

**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



- 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

PENNSYLVANIA ELECTRIC COMPANY  
 Rate Base At Original Cost  
 Normalized To Year-End Conditions at April 30, 2016  
 (\$000)

Line No.	Description	Per Budget (1)	Adjustments and Normalizations (2)	Adj No.	Total (3)	New York Jurisdictional (4)	PA Jurisdictional Normalized Rate Base		
							Distribution (5)	Smart Meter Costs (6)	PA Jurisdictional Total (7) = (5) + (6)
Electric Plant:									
1	Plant in service	\$ 3,399,191	\$ (751,048)	1	\$ 2,648,143	\$ 15,988	\$ 2,596,335	\$ 35,820	\$ 2,632,155
2	Plant held for future use	30	(30)	2	-	-	-	-	-
3	Construction work in progress - pollution control and safety	-	-	-	-	-	-	-	-
4	Total electric plant	\$ 3,399,221	\$ (751,078)		\$ 2,648,143	\$ 15,988	\$ 2,596,335	\$ 35,820	\$ 2,632,155
Depreciation & Amortization Reserve:									
5	Plant in service	\$ 1,161,651	\$ (291,218)	3	\$ 870,433	\$ 5,146	\$ 862,810	\$ 2,477	\$ 865,287
6	Plant held for future use	-	-	-	-	-	-	-	-
7	Total depreciation & amortization reserve	\$ 1,161,651	\$ (291,218)		\$ 870,433	\$ 5,146	\$ 862,810	\$ 2,477	\$ 865,287
8	Net Electric Plant	\$ 2,237,570	\$ (459,860)		\$ 1,777,710	\$ 10,842	\$ 1,733,525	\$ 33,343	\$ 1,766,868
Additions:									
9	Cash working capital	\$ -	\$ 124,842	4	\$ 124,842	\$ -	\$ 124,842	\$ -	\$ 124,842
10	M&S inventories	-	17,423	5	17,423	106	17,317	-	17,317
11	Deferred storm damage	-	12,795	6	12,795	-	12,795	-	12,795
12	Legacy meters	-	54,959	7	54,959	-	54,959	-	54,959
13	Total additions	\$ -	\$ 210,019		\$ 210,019	\$ 106	\$ 209,913	\$ -	\$ 209,913
Deductions:									
14	Customer deposits	\$ 17,948	\$ -		\$ 17,948	\$ 23	\$ 17,925	\$ -	\$ 17,925
15	Customer advances for construction	-	-		-	-	-	-	-
16	Accum. Deferred income taxes - Liberalized depreciation	587,788	(169,548)	8	418,240	2,533	413,248	2,459	415,707
17	Operating reserves (net of taxes)	3,754	(886)	9	2,868	17	2,851	-	2,851
18	Total deductions	\$ 609,490	\$ (170,434)		\$ 439,056	\$ 2,573	\$ 434,024	\$ 2,459	\$ 436,483
19	Total Rate Base	\$ 1,628,080	\$ (79,407)		\$ 1,548,673	\$ 8,375	\$ 1,509,414	\$ 30,884	\$ 1,540,298
20	Pro forma return at present rates (PA Distribution)	\$ 61,695	Dollars						
21		4.01%	Percent						
22	Pro forma return at proposed rates (PA Distribution)	\$ 127,934	Dollars						
23		8.31%	Percent						

PENNSYLVANIA ELECTRIC COMPANY  
Normalization Adjustment No. 1  
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to: (1) eliminate the Asset Retirement Costs ("ARC"). An 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. And (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.

Line No.	Description	Adjustments (1)	Plant in Service (2)	Cross Reference (3)
1	Budgeted Plant in Service at 4/30/2016		\$ 3,399,191	Penelec Exhibit RAD-46, Attach. B, p. 2
	Normalizing adjustments:			
2	Eliminate ARC	\$ (48,063)		Penelec Exhibit RAD-46, Attach. B, p. 1
3	Remove FERC Transmission Plant	(589,398)		Penelec Exhibit RAD-46, Attach. B, p. 1 and 2
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant	(7,549)		Penelec Exhibit RAD-46, Attach. B, p. 1
5	Remove allocated portion of General Plant associated with FERC Transmission Plant	(38,098)		Penelec Exhibit RAD-46, Attach. B, p. 1 and 2
6	Remove legacy meters	<u>(67,939)</u>		Penelec Exhibit RAD-46, Attach. B, p. 2
7	Normalization adjustment		<u>(751,048)</u>	Penelec Exhibit RAD-46, Attach. B, p. 2
8	Plant in Service at 4/30/2016, as adjusted		<u>\$ 2,648,143</u>	Penelec Exhibit RAD-46, Attach. B, p. 2

PENNSYLVANIA ELECTRIC 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	\$ 30
	Normalizing adjustment:	
2	Eliminate Plant Held for Future Use	<u>(30)</u>
3	Plant Held for Future Use at 4/30/2016, as adjusted	<u>\$ -</u>

PENNSYLVANIA ELECTRIC 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 the Asset Retirement Costs ("ARC"); (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.

Line No.	Description	Depreciation Reserves		Cross Reference
		Adjustments (1)	Plant in Service (2)	
1	Plant in Service depreciation reserves at 4/30/2016		\$ 1,161,651	Penelec Exhibit RAD-46, Attach. B, p. 3
<u>Normalizing adjustments:</u>				
2	Eliminate ARC	\$ (47,943)		Penelec Exhibit RAD-46, Attach. B, p. 3 and 4
3	Remove FERC Transmission Plant	(194,957)		Penelec Exhibit RAD-46, Attach. B, p. 3 and 4
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant	(6,082)		Penelec Exhibit RAD-46, Attach. B, p. 3 and 4
5	Remove allocated portion of General Plant associated with FERC Transmission Plant	(25,299)		Penelec Exhibit RAD-46, Attach. B, p. 3 and 4
6	Remove legacy meters	<u>(16,937)</u>		Penelec Exhibit RAD-46, Attach. B, p. 3 and 5
7	Normalization Adjustment		<u>(291,218)</u>	
8	Plant in Service depreciation reserves at 4/30/2016, as adjusted		<u>\$ 870,433</u>	Penelec Exhibit RAD-46, Attach. B, p. 3 and 4

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 4  
 (\$000)

