Met-Ed/Penelec/Penn Power/West Penn
Statement No. 3

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

METROPOLITAN EDISON COMPANY
DOCKET NO. R-2014-2428745

PENNSYLVANIA ELECTRIC COMPANY
DOCKET NO. R-2014-2428743

PENNSYLVANIA POWER COMPANY
DOCKET NO. R-2014-2428744

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

Direct Testimony
of
Kimberlie L. Bortz

<u>List of Topics Addressed</u>

Electric Service Tariffs
Storm Damage Charge Riders
West Penn Universal Service Cost Rider

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DIRECT TESTIMONY
OF
KIMBERLIE L. BORTZ

I. INTRODUCTION AND PURPOSE OF TESTIMONY

Q. Please state your name and business address.

A. My name is Kimberlie L. Bortz, and my business address is 2800 Pottsville Pike, Reading, PA 19612.

Q. By whom are you employed and in what capacity?

A. I am employed by FirstEnergy Service Company as a Rates Advisor - Rates and Regulatory Affairs - Pennsylvania. The Pennsylvania Rate Department provides regulatory support for Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn") (collectively, the "Companies"). I am responsible to the Director - Rates and Regulatory Affairs - Pennsylvania for tariff interpretation, tariff filings and the design of rates.

Q. Please describe your educational background and professional experience.

A. I have a Bachelor of Science degree in Accounting from the University of Maryland, and I am a Certified Public Accountant in Pennsylvania. I have twenty-five years of professional experience, over twenty of which have been in the utility business. My educational background and work experience are more fully described in Appendix A to this statement.

Q. What is the purpose of your direct testimony?

A. As I explain below, Met-Ed, Penelec, Penn Power and West Penn are each filing new tariffs to replace their existing Pennsylvania Public Utility Commission ("Commission")-approved retail electric tariffs. In addition to setting forth the Companies' proposed distribution base rates, the new tariffs reflect changes designed to: (1) standardize the rules and regulations that will be applied by all of the Companies; (2) eliminate or modify various riders that are not applicable for "unbundled" electric service or are no longer in use for other reasons; and (3) introduce two new riders – specifically, Storm Damage Charge Riders ("Storm Riders"), which are included in all of the Companies' proposed tariffs, and a Universal Service Cost Rider ("USC Rider") applicable to West Penn's residential retail classes, which is included in West Penn's proposed tariff, to align with comparable riders already in effect for the other Companies. Accordingly, the purpose of my direct testimony is threefold. First, I explain the changes between the Companies' existing and proposed tariffs that are being made to establish standardized rules and regulations. Second, I identify the riders that have been eliminated or modified in the proposed tariffs and briefly summarize the reasons for doing so. Finally, I describe the proposed Storm Riders and West Penn's USC Rider and explain why adoption of these riders is appropriate.

Q. Are you sponsoring exhibits to accompany your testimony?

A. Yes. I am sponsoring portions of Exhibit 1 for each of the Companies and portions of West Penn Company Exhibit 2.[1] Each Company's Exhibit 1 is a copy of that Company's proposed electric service tariff that was filed with the Commission, together with applicable supporting data, proposing increases and changes in rates. The portions of each Company's Exhibit 1 that I prepared and am sponsoring consist of the following:

- **Rules and Regulations of the Companies' Exhibits 1 and West Penn Company Exhibit 2**.
- **Rider B of Companies' Exhibits 1 and West Penn Company Exhibit 2** – the proposed Storm Damage Charge Rider for each Company.
- **Rider C of West Penn Company Exhibit 1** - the USC Rider applicable to residential rate schedules being proposed by West Penn.

Additionally, I have prepared and am sponsoring Met-Ed, Penelec, Penn Power, West Penn and West Penn/PSU Exhibit KLB-1 and West Penn Exhibit KLB-2. Exhibit KLB-1 provides responses to filing requirements IV-B-1, IV-B-2 and IV-B-3. West Penn Exhibit KLB-2 consists of a schedule setting forth: (1) the normalized annual costs, shown separately for each component of West Penn's Universal Service Program, that West Penn proposes to recover during the first year that the USC Rider is in effect; and (2) the computation of the proposed Universal Service Charge (in cents per kWh) for that period.

[1] West Penn currently has two retail electric service tariffs. Tariff Electric-Pa. P.U.C. No. 39 contains the rates and terms of service for retail electric service furnished in the entirety of West Penn's service territory with the exception of Pennsylvania State University ("PSU"). Tariff Electric-Pa. P.U.C. No. 37 contains the rates and terms of service for retail electric service furnished to PSU, which is the only customer served on that tariff ("West Penn/PSU Tariff"). In the current rate filing, West Penn is proposing two tariffs – West Penn Company Exhibits 1 and 2 – that correspond to, and would replace, Tariff No. 39 and the West Penn/PSU Tariff, respectively.

II. THE PROPOSED ELECTRIC SERVICE TARIFFS

Q. Why are the Companies filing new tariffs rather than supplements to their existing tariffs?

A. As I previously explained, the Companies are proposing changes to standardize their Rules and Regulations and to eliminate or modify riders that are inconsistent with the provision of unbundled electric service or are no longer applicable for other reasons. It would have been administratively unwieldy – both for the Companies and for the Commission – and confusing for readers and reviewers if the Companies made those revisions by changing individual pages of their existing tariffs, as they would have to do in submitting tariff supplements. Additionally, by submitting new tariffs, the Companies have established a more uniform format and pagination for the Rules and Regulations contained in their respective proposed tariffs.

