<b>West Penn</b> (000)
Balance Sheet (RAD-54) @ 3/31/13	\$ 372,233
Total APB11 Deferreds on Rollforward Schedule @ 3/31/13	<u>437,060</u>
Difference	\$ (64,827)
 <b>Reconciling Items:</b>	
State Deferreds	\$ -
3/31/13 Rollforward Schedule didn't tie to SAP	10,295
FAS 109 Gross-Up	(75,122)
FAS 109	<u>-</u>
Total Reconciling Items	\$ (64,827)
<hr/>	
Balance Sheet (RAD-54) @ 3/31/14	\$ 461,296
Adjustments needed for RAD-35	<u>393</u>
<b>Adjusted Balance Sheet (RAD-35) @3/31/14</b>	<b>\$ 461,689</b>
Total APB11 Deferreds on Rollforward Schedule @ 3/31/14	<u>354,570</u>
Difference	\$ 107,119
 <b>Reconciling Items:</b>	
State Deferreds	\$ -
State Offset Deferreds	-
FAS 109 Gross-Up	44,284
FAS 109	62,442
Smart Meters per RAD-35	393
Vegetation Management FERC Reclasses	<u>-</u>
Total Reconciling Items	\$ 107,119

**West Penn**  
 (000)

Balance Sheet (RAD-54) @ 3/31/15	\$ 468,275
Adjustments needed for RAD-35	<u>2,172</u>
<b>Adjusted Balance Sheet (RAD-35) @3/31/15</b>	\$ 470,447
Total APB11 Deferrals on Rollforward Schedule @ 4/30/15	<u>361,637</u>
Difference	\$ 108,810

**Reconciling Items:**

State Deferrals	\$ -
State Offset Deferrals	-
B/S one month behind Rollforward Schedule	(853)
Smart Meters per RAD-35	1,779
Deferred Tax Pro-Ration on Rollforward Schedule	986
FAS 109 Gross-Up	44,284
FAS 109	<u>62,614</u>
Total Reconciling Items	\$ 108,810

Balance Sheet (RAD-54) @ 4/30/16	\$ 476,955
Adjustments needed for RAD-35	<u>5,801</u>
<b>Adjusted Balance Sheet (RAD-35) @4/30/16</b>	\$ 482,756
Total APB11 Deferrals on Rollforward Schedule @ 4/30/16	<u>366,973</u>
Difference	\$ 115,783

**Reconciling Items:**

State Deferrals	\$ -
State Offset Deferrals	-
B/S one month behind Rollforward Schedule	853
Smart Meters per RAD-35	3,629
Deferred Tax Pro-Ration on Rollforward Schedule	7,467
FAS 109 Gross-Up	43,084
FAS 109	<u>60,750</u>
Total Reconciling Items	\$ 115,783

WEST PENN POWER COMPANY

## FILING REQUIREMENT II-D-25:

“Submit a schedule showing a breakdown of accumulated and unamortized investment tax credits, by vintage year and percentage rate, together with calculations supporting the amortized amount claimed as a reduction to pro forma income taxes. Provide details of methods used to write-off the unamortized balances.”

## RESPONSE:

Investment Tax Credit Balances, Provision and Amortization  
(\$000)

	<u>4% and 10%</u>
Balance 3/31/13	\$ 9,286
12 Months ended 3/31/14 Amortization	<u>(988)</u>
Balance 3/31/14	\$ 8,338
12 Months ending 3/31/15 Amortization	<u>(820)</u>
Balance 3/31/15	<u>\$ 7,518</u>
Amortization 1 month ending 4/30/15	(69)
Balance 4/30/15	\$ 7,449
12 Months ending 4/30/16 Amortization	<u>(820)</u>
Balance 4/30/16	<u>\$ 6,629</u>

Investment Tax Credit

West Penn is amortizing the deferred credit previously created by a ratable flow-through to income over the useful life of the property. The Company has been examined by the IRS for the years in which this tax credit originated and is in compliance with paragraph (2) of Section 46(e) of the Internal Revenue Code of 1954, as amended, for allowance, with respect to public utility property, of the credit as allowed by Section 38 of the Code. Section 46(e) provides (a) to reduce the cost of service for ratemaking purposes on in its regulated books of account by no more than ratable portion of the credit allowable by Section 38, and (b) not to reduce the base to which its rate of return is applied for ratemaking purposes by any portion of the credit allowable by Section 38.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-26:

“Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not otherwise specifically explained and supported in the statement of operating income.”

RESPONSE:

The appropriateness of claiming the various items included in the statement of operating income is explained in the supporting schedules to West Penn Exhibit RAD-2 and the testimony and exhibits of the Company's witnesses.

WEST PENN POWER COMPANY

FILING REQUIREMENT II-D-27:

“If the utility’s operations include non-jurisdictional activities, provide a schedule which demonstrates the manner in which rate base and operating income date have been adjusted to develop the jurisdictional test year claim.”

RESPONSE:

The Company does not maintain its books based on jurisdictional divisions. An allocation for PaPUC jurisdictional purposes will be supported in supported in the Direct Testimony of Hillary E. Stewart, Met-Ed/Penelec/Penn Power/West Penn Statement No. 5, through the cost of service study.