Adjustment of Cash Working Capital

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

<u>Line No.</u>		<u>Cash Working Capital</u>	
		(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)	\$ 124,842	
3	Cash working capital per budget	<u>-</u>	
4	Normalization Adjustment		<u>124,842</u>
5	Cash working capital at 4/30/2016, as adjusted		<u>\$ 124,842</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 5  
 (\$000)

Adjustment of Material and Supplies Inventories

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

<u>Line No.</u>		<u>M&amp;S Inventories</u>	
		(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 Penelec at 4/30/2016 (Exhibit RAD-13)	\$ 17,423	
3	M&S Inventory per budget at 4/30/2016	<u>-</u>	
4	Normalization adjustment		<u>17,423</u>
5	M&S inventory at 4/30/2016, as adjusted		<u>\$ 17,423</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 6  
 (\$000)

Adjustment of Deferred Storm Damage Expenses

To include in rate base the deferred storm damage balances for distribution non-capital storm expenses that exceeded 125% of storm costs included in base rates between the period of February 25, 2011 through September 30, 2012 as a result of the FirstEnergy and Allegheny Merger approved at Docket Nos. A-2010-2176520 and A-2010-2176732, including but not limited to Hurricane Irene, the October 2011 snowstorm, and Tropical Storm Lee.

<u>Line No.</u>		<u>Storms</u>	
		(1)	(2)
1	Unamortized storm deferral expense per budget at 4/30/2016		\$ -
2	Merger storm damage deferral	<u>\$ 12,795</u>	
3	Normalization adjustment		<u>12,795</u>
4	Unamortized storm deferral expense at 4/30/2016, as adjusted		<u>\$ 12,795</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 7  
 (\$000)

Adjustment to Include Legacy Meters in Regulatory Asset

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		\$ -
2	Legacy meters per budget for the 12 months at 4/30/2016	\$ 67,939	
3	Net estimated cost of removal and salvage	3,957	
4	Depreciation reserve for legacy meters per budget for the 12 months at 4/30/2016	<u>(16,937)</u>	
5	Normalization adjustment (Lines 2 + 3 +4)		<u>54,959</u>
6	Net legacy meters in regulatory asset as adjusted at 4/30/2016		<u>\$ 54,959</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 8  
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

This adjustment adjusts the budgeted deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate the deferred income taxes - liberalized depreciation balances associated with TMI-2; (2) eliminate remaining state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; (3) eliminate other excludable items (capital leases); and (4) eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation balance associated with FERC Transmission Plant.

<u>Line No.</u>	<u>Description</u>	<u>Accumulated Reserve for Deferred</u>	
		<u>Adjustments</u>	<u>Taxes - Liberalized Depreciation</u>
		(1)	(2)
1	Deferred taxes per budget - liberalized depreciation at 4/30/2016		\$ 587,788
	<u>Normalizing adjustments:</u>		
2	Eliminate deferred income taxes - liberalized depreciation associated with TMI-2 (federal and state)	\$ 1,327	
3	Eliminate remaining state deferred taxes - liberalized depreciation including the federal benefit of those taxes	(21,404)	
4	Eliminate Other Excludable Items (Capital Leases)	(20,276)	
5	Eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation associated with FERC Transmission Plant	<u>(129,195)</u>	
6	Normalization Adjustment		<u>(169,548)</u>
7	Deferred taxes - liberalized depreciation at 4/30/2016, as adjusted		\$ <u>418,240</u>

PENNSYLVANIA ELECTRIC 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	\$ 3,754
	<u>Normalizing adjustment:</u>	
2	Eliminate portion of operating reserves associated with FERC Transmission operations	<u>(886)</u>
3	Operating reserves, net of taxes, at 4/30/2016, as adjusted	<u>\$ 2,868</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Rate of Return at April 30, 2016  
 (\$000)

<u>Line No.</u>	<u>Description</u>	<u>Exhibit SRS-24 Capital Amounts</u> (1)	<u>Capital Ratios</u> (2)	<u>Cost Rate</u> (3)	<u>Weighted Cost Rate</u> (4) = (2) X (3)
1	Total long-term debt	\$ 1,123,863	50.10%	5.72%	2.87%
2	Total preferred stock	-	0.00%	0.00%	0.00%
3	Total Common Equity	<u>1,119,404</u>	<u>49.90%</u>	10.90%	<u>5.44%</u>
4	Total Capitalization	<u>\$ 2,243,267</u>	<u>100.00%</u>		<u>8.31%</u>