Q. Why are the Companies proposing to standardize their Rules and Regulations?

A. As a result of the FirstEnergy Corp. ("FirstEnergy")/GPU, Inc. ("GPU") merger in 2001, Met-Ed and Penelec joined Penn Power as subsidiaries of FirstEnergy. With the merger of FirstEnergy and Allegheny Energy, Inc. ("Allegheny") in 2011, West Penn also became a FirstEnergy subsidiary. As members of a single corporate family that each provide electric distribution and default electricity supply service in the Commonwealth subject to the Commission's regulatory jurisdiction, many of the Companies' business activities are operated consistently with a uniform set of processes. This standardization of various processes, procedures and operating systems across all of the Companies, as appropriate and consistent with furnishing safe and reliable electric service, has helped the Companies capture the economies of scale and realize the synergies expected from the FirstEnergy/GPU and FirstEnergy/Allegheny mergers. As Mr. Fullem explains in Met-Ed/Penelec/Penn Power/West Penn Statement No. 1, those merger-related benefits, as well as efficient management and concerted efforts to control operating and maintenance costs, allowed the Companies to extend the period between their prior base rate cases and the instant rate filings. Consequently, the Companies have determined that their generally applicable tariffs (that is, excluding the West Penn/PSU Tariff) should, as appropriate, reflect their common business processes. Establishing uniform Rules and Regulations will extend to the Companies' tariffs and tariff administration a level of standardization that will help create a uniform customer experience across the Companies' service territories; streamline the Companies' practices to the benefit of the Commission and non-customer parties such as customer advocates and electric generation suppliers ("EGSs"); and help to control the Companies' administration costs.

Q. Are the Companies also standardizing the terms of their respective rate schedules?

A. Yes. In general, as Mr. Siedt explains in Met-Ed/Penelec/Penn Power/West Penn Statement No. 4, the Companies' proposed rates would move toward standard rate designs, but the Companies are not proposing to standardize all of their rate designs in these proceedings.

A. Rules And Regulations

Q. How are the general provisions, including the Rules and Regulations, organized in each of the Companies' currently effective tariffs?

A. Each of the current generally applicable tariffs contains a table of contents followed by a description of the territory each Company serves. For Met-Ed and Penelec, the territory description is followed immediately by their "General Rules and Regulations." Rule 1 for each of those Companies explains that their tariff is filed with the Commission, is available for public inspection and may be accessed on the Company's website. Rule 1 also explains generally the purpose of the tariff and the forms of service to which it applies. Met-Ed's and Penelec's Rule 2 sets forth definitions of terms used in their tariffs. The remaining rules go on to explain the various terms of service, including those related to billing, installation of new service, application for service, metering, and other such provisions. The Penn Power and West Penn tariffs do not contain provisions comparable to Met-Ed's and Penelec's Rule 1, and they set forth the definition of terms as a general introductory section that is not part of their Rules and Regulations. Like the Met-Ed and Penelec tariffs, the Penn Power and West Penn tariffs move on from the definition of terms to discuss the various substantive terms and conditions of service in successive rules.

Q. Are the Companies proposing changes to the general provisions and to existing Met-Ed/Penelec Rules 1 and 2?

A. Yes, they are. Each of the proposed generally applicable tariffs will contain the equivalent of Rule 1 of the current Met-Ed and Penelec tariffs. However, it will appear as a general provision preceding the Rules and Regulations. Additionally, in each of the proposed generally applicable tariffs the "Definition of Terms" appears as the second general provision immediately preceding the Rules and Regulations.

Q. Have the proposed "Definition of Terms" been modified from the comparable sections in the Companies' existing tariffs?

A. Yes, they have been modified in two respects. First, they have been expanded or reduced to either include terms that were not defined in all of the Companies' current tariffs or to eliminate those terms that are no longer used or relevant. Second, some terms that, for certain Companies, are defined elsewhere in their tariffs have been moved to the Definition of Terms. The goal was to identify commonly used terms that appear throughout each tariff and provide uniform definitions in the Definition of Terms.

Q. Please identify the major differences among the Rules and Regulations in each of the Company's currently effective generally applicable tariffs.

A. The current tariffs of Met-Ed and Penelec are similar to each other. Each has twenty-four rules comprising its General Rules and Regulations, which include Rules 1 and 2 that, as I previously explained, will become general provisions preceding the Rules and Regulations in the proposed tariffs. Penn Power's tariff and the tariff for service throughout West Penn's service territory, on the other hand, have historically included more rules in their Rules and Regulations (forty-five for Penn Power and forty-three for West Penn). However, many of the additional rules in the Penn Power and West Penn tariffs simply repeat, paraphrase or incorporate by reference Commission regulations already set forth in Title 52 of the Pennsylvania Code. Repeating, paraphrasing or incorporating by reference the Commission's regulations makes the Rules and Regulations needlessly long and redundant. It also creates risks that a rule paraphrasing or summarizing a Commission regulation will not accurately capture that regulation's meaning or that subsequent revisions to the regulation will make the Rules and Regulations inconsistent with current regulatory requirements.

Q. Do the Rules and Regulations contained in the West Penn/PSU Tariff differ from those of West Penn's generally applicable tariff?

A. Yes. Because of the specific nature of the West Penn/PSU Tariff, the Rules and Regulations in that tariff are more limited in scope. The existing West Penn/PSU Tariff consists of a Definitions section followed by a General Rules and Regulations section containing ten rules.

Q. How do the proposed tariffs for Penn Power and West Penn address the concerns you noted above?

A. Rules that simply repeat, paraphrase or incorporate Commission regulations have been eliminated, which is the principal reason that the number of rules in the proposed tariffs are fewer than those in the current Penn Power and West Penn tariffs.

Q. What general approach was employed in developing the Rules and Regulations in the proposed tariffs?

A. The Rules and Regulations in the Met-Ed and Penelec tariffs were used as the model for the standardized tariffs. The Companies determined that, with few modifications (such as moving Rules 1 and 2 to initial general provisions), the Met-Ed and Penelec Rules and Regulations provide a clear, concise explanation of the terms of service that are important to customers. Additionally, the Met-Ed and Penelec tariffs were the latest that the Commission and various parties had an opportunity to review, which occurred in the 2006 base rate cases for those Companies. Also, given that the format of the Met-Ed and Penelec tariffs already mirrored one another, the Companies believed these tariffs to be a more efficient starting point. However, due to the limited and customer-specific nature of the West Penn/PSU Tariff, fewer modifications, based upon the existing Met-Ed and Penelec tariffs, were made to that proposed tariff.

Q. Can you summarize, by rule, the subjects covered in the Rules and Regulations in each of the proposed generally applicable tariffs?

A. Yes. That summary is provided below[2]:

- **Rule 1 – Applications/Contracts** describes the process for initiating service and requesting changes to existing service.