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

**Normalized PaPUC Jurisdictional**

Line No.	Description	Per Budget (1)	Normalizations & Adjustments (2)	Adj. No. (3)=(1)+(2)	Budget as Adjusted (3)=(1)+(2)	New York Jurisdictional (4)	Riders								PaPUC Total Distribution (14) = (5) + (9)	
							Distribution (5)	Price to Compare (6)	Universal Service (7)	Energy Efficiency (8)	Smart Meters (9)	Default Service Support (10)	Solar (11)	NUG (12)		Storm (13)
<b>Operating revenues</b>																
1	Retail sales	\$ 659,777	\$ (877)	1	\$ 658,900	\$ 5,480	\$ 293,967	\$ 236,418	\$ 28,183	\$ 25,099	\$ 16,506	\$ 21,301	\$ 3,751	\$ 28,195	\$ -	\$ 310,473
2	STAS revenue	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-
3	Sales for resale	84,550	-	-	84,550	-	-	84,550	-	-	-	-	-	-	-	-
4	Other operating revenue	64,533	(53,470)	3	11,063	41	12,071	(1,049)	-	-	-	-	-	-	-	12,071
5	<b>Total operating revenue</b>	<b>\$ 808,860</b>	<b>\$ (54,347)</b>		<b>\$ 754,513</b>	<b>\$ 5,521</b>	<b>\$ 306,038</b>	<b>\$ 319,919</b>	<b>\$ 28,183</b>	<b>\$ 25,099</b>	<b>\$ 16,506</b>	<b>\$ 21,301</b>	<b>\$ 3,751</b>	<b>\$ 28,195</b>	<b>\$ -</b>	<b>\$ 322,544</b>
<b>Operating expenses</b>																
6	Price To Compare	\$ 307,859	\$ -		\$ 307,859	\$ 4,791	\$ -	\$ 300,387	\$ -	\$ -	\$ -	\$ -	\$ 2,681	\$ -	\$ -	\$ -
7	Distribution	67,801	(13,719)	4	54,082	260	44,904	-	-	-	-	8,918	-	-	-	44,904
8	Customer accounts	20,513	1,251	5	21,764	97	16,740	-	-	-	-	4,927	-	-	-	16,740
9	Customer service & info	42,413	29	6	42,442	34	16,115	-	25,396	-	-	897	-	-	-	16,115
10	Admin & gen expense	43,867	6,620	7	50,487	161	18,232	-	-	22,704	9,390	-	-	-	-	27,622
11	Depreciation - accrual	75,567	8,834	8	84,401	496	80,262	-	-	-	3,643	-	-	-	-	83,905
12	Amortization & Accretion	42,602	5,236	9	47,838	689	4,266	7,599	1,606	914	260	4,993	980	26,531	-	4,526
13	Taxes other than income	46,308	(1,073)	10	45,235	39	23,987	13,949	1,663	1,481	974	1,257	221	1,664	-	24,961
14	<b>Operating expense before tax</b>	<b>\$ 646,930</b>	<b>\$ 7,178</b>		<b>\$ 654,108</b>	<b>\$ 6,567</b>	<b>\$ 204,506</b>	<b>\$ 321,935</b>	<b>\$ 28,665</b>	<b>\$ 25,099</b>	<b>\$ 14,268</b>	<b>\$ 20,992</b>	<b>\$ 3,882</b>	<b>\$ 28,195</b>	<b>\$ -</b>	<b>\$ 218,774</b>
15	<b>Operating income before income</b>	<b>\$ 161,930</b>	<b>\$ (61,526)</b>		<b>\$ 100,404</b>	<b>\$ (1,046)</b>	<b>\$ 101,532</b>	<b>\$ (2,016)</b>	<b>\$ (482)</b>	<b>\$ -</b>	<b>\$ 2,238</b>	<b>\$ 309</b>	<b>\$ (131)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 103,770</b>
<b>Income taxes</b>																
16	Federal income tax - current	\$ 40,918	\$ (11,768)	11	\$ 29,150	\$ (334)	\$ 29,521	\$ (635)	\$ (152)	\$ -	\$ 694	\$ 97	\$ (41)	\$ -	\$ -	\$ 30,215
17	State income tax - current	-	9,350	11	9,350	-	9,361	(201)	(48)	-	220	31	(13)	-	-	9,581
18	Deferred income tax - federal	519	2,078	12	2,597	16	1,720	-	-	-	861	-	-	-	-	2,581
19	Deferred income tax - state	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(398)	94	13	(304)	(2)	(302)	-	-	-	-	-	-	-	-	(302)
21	<b>Total tax expense</b>	<b>\$ 41,039</b>	<b>\$ (247)</b>		<b>\$ 40,792</b>	<b>\$ (320)</b>	<b>\$ 40,301</b>	<b>\$ (837)</b>	<b>\$ (200)</b>	<b>\$ -</b>	<b>\$ 1,775</b>	<b>\$ 128</b>	<b>\$ (54)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,075</b>
22	<b>Total operating expenses</b>	<b>\$ 687,969</b>	<b>\$ 6,932</b>		<b>\$ 694,901</b>	<b>\$ 6,247</b>	<b>\$ 244,807</b>	<b>\$ 321,098</b>	<b>\$ 28,465</b>	<b>\$ 25,099</b>	<b>\$ 16,042</b>	<b>\$ 21,120</b>	<b>\$ 3,827</b>	<b>\$ 28,195</b>	<b>\$ -</b>	<b>\$ 260,849</b>
23	<b>Operating Income</b>	<b>\$ 120,891</b>	<b>\$ (61,279)</b>		<b>\$ 59,612</b>	<b>\$ (726)</b>	<b>\$ 61,231</b>	<b>\$ (1,179)</b>	<b>\$ (282)</b>	<b>\$ -</b>	<b>\$ 464</b>	<b>\$ 181</b>	<b>\$ (76)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,695</b>

**Pennsylvania Electric 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 Total Distribution	
		Distribution (15)	PTC (16)	Universal Service (17)	Energy Efficiency (18)	Smart Meters (19)	Default Service Support (20)	Solar (21)	NUG (22)		Storm (23)
<u>Operating revenues</u>											
1	Retail sales	\$ 116,499	\$ -	\$ -	\$ -	\$ 3,817	\$ -	\$ -	\$ -	\$ -	\$ 120,316
2	STAS revenue	-	-	-	-	-	-	-	-	-	-
3	Sales for resale	-	-	-	-	-	-	-	-	-	-
4	Other operating revenue	-	-	-	-	-	-	-	-	-	-
5	Total operating revenue	\$ 116,499	\$ -	\$ -	\$ -	\$ 3,817	\$ -	\$ -	\$ -	\$ -	\$ 120,316
<u>Operating expenses</u>											
6	PTC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Distribution	-	-	-	-	-	-	-	-	-	-
8	Customer accounts	-	-	-	-	-	-	-	-	-	-
9	Customer service & info	-	-	-	-	-	-	-	-	-	-
10	Admin & gen expense	-	-	-	-	-	-	-	-	-	-
11	Depreciation - accrual	-	-	-	-	-	-	-	-	-	-
12	Amortization	-	-	-	-	-	-	-	-	-	-
13	Taxes other than income	6,873	-	-	-	225	-	-	-	-	7,099
14	Operating expense before tax	\$ 6,873	\$ -	\$ -	\$ -	\$ 225	\$ -	\$ -	\$ -	\$ -	\$ 7,099
15	Operating income before income tax	\$ 109,626	\$ -	\$ -	\$ -	\$ 3,592	\$ -	\$ -	\$ -	\$ -	\$ 113,217
<u>Income taxes</u>											
16	Federal income tax - current	\$ 34,536	\$ -	\$ -	\$ -	\$ 1,132	\$ -	\$ -	\$ -	\$ -	\$ 35,667
17	State income tax - current	10,952	-	-	-	359	-	-	-	-	11,310
18	Deferred income tax - federal	-	-	-	-	-	-	-	-	-	-
19	Deferred income tax - state	-	-	-	-	-	-	-	-	-	-
20	Investment tax credit	-	-	-	-	-	-	-	-	-	-
21	Total tax expense	\$ 45,488	\$ -	\$ -	\$ -	\$ 1,490	\$ -	\$ -	\$ -	\$ -	\$ 46,978
22	Total operating expenses	\$ 52,361	\$ -	\$ -	\$ -	\$ 1,716	\$ -	\$ -	\$ -	\$ -	\$ 54,077
23	<b>Operating Income</b>	\$ 64,138	\$ -	\$ -	\$ -	\$ 2,101	\$ -	\$ -	\$ -	\$ -	\$ 66,239