[2] In the summary of rules, I have capitalized terms that are defined in the Definition of Terms of the proposed tariffs (e.g., "Applicant" and "Customer"), but did not continue to do so in the balance of my direct testimony.

- **Rule 2 – Deposits** sets forth the criteria that will be used to determine when a deposit will be required as a condition of service, specifies how the amount of a Customer Deposit is determined and the terms on which deposits are held and returned.

- **Rule 3 – Right-of-Way** sets forth the requirements for an Applicant for service or Customer to provide a right-of-way, easement or permits to access the Customer's property in order for service to be furnished.

- **Rule 4 – Extension of Company Facilities: System Upgrades** sets forth the terms and conditions for the extension of Company facilities to serve an Applicant or Customer; the institution of temporary service; and the relocation of, or modification to, Company facilities at the request of a customer or to accommodate a service request.

- **Rule 5 – Taxes on Applicant/Customer Advances** explains how income taxes are to be calculated for the purpose of "grossing up" Customer Advances for applicable state and federal income taxes.

- **Rule 6 – Proof of Inspection** sets forth the requirement that a Customer or Applicant provide to the Company proof of inspection under the Uniform Construction Code before the Company will initiate or upgrade service to a residential building.

- **Rule 7 – Wiring, Apparatus and Inspection** sets forth: (a) the installation, maintenance, repair and replacement obligations of the

Company and the Customer for facilities that each is required to install to initiate and maintain service; (b) inspection requirements under the National Electric Code and other applicable codes that must be satisfied for the Company to connect its facilities to the Customer's installation; and (c) the Customer's obligation to install corrective equipment, and furnish associated service information, to deal with high instantaneous demands and power factors below 85% (lagging).

- **Rule 8 – Metering** sets forth the obligations and requirements imposed on the Company and the Customer, respectively, for the installation and maintenance of metering equipment and payment of the associated costs.
- **Rule 9 – Access to Customer Premises** sets forth the Company's right to have access to equipment located on a Customer's premises.
- **Rule 10 – Meter Reading and Rendering of Bills** sets forth the terms for reading Customer meters and rendering bills; providing billing data at the Customer's request; issuing estimated bills; summary billing; special billing; the residential Equal Payment Plan; combined billing for Residential and Outdoor Lighting service; consolidated billing for a Customer that has contracted with an EGS; minimum charges; transformer loss adjustment; power factor and kilovar billing; billing for vandalism, theft or deception; and billing errors.
- **Rule 11 – Payment of Bills** sets forth provisions relating to the determination of applicable due dates, late payment charges, allocation of

payments, delinquent accounts (including collection of outstanding residential account balances), and winter termination rules.

- **Rule 12 – Administrative Charges** sets forth the three principal administrative charges the Company may impose, namely, initiation/reconnection service charges, dishonored check/electronic transfer charges, and disconnection/reconnection charges.

- **Rule 13 – Determination of Demand** addresses the measurement of a Customer's active and, if applicable, reactive demand.

- **Rule 14 – Individualized Contracts** provides the terms and conditions for entering into individualized contracts with non-Residential Applicants or Customers.

- **Rule 15 – Company Facilities, Services and Products** sets forth the terms and conditions, including Customer payment obligations, for the Company to provide, at an Applicant's or Customer's request, special, substitute, or emergency repairs or additional or non-standard facilities, services or products.

- **Rule 16 – Auxiliary Power Sources and Readiness to Serve** sets forth the terms and conditions of service to a Customer whose electric requirements are provided in whole or in part from sources other than Company-owned facilities and where the Company's supply can be substituted for that of the Customer.

- **Rule 17 – Interconnection, Safety & Reliability Requirements** sets forth the requirements and standards that apply to all types of Generating Facilities, including Customer owned Generating Facilities, that must be satisfied before such Generating Facilities may be interconnected with the Company's system.

- **Rule 18 – Load Control** defines the conditions that can give rise to a load emergency situation and sets forth the actions the Company may take to bring demands within the then-available capacity or to otherwise control load.

- **Rule 19 – Energy Conservation** deals with restrictions on the fuel supplies available to Company energy vendors that may adversely affect the supply of electric energy to Customers, such that an emergency energy conservation situation would be created. It also authorizes the Company to take reasonable measures that it believes are necessary and proper during such emergency situations to conserve available fuel supplies, including reducing, interrupting or suspending Customer service.

- **Rule 20 – Discontinuance** sets forth the terms and conditions for discontinuing service to a Customer for, among other reasons: non-payment of delinquent bills; violating provisions of the Company's tariff; to avoid endangering the safety of persons or property, including the Company's system; to comply with government rules, regulations, statutes, orders and directives; and to make necessary repairs, changes or improvements to the Company's system.

- **Rule 21 – Service Continuity: Limitation on Liability for Service Interruptions and Variations** sets forth: (a) the Customer's responsibility for the safety and adequacy of the wiring and equipment it installs; (b) the terms of indemnification of the Company by the Customer for liability resulting from a Customer's use of electric service furnished by the Company, for defects on a Customer's premises, and for a Customer's failure to comply with the National Electrical Code; (c) the qualification that the Company does not guarantee a continuous, uninterrupted or regular supply of electric service, that it may interrupt service, and that it will not be liable for force majeure-like events; and (d) limitations of the Company's liability.

- **Rule 22 Transfer of Electric Generation Supplier** sets forth the terms and conditions for processing requests by a Customer to initiate, terminate or change its EGS.

Q. Are there any significant substantive differences between the Rules and Regulations in the proposed tariffs and the General Rules and Regulations in the current Met-Ed and Penelec tariffs on which the proposed generally applicable tariffs are modeled?

A. Yes. In addition to moving the existing Rules 1 and 2 to introductory general provisions, the Companies have edited several of the Rules and are proposing the following changes: (1) removing existing Rule 18 – Backup and Maintenance Service from the Rules and Regulations and replacing it with the proposed Partial Service Rider, as further described by Mr. Siedt in Met-Ed/Penelec/Penn Power/West Penn Statement No. 4; (2) adopting proposed Rule 16 – Auxiliary Power Sources and Readiness to Serve from the currently effective West Penn General Rules and Regulations, which sets forth the terms and conditions of service for a customer whose electric requirements are provided in whole or in part from sources other than Company-owned facilities and where the Company's supply can be substituted for that of the Customer; (3) adding to the description of the Purchase of EGS Receivables ("POR") Program language that expressly incorporates costs incurred pursuant to the POR Program in calculating customer deposits (Rule 2), late payment charges and delinquent accounts (Rule 11); and (4) removing language pertaining to Advanced Payment Billing from Rule 10 because that provision terminated by its terms as of January 11, 2007. All other rules are similar in all substantive respects to the General Rules and Regulations in the existing Met-Ed and Penelec tariffs.

Q. Are there any substantive differences between the Rules and Regulations in the proposed West Penn/PSU Tariff and the General Rules and Regulations in the current West Penn/PSU Tariff?

A. Yes. West Penn has eliminated or changed certain rules in the proposed West Penn/PSU Tariff, as follows:

- **Rule 1 –** Continuity of Service was edited to be consistent with comparable provisions of the Companies' generally applicable tariffs.
- **Rule 2 –** Metering was modified to remove the section that addresses EGS-provided advanced metering because, as I will explain later in connection with the Companies' generally applicable tariffs, this provision is inconsistent with the Commission-approved Smart Meter Deployment Plan that requires the Companies to install smart meters for all customers.
- **Rule 8 –** Interim Code of Conduct and Rule 9 – GENCO Code of Conduct were removed because both have been superseded by subsequently adopted regulations and, as explained previously, rules that repeat, paraphrase or summarize existing regulations are redundant and create risks that they will misstate that regulation's meaning or that subsequent revisions to the regulation will make the Rules and Regulations in the Companies' tariffs inconsistent with current regulatory requirements.
- **Rule 10 –** State Tax was eliminated. The Company's liability to pay state taxes not paid by an EGS is more appropriately addressed in its supplier tariff.

B. Changes To Existing Tariff Riders

Q. Please summarize the riders in the Companies' current tariffs that will not be included in their proposed tariffs.

A. The proposed tariffs will eliminate or relocate five existing riders in the current tariffs of Met-Ed and Penelec, five existing riders in the current Penn Power tariff, eleven existing riders in the current generally applicable tariff of West Penn, and three existing riders in the current West Penn/PSU Tariff.

Q. Please identify the riders being eliminated from or relocated within the existing Met-Ed and Penelec tariffs.

A. The five existing riders being eliminated from or relocated within the Met-Ed and Penelec tariffs and the reasons for doing so are as follows:

- **Rider B – Cogeneration and Small Power Production Qualifying Facility Service Rider:** Rider B deals with the terms on which the Companies purchase electricity produced by a Qualifying Facility ("QF"), as defined in § 210 of the Public Utility Regulatory Policies Act of 1978 ("PURPA"), with generating capacity of 500 KW or less. The matters covered by Rider B will be addressed in new Rider L – Partial Service and new Rider M – Cogeneration and Small Power Production Qualifying Facility Service.

- **Rider F – Metering and Billing Credit Rider:** Rider F provides customers monthly Distribution Charge credits if a Commission-licensed EGS, rather than the Company, were to provide customer metering, meter reading or billing and collection service. Rider F was intended to facilitate the installation of recording demand meters and other forms of "smart" meter technology by EGSs. The rider became effective in 1999, but has not been used since it was introduced. Moreover, the Commission has approved a Smart Meter Deployment Plan for the Companies pursuant to Section 2807(f) of the Public Utility Code.3 Under the Smart Meter Deployment Plan, the Companies will install advanced metering infrastructure and will provide smart meters for all customers. Consequently, the rationale for Rider F – namely, that non-utility suppliers could furnish smart meters for which Customers should receive a bill credit – has been eliminated by the addition of Section 2807(f) to the Public Utility Code.

- **Rider H – Short Term Demand Utilization**: Rider H is a legacy of "bundled" service dealing principally with generation demand costs. Specifically, it allowed large commercial and industrial customers to increase their demand, with advance notice, for limited periods of time, without ratcheting up their billing demand for all purposes. Following the restructuring of the electric industry in Pennsylvania, generation is no longer a "bundled" service and instead is provided by third-party suppliers. Accordingly, the service that Rider H offers is not consistent with the current unbundled rate environment. Large commercial and industrial customers seeking the kind of flexible demand option that Rider

[3] 66 Pa.C.S. § 2807(f).

H provided in the bundled rate environment can now shop for similar generation service options from EGSs. If such customers choose to remain on default service, they can obtain a similar form of service under the Hourly Price to Compare Default Service Rider.

- **Rider J – Consumer Education Program:** Rider J provides for the recovery of costs incurred by the Companies to implement their Consumer Education Plans approved by the Commission at Docket Nos. M-2008-2032261 and M-2008-2032262. The Companies' Consumer Education Plans have run their course and are no longer in effect. Therefore, the rider is no longer being used to recover those costs.

- **Rider K – Voluntary Prepayment Plan:** The Voluntary Prepayment Plan Rider offered an optional service to mitigate the anticipated rate impact of the transition to market-based electric generation supply rates when generation rate caps expired. For a period of time before generation rate caps expired, customers could pay monthly amounts exceeding their billing obligations. Those payments were summed and maintained as individualized customer balances that accrued interest and were credited to customers' bills during the period April 1, 2009 through December 31, 2010. This program has expired. Therefore, Rider K should be eliminated.

Q. Please identify the riders being eliminated from Penn Power's tariff.

A. The five existing riders being eliminated from Penn Power's proposed tariff and the reasons for eliminating them are as follows:

- **Consumer Education Program Cost Recovery Rider:** This rider is comparable to Met-Ed's and Penelec's Rider J and is being eliminated from Penn Power's proposed tariff for the same reason Rider J is being eliminated from the Met-Ed and Penelec proposed tariffs, as previously explained.

- **Residential Service Optional Controlled Service Rider, General Service – Secondary Voltages Optional Controlled Service Rider, and Commercial and Industrial Optional Heating Rate:** Like Rider H – Short Term Demand Utilization for both Met-Ed and Penelec, these riders are vestiges of the bundled rate environment that were designed to provide either interruptible generation service or discounted generation service for electric heating and process heating applications. With the advent of full unbundling, generation service is now provided by third-party suppliers and customers seeking the kinds of rate options for generation service offered by these riders should obtain them from EGSs. Any future interruptible programs offered by the Companies would be made available only as part of a Commission-approved Energy Efficiency and Conservation Plan.