**Pennsylvania Electric 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	Distribution (25) = (5) + (15)	Riders							PaPUC Total Distribution (34) = (25) + (29)	
			Price to Compare (26)	Universal Service (27)	Energy Efficiency (28)	Smart Meters (29) = (9) + (19)	Default Service Support (30)	Solar (31)	NUG (32)		Storm (33)
<b>Operating revenues</b>											
1	Retail sales	\$ 410,466	\$ 236,418	\$ 28,183	\$ 25,099	\$ 20,323	\$ 21,301	\$ 3,751	\$ 28,195	\$ -	\$ 430,789
2	STAS revenue	-	-	-	-	-	-	-	-	-	-
3	Sales for resale	-	84,550	-	-	-	-	-	-	-	-
4	Other operating revenue	12,071	(1,049)	-	-	-	-	-	-	-	12,071
5	Total operating revenue	\$ 422,537	\$ 319,919	\$ 28,183	\$ 25,099	\$ 20,323	\$ 21,301	\$ 3,751	\$ 28,195	\$ -	\$ 442,860
<b>Operating expenses</b>											
6	Price to Compare	\$ -	\$ 300,387	\$ -	\$ -	\$ -	\$ -	\$ 2,681	\$ -	\$ -	\$ -
7	Distribution	44,904	-	-	-	-	8,918	-	-	-	44,904
8	Customer accounts	16,740	-	-	-	-	4,927	-	-	-	16,740
9	Customer service & info	16,115	-	25,396	-	-	897	-	-	-	16,115
10	Admin & gen expense	18,232	-	-	22,704	9,390	-	-	-	-	27,622
11	Depreciation - accrual	80,262	-	-	-	3,643	-	-	-	-	83,905
12	Amortization	4,266	7,599	1,606	914	260	4,993	980	26,531	-	4,526
13	Taxes other than income	30,860	13,949	1,663	1,481	1,199	1,257	221	1,664	-	32,060
14	Operating expense before tax	\$ 211,380	\$ 321,935	\$ 28,665	\$ 25,099	\$ 14,493	\$ 20,992	\$ 3,882	\$ 28,195	\$ -	\$ 225,872
15	Operating income before tax	\$ 211,157	\$ (2,016)	\$ (482)	\$ -	\$ 5,830	\$ 309	\$ (131)	\$ -	\$ -	\$ 216,988
<b>Income taxes</b>											
16	Federal income tax - current	\$ 64,057	\$ (635)	\$ (152)	\$ -	\$ 1,825	\$ 97	\$ (41)	\$ -	\$ -	\$ 65,882
17	State income tax - current	20,313	(201)	(48)	-	579	31	(13)	-	-	20,892
18	Deferred income tax - federal	1,720	-	-	-	861	-	-	-	-	2,581
19	Deferred income tax - state	-	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(302)	-	-	-	-	-	-	-	-	(302)
21	Total tax expense	\$ 85,788	\$ (837)	\$ (200)	\$ -	\$ 3,265	\$ 128	\$ (54)	\$ -	\$ -	\$ 89,053
22	Total operating expenses	\$ 297,168	\$ 321,098	\$ 28,465	\$ 25,099	\$ 17,758	\$ 21,120	\$ 3,827	\$ 28,195	\$ -	\$ 314,925
23	<b>Operating Income</b>	\$ 125,369	\$ (1,179)	\$ (282)	\$ 0	\$ 2,565	\$ 181	\$ (76)	\$ -	\$ -	\$ 127,934
24	<b>Rate Base</b>	\$ 1,509,414	\$ -	\$ -	\$ -	\$ 30,884	\$ -	\$ -	\$ -	\$ -	\$ 1,540,298
25	<b>Rate of Return overall</b>	8.31%				8.31%					8.31%
26	<b>Return on Equity</b>	10.90%				10.90%					10.90%

**Pennsylvania Electric 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	\$ 293,967	\$ 116,499	\$ 410,466
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	12,071	-	12,071
5	Total operating revenue	\$ 306,038	\$ 116,499	\$ 422,537
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	44,904	-	44,904
8	Customer accounts	16,740	-	16,740
9	Customer service & info	16,115	-	16,115
10	Admin & gen expense	18,232	-	18,232
11	Depreciation - accrual	80,262	-	80,262
12	Amortization	4,266	-	4,266
13	Taxes other than income	23,987	6,873	30,860
14	Operating expense before tax	\$ 204,506	\$ 6,873	\$ 211,380
15	Operating income before tax	\$ 101,532	\$ 109,626	\$ 211,157
	<u>Income taxes</u>			
16	Federal income tax - current	\$ 29,521	\$ 34,536	\$ 64,057
17	State income tax - current	9,361	10,952	20,313
18	Deferred income tax - federal	1,720	-	1,720
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(302)	-	(302)
21	Total tax expense	\$ 40,301	\$ 45,488	\$ 85,788
22	Total operating expenses	\$ 244,807	\$ 52,361	\$ 297,168
23	<b>Operating Income</b>	\$ 61,231	\$ 64,138	\$ 125,369
24	<b>Rate Base</b>	\$ 1,509,414		\$ 1,509,414
25	<b>Rate of Return overall</b>	4.06%		8.31%
26	<b>Return on Equity</b>	2.38%		10.90%

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Smart Meter Technologies Charge Rider**  
 \$000

Line No.	Description	Budget as Adjusted	Revenue Adjustment Required	Allowable Revenue
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 16,506	\$ 3,817	\$ 20,323
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	\$ 16,506	\$ 3,817	\$ 20,323
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	9,390	-	9,390
11	Depreciation - accrual	3,643	-	3,643
12	Amortization	260	-	260
13	Taxes other than income	974	225	1,199
14	Operating expense before tax	\$ 14,268	\$ 225	\$ 14,493
15	Operating income before tax	\$ 2,238	\$ 3,592	\$ 5,830
	<u>Income taxes</u>			
16	Federal income tax - current	\$ 694	\$ 1,132	\$ 1,825
17	State income tax - current	220	359	579
18	Deferred income tax - federal	861	-	861
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	\$ 1,775	\$ 1,490	\$ 3,265
22	Total operating expenses	\$ 16,042	\$ 1,716	\$ 17,758
23	<b>Operating Income</b>	\$ 464		\$ 2,565
24	<b>Rate Base</b>	\$ 30,884		\$ 30,884
25	<b>Rate of Return overall</b>	1.50%		8.31%
26	<b>Return on Equity</b>	-2.74%		10.90%