- **Facility and Financing Assistance Arrangement Rider:** This rider, which is part of the Community and Customer Partnership Program, is being eliminated because it has not been used by customers for at least the last five years. One of the objectives of the program was to improve energy efficiency, which Penn Power currently does through its Energy Efficiency and Conservation Plan filed with, and approved by, the Commission pursuant to Section 2806.1 of the Pennsylvania Public Utility Code.

Q. Please identify the riders being eliminated from West Penn's existing generally applicable tariff.

A. The eleven existing riders being eliminated from West Penn's generally applicable tariff and the reasons for eliminating them are as follow:

- **Consumer Education Charge:** This rider is comparable to Met-Ed's and Penelec's Rider J and is being eliminated from West Penn's generally applicable proposed tariff for the same reason Rider J is being eliminated from the Met-Ed and Penelec proposed tariffs, as previously explained.

- **FirstEnergy Merger Credit:** This rider provided a credit to residential customers for net savings resulting from the FirstEnergy/Allegheny merger. The credit terminated as of April 25, 2014; therefore, the rider is no longer in use and should be eliminated.

- **Alternative Generation Rider:** This rider is comparable to Met-Ed's and Penelec's Rider B and is being eliminated from West Penn's generally applicable proposed tariff for the same reason Rider B is being eliminated from the Met-Ed and Penelec proposed tariffs, as previously explained.
- **Opportunity Power Rider, Curtailment Service Rider, Experimental Shoulder-Peak Rider, and Experimental Saturday and Holiday Load Option Rider:** Like Rider H – Short Term Demand Utilization for both Met-Ed and Penelec, each of these riders is a vestige of the bundled rate environment. Each rider was designed to allow large commercial and industrial customers to use electricity without incurring the full amount of otherwise applicable demand charges either because the customer's usage would be interruptible or curtailable, or because energy usage would occur during non-peak or shoulder-peak periods. These riders were designed for use at a time when EDCs were providing bundled generation service. With the advent of full unbundling, generation service is now provided by third-party suppliers and customers seeking the kinds of rate options for generation service offered by these riders can obtain them from EGSs. If such customers choose to remain on default service, they can obtain a similar form of service under the Hourly Price to Compare Default Service Rider.
- **Surge Suppression Service:** This is a voluntary rider that allowed customers to purchase surge suppression equipment from the Company. The Commission approved Met-Ed's and Penelec's elimination of a

similar program in 2006, and West Penn is eliminating this rider from its proposed tariff to maintain consistency with the service offerings of the other Companies.

- **Wind Energy Service Rider**: This is a voluntary rider that allowed customers to purchase Wind Energy Blocks for the purpose of promoting the development of wind energy. The rider was approved for a limited time and, by its terms, expired on December 31, 2010. Renewable resources can now be purchased from EGSs and are also supplied in accordance with the Renewable Portfolio Standards established by Act 213 of 2004. Therefore, this rider is no longer effective or necessary.

- **Critical Peak Rebate and Critical Peak Pricing Default Service Riders:** These riders were introduced as part of the West Penn Power Energy Efficiency and Conservation Plan at Docket M-2009-2093218. The Critical Peak Rebate program was available to residential customers through funding created by West Penn's Energy Efficiency and Conservation charge. The program terminated on May 31, 2013, with the conclusion of Phase One of West Penn's Energy Efficiency and Conservation Plan. The Critical Peak Pricing Default Service Rider provided commercial customers an alternative default service option during Summer Periods, defined as June 1, 2012 through September 20, 2012. Customers were offered lower rates per kWh in exchange for agreeing to pay higher rates per kWh during designated Critical Peak periods. The program was designed to shift load from the on-peak to the off-peak period as part of the Energy Efficiency and Conservation Plan, but was superseded when West Penn's Hourly Pricing Default Service Rider was made available to commercial customers beginning in June of 2013. Consequently, these riders are being eliminated.

Q. Please describe the riders being eliminated from the West Penn/PSU Tariff.

A. West Penn is proposing to eliminate the FirstEnergy Merger Credit, the Consumer Education Charge, and the Wind Service Rider from the West Penn/PSU Tariff for the same reasons those riders are being removed from the generally applicable West Penn tariff.

Q. In addition to the changes noted above, are you sponsoring modifications to any other of the Companies' existing riders?

A. Yes. Penn Power's existing USC Rider contains provisions that: (1) impose a ceiling on the amount of administrative expenses that may be spent on its Customer Assistance Program ("CAP"); and (2) refer to the application of an annual credit to actual expenses for each Reconciliation Year. These provisions are being removed in order to make Penn Power's USC Rider consistent with those of Met-Ed and Penelec. The provisions being eliminated were originally added to Penn Power's USC Rider because Penn Power implemented its USC Rider outside of a base rate proceeding and, therefore, the recovery of certain costs previously included in base rates might, as a consequence, be affected. The provisions are no longer necessary because all such costs and their recovery will be properly aligned as part of this proceeding.

Q. Are the riders you describe above as being eliminated, relocated or modified the only changes to the Companies' existing riders being made by the proposed tariffs?

A. No, they are not. As explained by Mr. Siedt in Met-Ed/Penelec/Penn Power/West Penn Statement No. 4, Time-Of-Use Default Service Riders are being added to the proposed tariffs of Met-Ed and Penelec similar to comparable Commission-approved provisions in Penn Power's Time of Use Default Service Rider and West Penn's Time of Use Rider. Additionally, as explained by Laura W. Gifford in Met-Ed/Penelec/Penn Power/West Penn Statement No. 7, an uncollectible accounts component is being added to the Default Service Support Rider for West Penn, accompanied by a corresponding reduction in the uncollectible accounts expense recovered in base rates to make West Penn's uncollectible expense treatment consistent with the other Companies.