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Total Distribution**  
 \$000

Line No.	Description	Budget as Adjusted	Revenue Adjustment Required	Allowable Revenue
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 310,473	\$ 120,316	\$ 430,789
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	12,071	-	12,071
5	Total operating revenue	\$ 322,544	\$ 120,316	\$ 442,860
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	44,904	-	44,904
8	Customer accounts	16,740	-	16,740
9	Customer service & info	16,115	-	16,115
10	Admin & gen expense	27,622	-	27,622
11	Depreciation - accrual	83,905	-	83,905
12	Amortization	4,526	-	4,526
13	Taxes other than income	24,961	7,099	32,060
14	Operating expense before tax	\$ 218,774	\$ 7,099	\$ 225,872
15	Operating income before tax	\$ 103,770	\$ 113,217	\$ 216,988
	<u>Income taxes</u>			
16	Federal income tax - current	\$ 30,215	\$ 35,667	\$ 65,882
17	State income tax - current	9,581	11,310	20,892
18	Deferred income tax - federal	2,581	-	2,581
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(302)	-	(302)
21	Total tax expense	\$ 42,075	\$ 46,978	\$ 89,053
22	Total operating expenses	\$ 260,849	\$ 54,077	\$ 314,925
23	<b>Operating Income</b>	\$ 61,695	\$ 66,240	\$ 127,934
24	<b>Rate Base</b>	\$ 1,540,298		\$ 1,540,298
25	<b>Rate of Return overall</b>	4.01%		8.31%
26	<b>Return on Equity</b>	2.38%		10.90%

**Pennsylvania Electric 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	\$ 28,183	\$ -	\$ 28,183
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	\$ 28,183	\$ -	\$ 28,183
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	25,396	-	25,396
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	1,606	-	1,606
13	Taxes other than income	1,663	-	1,663
14	Operating expense before tax	\$ 28,665	\$ -	\$ 28,665
15	Operating income before tax	\$ (482)	\$ -	\$ (482)
	<u>Income taxes</u>			
16	Federal income tax - current	\$ (152)	\$ -	\$ (152)
17	State income tax - current	(48)	-	(48)
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	\$ (200)	\$ -	\$ (200)
22	Total operating expenses	\$ 28,465	\$ -	\$ 28,465
23	<b>Operating Income</b>	\$ (282)	\$ -	\$ (282)

**Pennsylvania Electric 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	PTC	\$ -	\$ -	\$ -
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>	\$ -	\$ -	\$ -

Pennsylvania Electric 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 revenues into base rates, (3) adjust for Energy Efficiency and Behind the Meter generation, (4) adjust for street lighting, 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 4/30/2016		\$ 659,777
	<u>Normalizing adjustments:</u>		
2	Customers - increase to year end level	\$ 408	
	<u>Specific adjustments</u>		
3	Roll-in of STAS	-	
4	Energy Efficiency/Behind the meter	(1,309)	
5	Street lighting adjustment	83	
6	Eliminate unbilled revenues	<u>(58)</u>	
7	Total	\$ (1,285)	
8	Normalizing adjustment (Lines 2+7)		<u>(877)</u>
9	Base revenues per budget for the 12 months ending 4/30/2016, as adjusted		<u>\$ 658,900</u>

Pennsylvania Electric 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 4/30/2016	\$ -
2	Eliminate per budget STAS	<u>-</u>
3	Other operating revenue per budget for the 12 months ending 4/30/2016, as adjusted	<u>\$ -</u>

Pennsylvania Electric Company  
Normalization Adjustment No. 3  
\$000

Adjustment of Other Operating Revenues

To adjust other operating revenue to eliminate non-jurisdictional transmission revenues.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other operating revenue per budget for the 12 months ending 4/30/2016		\$ 64,533
2	Eliminate non-jurisdictional transmission revenues	<u>(53,470)</u>	
3	Other operating revenue per budget for the 12 months ending 4/30/2016, as adjusted		<u>\$ 11,063</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 4  
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense to reflect year end wage and employee levels, adjust Service Company payroll to reflect year end wage and employee levels, eliminate non-jurisdictional transmission expenses 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 are supported by Ms. H. E. Stewart.

Line No.	Description	Amount	
		(1)	(2)
1	Distribution expense per budget for the 12 months ending 4/30/2016		\$ 67,801
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 12, Col. 2)	\$ 239	
3	Service Company Distribution payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates Supporting Schedule No. 1, Line 21, Col. 2)	74	
4	Eliminate non-jurisdictional transmission expense	(14,092)	
5	Amortization of (gain) or loss on reacquired debt	79	
6	Allocation ratio based on distribution plant	<u>76.40%</u>	
7	Distribution portion of (gain) or loss	\$ 60	
8	Total normalizing adjustment (Lines 2 + 3 + 4 + 7)		<u>(13,719)</u>
9	Distribution expense per budget for the 12 months ending 4/30/2016, as adjusted		<u>\$ 54,082</u>