C. New Proposed Tariff Riders

Q. Are any new riders being proposed for addition to the Companies' tariffs?

A. Yes. As, as I previously noted, the Companies are proposing to add a Storm Rider to each of their tariffs, including the West Penn/PSU Tariff, and West Penn is proposing to adopt a USC Rider, comparable to the ones already in effect for Met-Ed, Penelec and Penn Power, to be included in its generally applicable tariff. Both new riders are described below.

1. Storm Rider

Q. What is the purpose of the proposed Storm Rider?

A. The proposed Storm Rider would add to the Companies' tariffs an adjustment clause, under Section 1307(a) of the Pennsylvania Public Utility Code,[4] to impose a charge or credit on Customers' bills to reflect the difference, on an annual basis, between the respective storm damage expenses recovered in the Companies' base rates and the actual storm damage expenses incurred by the Companies. The Storm Riders would provide for timely recovery of actual storm damage expenses -- neither more nor less. In that way, the proposed riders will eliminate the risk created by recovering such costs only in base rates that a Company could recover too much or too little, or that recovery could be unreasonably delayed. Storm damage expenses are appropriate for recovery under a Section 1307 adjustment clause because they are valid operating expenses, can be clearly identified, are volatile (exhibit substantial variability from year to year), are outside a utility's control, are material in amount, and are likely to escape full recovery if a Section 1308 base rate proceeding were the only way to reflect such costs in customer rates.

Q. What level of storm damage expenses is recovered in the Companies' base rates?

A. Consistent with prior Commission practice, the Companies' base rates have been designed to recover only a normal level of storm damage expenses. Stated another way, base rates are not designed to reflect experience that deviates

[4] 66 Pa.C.S. § 1307(a).

materially from a historically derived baseline of "normal" storm damage expenses. As a consequence, if a low level of storm activity occurs in a given year, base rates may reflect more than actual costs. On the other hand, the costs of extraordinary weather events, such as major storms, are not reflected in the level of expenses recovered in base rates. Historically, when utilities experienced extraordinary storm damage expenses, they have petitioned the Commission for approval to defer those expenses for accounting purposes and to request recovery in a subsequent base rate case. As a consequence, where such approval is granted, the costs identified as extraordinary are recorded in a deferred account and not recorded as a charge against income in the year they are incurred.

Q. How is a normal level of storm damage expenses to be recovered in base rates determined?

A. As I explained above, extraordinary storm damage expenses are generally recorded in a deferred account, with the Commission's prior approval. The non-deferred amounts represent the level of expenses that are not extraordinary and, therefore, form the basis for determining a normalized level of storm damage expense. To illustrate, Met-Ed, in this proceeding, has claimed for recovery in base rates a normal level of storm damage expense for the fully projected future test year of $6.6 million, as shown in Met-Ed Exhibit RAD-63 and described in greater detail by Richard A. D'Angelo in Met-Ed/Penelec/Penn Power/West Penn Statement No. 2. The Company's claim approximates the historical average of Met-Ed's actual storm damage costs, as shown on Met-Ed Exhibit RAD-63, less the amounts deferred with prior Commission approval, as shown on Met-Ed

Exhibit RAD-2 at page 24, line 5. The fully projected future test year claims for storm damage expense to be recovered in base rates are set forth in Exhibits RAD-63 for each of the Companies, and the deferred storm damage costs are set forth on page 24 of Exhibit RAD-2 for each of the Companies.

Q. What are the relevant terms of the proposed Storm Riders?

A. All of the terms of the proposed Storm Riders are contained in Rider B for each Company, which is set forth in the portions of the Companies' proposed tariffs that I specifically identified in Section I of my testimony. The Storm Rider provides a formula for calculating a charge or credit to customers' bills on a per-kWh basis. The heart of the formula is the difference between the amount of annual storm damage expense reflected in a Company's base rates and the amount of storm damage expense incurred during the preceding calendar year for the categories of costs identified in the rider. Additionally, in each successive year, the computation will include an "E" factor reflecting the over or under-collection of actual storm damage costs that result from billing the Storm Damage Charge during the Reconciliation Year (November 1 through October 31, as appropriately adjusted for the first year the rider is in effect). In other words, the Storm Rider will be fully reconciled each year. The costs, derived in the manner I described, are divided by projected retail sales and grossed-up for gross receipts tax.

The Storm Damage Charge is to be calculated separately for each of four Rate Classes that are defined as follows: (1) Rate Class 1 consists of the residential rate schedules for each Company; (2) Rate Class 2 consists of commercial and industrial customers served on rate schedules primarily used by those customers served at secondary voltages; (3) Rate Class 3 consists of customers receiving service on rate schedules requiring that they take service at primary voltage; and (4) Rate Class 4 consists of customers served on rate schedules primarily used by customers served at transmission voltage. The Company-specific rate schedules included in each rate class are included in each Company's specific Rider F in its proposed tariff(s).

Total costs for each Company are to be allocated among Rate Classes in accordance with applicable allocation factors derived from a Company's cost of service study in a contemporaneous or last prior base rate case. Similarly, retail sales (the divisor in the formula) are to be developed by Rate Class.

The Computation Year for Rider F is the twelve months ending December 31 (with appropriate adjustment for the first year the riders are in effect). The Reconciliation Year is, as noted above, the twelve months ending October 31 (with appropriate adjustment for the first year the riders are in effect). Each annual calculation of the Storm Damage Charge is to be filed with the Commission by December 1 of each year to become effective on January 1. The riders authorize interim adjustments to be filed on thirty days' notice if the charge, left unchanged, would result in a material over or under-collection. Additionally, the operation of the Storm Damage Charge Riders will be subject to Commission supervision, review and audit.

Q. Met-Ed and Penelec proposed a Storm Damage Rider in their 2006 base rate cases at Docket Nos. R-00061366 and R-00061367 before the Commission. What was the disposition of their proposed riders at that time?

A. Their proposals were opposed by various parties. The Administrative Law Judges ("ALJs") in that consolidated proceeding recommended that the proposed Storm Damage Riders not be approved. No party took exception to the ALJs' recommendation, which the Commission, therefore, adopted in its Final Order issued on January 11, 2007.

Q. Has anything occurred since the Commission issued its Final Order in the Met-Ed/Penelec 2006 base rate cases that indicates Commission support for an adjustment clause to recover storm damage expenses?