Pennsylvania Electric 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 (Exhibit RAD-27)		\$ 72,124
	<b><u>Bargaining</u></b>		
	IBEW 459		
2	Straight time per budget for the 12 months ending 4/30/2016	\$ 10,039	
3	Straight time 3% increase effective May 1, 2016 (Line 2 X 3%)	301	
	UWUA 180		
4	Straight time per budget for May 1, 2015 through July 31, 2015	7,935	
5	Straight time 3% increase effective August 1, 2015 (Line 4 X 3%)	238	
	<b><u>Non-Bargaining</u></b>		
6	Straight time per budget for May 1, 2015 through February 29, 2016	18,386	
7	Straight time 3% increase effective March 1, 2016 (Line 6 X 3%)	552	
6	Total company payroll adjustment		<u>1,091</u>
7	Total company payroll as adjusted		\$ 73,215
8	O&M allocation percentage		<u>36.85%</u>
9	O&M payroll adjustment (Line 6 X Line 8)		\$ 402
	<b><u>Allocation of payroll adjustment:</u></b>		
10	PTC	0.00%	\$ -
11	Transmission	4.19%	17
12	Distribution	59.48%	239
13	Customer accounts	15.68%	63
14	Customer service	7.28%	29
15	Administrative and general	13.38%	<u>54</u>
16	Total	<u>100.01%</u>	<u>\$ 402</u>
	<b><u>Service Company</u></b>		
17	Straight time per budget for May 1, 2015 through February 29, 2016 (Exhibit RAD-25)	\$ 12,770	
18	Straight time 3% increase effective March 1, 2016 (Line 17 X 3%)	383	
	<b><u>Allocation of Service Company payroll</u></b> (Exhibit RAD-25)		
19	PTC	0.00%	\$ -
20	Transmission	7.76%	30
21	Distribution	19.32%	74
22	Customer accounting and information	27.52%	105
23	Administrative and general	45.40%	<u>174</u>
24	Total	<u>100.00%</u>	<u>\$ 383</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 5  
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense to reflect year end wage and employee levels, adjust Service Company payroll to reflect year end wage and employee levels, increased costs associated with added customers, interest on customer deposits and adjustment of distribution uncollectible accounts expenses, and the elimination of non-jurisdictional administrative and general expenses.

Line No.	Description	Amount	
		(1)	(2)
1	Customer Account expense per budget for the 12 months ending 4/30/2016		\$ 20,513
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalizing Adjustment No. 4, Supporting Schedule No. 1, Line 13, Col. 2)	\$ 63	
3	Service Company customer account payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates (Normalizing Adjustment No. 4, Supporting Schedule 1, Line 22, Col. 2)	105	
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Supporting Schedule 1, Line 10)	7	
5	Interest on customer deposits, (Supporting Schedule 2, Line 3)	<u>1,075</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>1,251</u>
7	Customer Account expense per budget for the 12 months ending 4/30/2016, as adjusted		<u>\$ 21,764</u>

Pennsylvania Electric 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. The Distribution revenues are 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 4/30/2016	\$ 20,513
2	Less: uncollectible expense	(8,959)
3	Less: Labor expense	<u>(6,284)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 5,270</u>
<u>Total Distribution Revenue</u>		
5	Distribution revenues per budget	\$ 294,780
6	Late payment charges per budget (Exhibit RAD-55)	<u>3,410</u>
7	Total	<u>\$ 298,190</u>
8	Ratio of customer account expense to total revenue Line 4 / Line 7	1.77%
9	Revenue from added customers (Adjustment No. 1, Line 2)	\$ 408
10	Additional expense from added customers Line 8 X Line 9	<u>\$ 7</u>

Pennsylvania Electric 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, Column 5, Line 14)	\$ 17,925
2	Interest rate on deposits	<u>6%</u>
3	Interest expense on customer deposits	<u>\$ 1,075</u>

Pennsylvania Electric 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.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per budget for the 12 months ending 4/30/2016		\$ 42,413
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)	\$ 29	
3	Total normalizing adjustment		<u>29</u>
4	Customer Service expense per budget for the 12 months ending 4/30/2016, as adjusted		<u>\$ 42,442</u>

Pennsylvania Electric 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, adjust Service Company payroll to reflect 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, costs to update computer system to allow accelerated (3 day) switching from one supplier to another, and the elimination of non-jurisdictional administrative and general expenses. Ms. H. E. Stewart supports the non-jurisdictional expense allocation factor.

Line No.	Description	Amount	
		(1)	(2)
1	Administrative & general expense per budget for the 12 months ending 4/30/2016	\$	43,867
2	A& G Expenses related to EEC	\$	(22,704)
3	A&G Expenses related to Smart Meters		<u>(9,390)</u>
4	Adjustment to A&G	\$	(32,094)
5	Net A&G expenses related to Distribution (Line 1 - Line 4)		<u>11,772.67</u>
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, Column 3)	\$	54
7	Service Company Administrative & general payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates (Normalizing Adjustment No. 4, Supporting Schedule No 1, Line 23, Col. 2)		174
8	Adjust OPEB expense to service cost level (Normalization Adjustment No. 7, Supporting Schedule No. 1, Line 12, Col. 1)		1,281
9	Adjust pension expense to ten year cash level (Supporting Schedule No. 2, Line 18, Col. 3)		6,429
10	Adjust employee benefit costs (Supporting Schedule No. 3, Line 8, Col. 3)		<u>168</u>
11	Subtotal of adjustments (Lines 6 + 7 + 8 + 9 + 10)		8,106
12	Administrative and general expense, adjusted (Line 5 + Line 7)	\$	19,879
13	Non-jurisdictional expense allocation factor		<u>4.84%</u>
14	Non-jurisdictional administrative and general expense (Line 12 X Line 13)		(962)
15	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$	521
16	Recovery period - 2 years		<u>2</u>
17	Annual amount (Line 15 / Line 16)		261
18	Less: Rate case expenses per budget		<u>(750)</u>
19	Adjusted rate case expenses (Line 17 + Line 18)		(490)
20	Legacy meter expenses in budget		(360)
21	Increase in O&M Costs for Accelerated (3 day) Switching for customers switching from one supplier to another (Exhibit RAD-64)		<u>326</u>
22	Total normalizing adjustment (Lines 11 + 14 + 19 + 20 + 21)	\$	<u>6,620</u>
23	Administrative and general expense per budget for the 12 months ending 4/30/2016, as adjusted	\$	<u>50,487</u>

Pennsylvania Electric 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.

Line No.	Description	O&M (1)	Capital (2)	Total (3)
1	O&M - Capital allocation ratios	36.85%	63.15%	100.00%
2	Company OPEB expense included in budget	\$ (342)	\$ (586)	\$ (928)
3	FirstEnergy Service Corp. OPEB expense	\$ (10,280)	\$ (17,616)	\$ (27,896)
4	Allocation ratio	<u>6.64%</u>	<u>6.64%</u>	<u>6.64%</u>
5	Allocated FirstEnergy Service Corp. OPEB expense included in budget (Line 3 X Line 4)	\$ (682)	\$ (1,170)	\$ (1,852)
6	Total OPEB expense included in budget (Line 2 + Line 5)	\$ (1,024)	\$ (1,756)	\$ (2,780)
7	Service cost for company OPEB expense	\$ 238	\$ 409	\$ 647
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 282	\$ 482	\$ 764
9	Allocation ratio	<u>6.64%</u>	<u>6.64%</u>	<u>6.64%</u>
10	Allocated FirstEnergy Service Corp. service cost (Line 8 X Line 9)	\$ 19	\$ 32	\$ 51
11	Total OPEB service cost (Lines 7 + 10)	\$ 257	\$ 441	\$ 698
12	Adjustment to set OPEB expense at ongoing service cost level (Line 11 - Line 6)	\$ 1,281	\$ 2,197	\$ 3,478

Pennsylvania Electric Company  
 Supporting Schedule No. 2 to Normalizing Adjustment No. 7  
 \$000

Adjustment for 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-00061367.