A. Yes. In its December 28, 2012 Final Order in PPL Electric Utilities Corporation's ("PPL") base rate case at Docket No. R-2012-2290597, the Commission directed PPL to "file a rider for storm damage expense recovery within ninety days of the entry of this Opinion and Order," and also directed PPL to meet with the parties to that proceeding to discuss the terms of such a rider. Following those discussions, on March 28, 2013, PPL filed a proposed Storm Damage Expense Rider. After receiving comments from the parties, the Commission entered an order on April 3, 2014 approving PPL's Storm Damage Expense Rider subject to certain modifications. In that order, the Commission found that storm damage expenses were appropriate for recovery under a Section 1307 adjustment clause. In particular, the Commission found that "there can be little reasonable debate over the fact that the Commonwealth has, as of late, experienced weather phenomena of increased frequency, power, and duration" (p. 15). The Commission's finding is consistent with the Companies' experience, as evidenced by the pattern and levels of annual storm damage expense shown in Exhibit RAD-63 for each of the Companies. In the same vein, Met-Ed and Penelec each had made a single request for deferral of extraordinary storm damage expenses prior to 2006. However, since that time, the Companies have experienced major summer and winter storms and, as a result, have submitted three petitions for deferral of extraordinary storm expenses over a four-year period, each of which were granted.

Q. Did the Commission make any additional findings in the PPL order regarding recovery of storm damage expenses under a Section 1307 adjustment clause?

A. Yes, it did. In that order, the Commission also found that:

- Storm damage expenses are not within the control of a utility ("Nature is the primary director of the scale and scope of these matters – not utility management.") (p. 22);

- Storm damage expenses are recoverable utility expenses that can be readily identified ("In addition, storm damage expense is unquestionably above-the-line expense. Storm damage expenses, properly isolated from costs flowing into base rates, are easily identified expenses.") (p. 23);

- Storm damage expenses are variable (p. 21) and difficult to project for purposes of prospective recovery in base rates ("Similarly, projecting the vagaries of weather in a future test year is fraught with the potential for error: utilities may recover too much too soon or too little, too late.") (p. 15);
- Storm damage expenses represent "a significant imposition on the opportunity to earn an approved rate of return" (p. 23); and
- Recent storm activity warrants the adoption of a storm cost recovery rider ("We believe that the benefit of implementing the SDER is particularly appropriate given the size of recent storm events and our increasing emphasis on enhanced system reliability . . .") (p. 23).

2. West Penn's USC Rider

Q. Please describe the Companies' Universal Service programs.

A. Each of the Companies has in place the following Universal Service programs: (a) the Customer Assistance Referral and Evaluation Services Program ("CARES"); (b) CAP; (c) Dollar Energy Fund; (d) Gatekeeper; and (e) WARM (the Companies' Low Income Usage Reduction Program ("LIURP")). These programs allow the Companies to serve the needs of low-income customers through case management, referrals to other human service programs, monthly bill subsidies and discounts, debt forgiveness credits, payment counseling, cash assistance grants, weatherization measures, and energy conservation education.

Q. How are the Companies currently recovering Universal Service costs?

A. Met-Ed, Penelec and Penn Power each have a USC Rider in their respective tariffs that provides a reconcilable adjustment clause as the means of recovering these costs. West Penn currently recovers Universal Service program costs through base rates.

Q. Is West Penn proposing a USC Rider to recover Universal Service program costs?

A. Yes. West Penn proposes to adopt a USC Rider, which will make the form of its cost recovery consistent with Met-Ed, Penelec and Penn Power. In fact, West Penn's USC Rider is modeled after the Commission-approved USC Riders that are already in effect for Met-Ed and Penelec. Consequently, approving the proposed USC Rider will extend to West Penn the same form of cost recovery that has been used successfully, with Commission approval, by the other Companies for a number of years.

West Penn's proposed USC Rider, which is included in its proposed generally applicable tariff in this case, will provide for full and timely recovery of Universal Service program costs. In that way, the proposed rider will enable West Penn to increase expenditures and enhance existing programs in response to changes in economic conditions in the communities it serves and to make changes in those programs that the Commission or other agencies may determine are necessary to properly assist West Penn's low-income customers. Thus, the USC Rider will remove the obstacle created by limiting available funding to what base rates recover, which constrains West Penn's ability to respond promptly to economic hardships that may arise unexpectedly within its service area.

Q. Has West Penn's Universal Service cost recovery been adequate?

A. No. West Penn has not consistently recovered its Universal Service program costs in the past and is not doing so currently. During 2013, West Penn's CAP and WARM programs were overspent by almost 62%, or $4.9 million more than the $7.9 million provided under the terms of the 1998 Settlement of West Penn's restructuring proceeding, which established its initial level of base rate cost recovery for Universal Service programs.

Q. Do the per-customer benefits provided under West Penn's Universal Service programs need to be expanded to match the benefit levels being provided by the other Companies?

A. Yes, they do. West Penn's portfolio of Universal Service programs is a vital safety net for low-income customers and should be adequately funded. To that end, West Penn would support modifying its Universal Service programs to align with the other Companies programs, provided its form of cost recovery is also revised to conform with the form of cost recovery already in place for those Companies.

Q. What level of annual expense would West Penn incur if its Universal Service programs were modified to provide the per-customer benefit levels offered by comparable programs at the other Companies?

A. Modifying West Penn's Universal Service programs to match the benefit levels of the programs in place at the other Companies would cause West Penn to incur an annual expense of $29,521,027. The specific program components and the costs associated with each component at benefit levels that align with those of the other Companies are set forth in West Penn Exhibit KLB-2.

The indicative increases shown in West Penn Exhibit KLB-2 for West Penn's Customer Assistance Program (CAP) and Customer Assistance Referral and Evaluation Services Program (CARES) would result from: (1) lowering the percent-of-income requirements for CAP participants to align with the CAPs of the other Companies, which will reduce eligible customers' bill burden and could increase the annual CAP benefit expense borne by West Penn; and (2) increasing the maximum amount of bill subsidies to align with the other Companies' Universal Service programs, which would increase the annual CAP benefit expense West Penn incurs for the participants who currently receive the maximum levels but, nonetheless, need additional assistance. The increases in expense associated with the LIURP and WARM program shown in West Penn Exhibit KLB-2 would be needed to allow West Penn's program to mirror the level of per-customer benefits provided by the same programs at the other Companies.