Line No.	Description	Amount		
		(1) Total	(2) O&M %	(3) O&M
	<u>Company Cash Contributions</u>			
1	2004 Cash Pension Contribution	\$ 50,314	44.25%	\$ 22,264
2	2005 Cash Pension Contribution	20,021	44.25%	8,859
3	2007 Cash Pension Contribution	13,436	48.25%	6,483
4	2009 Cash Pension Contribution	60,000	41.69%	25,014
5	2012 Cash Pension Contribution	37,500	39.64%	14,865
6	Total Company Cash Pension Contributions	\$ 181,271		\$ 77,485
	<u>FirstEnergy Service Company Cash Contributions</u>			
7	2004 Pension Contribution	\$ 91,633		
8	2004 Company Allocation Factor	<u>9.63%</u>		
9	2004 Service Company Pension Contribution allocated to the Company	\$ 8,824	44.25%	\$ 3,905
10	2007 Pension Contribution	\$ 27,468		
11	2007 Company Allocation Factor	<u>11.11%</u>		
12	2007 Service Company Pension Contribution allocated to the Company	\$ 3,052	48.25%	<u>1,472</u>
13	Total FirstEnergy Service Company Cash Pension Contributions allocated to the Company (Line 9 + Line 12)	\$ 11,876		\$ 5,377
14	Total Pension cash contributions (Line 6 + Line 13)	193,147		\$ 82,862
15	Number of years amortization	<u>10</u>		<u>10</u>
16	Pension expense cash contribution, averaged over 10 years	19,315		\$ 8,286
17	O&M Pension Expense included in budget			<u>1,857</u>
18	Adjustment to Pension Expense (Line 16 - Line 17)			<u>\$ 6,429</u>

Pennsylvania Electric 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. 6, Supporting Schedule No. 1, Line 20 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:

Line No.	Description	Effective Rate (a)	Payroll Adjustment	Benefit Adjustment
		(1)	(2)	(3) = (1) X (2)
1	Workers compensation	0.725%	\$ 402 (b)	\$ 3
2	Pension costs	24.759%	\$ 402 (b)	100
3	OPEB costs	0.953%	\$ 402 (b)	4
4	Life insurance	0.154%	\$ 402 (b)	1
5	Medical / Dental insurance	9.808%	\$ 402 (b)	39
6	Savings Plan	3.323%	\$ 402 (b)	13
7	Other	2.080%	\$ 402 (b)	8
8	Total increase due to payroll adjustment			<u>\$ 168</u>

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

	Total Amount	Total Payroll	Effective Rate
Workers compensation	\$ 531	\$ 73,215	0.725%
Pension costs - normalized basis	18,127	73,215	24.759%
OPEB costs - service cost	698	73,215	0.953%
Life insurance	113	73,215	0.154%
Medical / Dental insurance	7,181	73,215	9.808%
Savings Plan	2,433	73,215	3.323%
Other (Exhibit RAD-27)	1,523	73,215	2.080%

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

Pennsylvania Electric Company  
Normalization Adjustment No. 8  
\$000

Adjustment of Depreciation Expense

To adjust budgeted depreciation expense to remove legacy meters (non-depreication expense), to reflect average remaining life rates on adjusted rate base, to eliminate non-jurisdictional expense, to adjust cost of removal/salvage expense to a five year average amount, according to prior Commission practice and to accelerate recovery of legacy meters. The plant allocation factors used in this normalization are supported by Ms. H. E. Stewart.

Line No.	Description	Amount			
		(1)	(2)	(3)	(4)
1	Depreciation expense per budget for the 12 months ending 4/30/2016				\$ 75,567
2	Cost of removal/salvage expense per budget for the 12 months ending 4/30/2016, Exhibit RAD-30		\$ 8,791		
3	Depreciation accrual per budget (Line 1 - Line 2)		\$ 66,776		
4	Jurisdictional depreciation expense accrual on adjusted rate base at average remaining life rates (Exhibit RAD-53 page 2)		58,831		
5	Adjustment for average remaining life accrual for jurisdictional plant (Line 4 - Line 3)			\$ (7,945)	
<u>Cost of removal/ salvage</u>					
6	Cost of removal/salvage expense per budget for the 12 months ending 4/30/2016 (Exhibit RAD-30)		\$ 8,791		
7	Cost of removal and salvage 2010 - 2014 (Exhibit RAD-30) for the 12 months ended March 31, 2010	\$ 32,660			
8	for the 12 months ended March 31, 2011	11,900			
9	for the 12 months ended March 31, 2012	13,287			
10	for the 12 months ended March 31, 2013	22,502			
11	for the 12 months ended March 31, 2014	15,056			
12	Total	\$ 95,405			
13	Five year average (Line 12 / 5)		19,081		
14	Allocation ratio based on jurisdictional plant		76.40%		
15	Jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 13 X Line 14)		14,578		
16	Adjustment of jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 15 - Line 6)			5,787	
17	Adjustment for amortization of legacy meters (Adj. 8, Sched. 1, Line 7)			10,992	
18	Total normalizing adjustment (Lines 5 + 16 + 17)				8,834
19	Depreciation expense per budget for the 12 months ending 4/30/2016, as adjusted				\$ 84,401

Pennsylvania Electric Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 8  
 \$000

Adjustment for Amortization of Legacy Meters

To amortize recovery of legacy meters to fully recover all legacy meter costs by the end of the system installation period.