Q. Is West Penn seeking to recover from customers the entire amount of $29.5 million in annual expense shown in West Penn Exhibit KLB-2?

A. No, it is not, for reasons that relate to the terms of the Commission-approved Joint Petition for Partial Settlement in the proceeding for approval of the FirstEnergy/Allegheny merger at Docket Nos. A-2010-2176520 and A-2010-2176732 ("Merger Settlement"). Specifically, under Paragraph Nos. 20 and 22, West Penn agreed to increase its level of spending for Universal Service programs by $750,000 per year for CAP and $1,800,000 in Year 5 for LIURP and to not recover those increased levels of expenditures from customers during the five-year period after the consummation of the FirstEnergy/Allegheny merger. The merger closed on February 25, 2011, consequently, the fifth calendar year following the consummation of the merger is the twelve months ending December 31, 2015. The Universal Service program costs used to calculate the first year charge are for the twelve months ending April 30, 2016. Consequently, I have reduced the total expense level of $29,521,027 by $1,700,000 to reflect a pro rata portion of the amounts not recoverable under the terms of the Merger Settlement for May 2015 to December 2015 ($2,550,000 x 8/12 of 2015). Therefore, West Penn is claiming $27,821,027 for recovery from customers the first year the USCR would be in effect, which would begin on May 1, 2015.

Q. Please describe the relevant terms of West Penn proposed USC Rider.

A. Rider C of West Penn Company Exhibit 1 is West Penn's proposed USC Rider, which contains all of the terms for calculating and applying the Universal Service Charge ("USC"). I will summarize the relevant terms.

The USC Rider develops a USC based upon an estimate of the costs to be incurred by the Company to administer and provide benefits under West Penn's Universal Service programs for the Computational Year, which, except for the first year of effectiveness, is the period January 1 through December 31. The various program components for which costs are to be recovered under the USC Rider are CARES, CAP, Dollar Energy Fund Administration, Gatekeeper, and WARM. The USC will be applied on a per-kWh basis only to Residential distribution service sales under the Company's tariff.

Costs and revenues under the USC Rider will be reconciled each year, and an over or under collection, as applicable, including interest at the statutory rate, will be included in the "E" factor of the charge. The USCR will also be subject to review and audit by the Commission.

Q. What is the USC West Penn proposes to bill effective May 1, 2015?

A. Based on a forecast of normalized Universal Service program costs for the twelve months ending April 30, 2016, West Penn proposes to bill $0.00406 per kWh to residential rate classes. Details of the computations are set forth in West Penn Exhibit KLB-2.

Q. Why is West Penn proposing to recover Universal Service costs only from Residential classes?

A. In the Met-Ed and Penelec 2006 base rate cases, those Companies were authorized to implement USCRs that would impose a USC only on Residential customers. The Commission's determination in those cases was consistent with its final order in the proceeding captioned *Customer Assistance Program Funding Levels and Cost Recovery Mechanisms*, which was entered on December 18, 2006 at Docket No. M-00051923. Additionally, Penn Power was authorized to implement a USC to be billed only to Residential customers by the Commission's final order at Docket Nos. R-0072347 and M-00072023 entered on April 11, 2008. Consistent with the Commission's decisions in those cases, West Penn is proposing to recover all Universal Service program costs only from residential customers.

Q. If the USC Rider is not adopted by the Commission, what alternative approach for recovery of Universal Service costs are you proposing?

A. If the Commission determines that the USC Rider is not the appropriate mechanism for recovering Universal Service costs, those costs would need to be included in the Company's operating expenses for the fully projected future test year to be recovered in base rates. West Penn Exhibit KLB-2 at line 5, column 3, shows the expense claim of $27,821,027. Grossed up for gross receipt tax, the revenue requirement would be $29,565,378 ($27,821,027 x 1.062699), which should be included in operating expenses to be recovered in West Penn's base rates. If the USC Rider is not approved, the Company will limit funding for Universal Service programs to the amounts it is authorized to recover in base rates.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Resume: Education and Experience of Kimberlie L. Bortz

Education:

Bachelor of Science Degree in Accounting - University of Maryland

Professional Certification:

Certified Public Accountant - Pennsylvania

Experience:

1989 – 1992	Senior Accountant - Deloitte & Touche
1992 – 1994	Senior Auditor - GPU Service Corporation
1994 – 1996	Financial Analyst - Metropolitan Edison Company
1996 – 1997	Sales and Marketing Team Lead - GPU Energy
1997 – 1999	Accounting Team Lead - GPU Advanced Resources
1999 – 2001	Comptroller - GPU Advanced Resources
2001 – 2004	Manager, Met-Ed Region Business Services - FirstEnergy Service Company
2004 – 2007	Manager, Customer Service Business Services - FirstEnergy Service Company
2007 – 2012	Director, PA Business Services - FirstEnergy Service Company
2012 – 2014	Accounting Lead, Financial Transformation Project - FirstEnergy Service Company
2014 – Present	Rates Advisor, Pennsylvania Rates and Regulatory Affairs - FirstEnergy Service Company

Met-Ed Exhibit KLB-1
Witness: K. L. Bortz

METROPOLITAN EDISON COMPANY

FILING REQUIREMENT IV-B-1:

“Provide a description of changes proposed for the new tariff:

1. For each rate schedule proposed to be modified.”

FILING REQUIREMENT IV-B-2:

“Provide a description of changes proposed for the new tariff:

2. For each rate schedule proposed to be deleted.”

FILING REQUIREMENT IV-B-3:

“Provide a description of changes proposed for the new tariff:

2. For each new rate schedule proposed to be added.”

RESPONSES:

The information responsive to these filing requirements is contained in Tariff Electric PaPUC No. 52. Refer to the testimony and exhibits in Statement No. 1, the direct testimony of Charles V. Fullem; Statement No. 3, the direct testimony of Kimberlie L. Bortz; Statement No. 4, the direct testimony of Kevin M. Siedt; and Statement No. 7, the direct testimony of Laura W. Gifford which presents all of the changes proposed in the new tariffs.