<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 (RAD-46 Attachment B, Page 2)	\$ 67,939	
2	Depreciation reserve associated with legacy meters per budget for the 12 months ending 4/30/2016 (RAD-46, Attachment B, Page 4)	<u>16,937</u>	
3	Net legacy meters per budget for the 12 months ending 4/30/2016 (Line 1 - Line 2)	\$ 51,002	
4	Net estimated cost of removal and salvage	<u>3,957</u>	
5	Net legacy meters	<u>\$ 54,959</u>	
6	Annual amortization over a 5 year amortization period		<u>\$ 10,992</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 9  
 \$000

Adjustment of Amortization Expense

To include the amortization of deferred storm damage balances for distribution non-capital storm expenses that exceeded 125% of storm costs included in base rates between the period of February 25, 2011 through September 30, 2012 as a result of the FirstEnergy and Allegheny Merger approved at Docket Nos. A-2010-2176520 and A-2010-2176732, including but not limited to Hurricane Irene, the October 2011 snowstorm, and Tropical Storm Lee. Also, to remove amortization of legacy meters and amortization of rate case expenses and accretion expense in the budget.

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Amortization expense per budget for the 12 months ending 4/30/2016			\$ 42,602
	<u>Storm damage costs</u>			
2	Merger storm deferral	\$ 12,795		
3	Amortized over 3 years	<u>3</u>		
4	Annual Amortization of storm damage costs		\$ 4,265	
5	Remove legacy meter in regulatory asset in budget		360	
6	Remove amortization of rate case expenses in budget		750	
7	Remove accretion expense in budget		<u>(139)</u>	
8	Normalizing adjustment (Line 4 + 5 + 6 + 7)			<u>5,236</u>
9	Amortization expense per budget for the 12 months ending 4/30/2016, as adjusted			<u>\$ 47,838</u>

Pennsylvania Electric 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 and eliminate non-jurisdictional taxes. The non-jurisdictional allocation factor is supported by Ms. H. E. Stewart.

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Taxes Other Than Income per budget for the 12 months ending 4/30/2016			\$ 46,308
2	Federal and State payroll taxes in budget (Exhibit RAD-32, page 1)	\$ 5,467		
3	Non-jurisdictional percent	<u>4.84%</u>		
4	Eliminate non-jurisdictional payroll taxes		\$ (265)	
5	Capital Stock Tax included in budget (Exhibit RAD-32, page 1)	\$ 135		
6	PURTA tax in budget (Exhibit RAD-32, page 1)	1,239		
7	Real Estate tax in budget (Exhibit RAD-32, page 1)	<u>388</u>		
8	Total Other taxes	\$ 1,762		
9	Non-jurisdictional percent	<u>23.60%</u>		
10	Eliminate non-jurisdictional taxes		(416)	
	<u>Gross Receipts Tax</u>			
11	Normalized sales revenues ( Exhibit RAD-2, page 1, Line 1, Col. 3 - Col 4)	\$ 653,420		
12	Gross receipts tax @ 5.9%	38,552		
13	Gross receipts tax included in budget (Exhibit RAD-32, page 1)	<u>38,975</u>		
14	Adjustment for gross receipts tax at normalized revenue level (Line 12 - Line 13)		(423)	
15	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>30</u>	
16	Total normalizing adjustment (Lines 4+10+14+15)			<u>(1,073)</u>
17	Taxes other than income per budget for the 12 months ending 4/30/2016, as adjusted			\$ <u>45,235</u>

Pennsylvania Electric 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	Total payroll per budget for the 12 months ending 4/30/2016 (Normalization Adjustment No. 4, Schedule 1, Line 1, Col 2)	\$ 72,124
2	Total payroll tax included in budget (Exhibit RAD-32, page 1)	<u>5,467</u>
3	Effective payroll tax rate (Line 2 / Line 1)	7.580%
4	Total payroll as adjusted (Normalization Adjustment No. 4, Schedule 1, Line 7, Col. 2)	<u>\$ 73,215</u>
5	Payroll tax on normalized payroll (Line 3 X Line 4)	\$ 5,550
6	Total Company payroll tax adjustment (Line 5 - Line 2)	<u>\$ 83</u>
7	O&M Allocation percentage	36.85%
8	Adjustment for payroll tax (Line 6 x Line 7)	<u><u>\$ 30</u></u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 11  
 \$000

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

Riders

Line No.	Description	Total Company Calculated Taxes (1)	Waverly Calculated Taxes (2)	Distribution Calculated Taxes (3)	PTC Calculated Taxes (4)	Universal Service Calculated Taxes (5)	Energy Efficiency Calculated Taxes (6)	Smart Meter Calculated Taxes (7)	DSS Calculated Taxes (8)	Solar Calculated Taxes (9)	NUG Charge Calculated Taxes (10)	Storm Calculated Taxes (11)	PA Jurisdictional Total Taxes (12)
1	Total operating revenue	\$ 754,513	\$ 5,521	\$ 306,038	\$ 319,919	\$ 28,183	\$ 25,099	\$ 16,506	\$ 21,301	\$ 3,751	\$ 28,195	\$ -	\$ 748,992
2	Less: Total O&M Expense	\$ 476,635	\$ 5,343	\$ 95,991	\$ 300,387	\$ 25,396	\$ 22,704	\$ 9,390	\$ 14,742	\$ 2,681	\$ -	\$ -	\$ 471,292
3	Depreciation - accrual	69,823	410	65,770	-	-	-	3,643	-	-	-	-	69,413
4	Average net salvage	14,578	86	14,492	-	-	-	-	-	-	-	-	14,492
5	Amortization & Accretion	47,838	689	4,266	7,599	1,606	914	260	4,993	980	26,531	-	47,149
6	Taxes other than income taxes	45,235	39	23,987	13,949	1,663	1,481	974	1,257	221	1,664	-	45,196
7	Total deductions	\$ 654,108	\$ 6,567	\$ 204,506	\$ 321,935	\$ 28,665	\$ 25,099	\$ 14,268	\$ 20,992	\$ 3,882	\$ 28,195	\$ -	\$ 647,541
8	Net operating income before income taxes	\$ 100,404	\$ (1,046)	\$ 101,532	\$ (2,016)	\$ (482)	\$ -	\$ 2,238	\$ 309	\$ (131)	\$ -	\$ -	\$ 101,450
9	Less: Interest Charges (A)	44,396	240	43,271	-	-	-	885	-	-	-	-	44,156
10	Net income before income taxes	\$ 56,008	\$ (1,286)	\$ 58,261	\$ (2,016)	\$ (482)	\$ -	\$ 1,353	\$ 309	\$ (131)	\$ -	\$ -	\$ 57,294
<b>Adjustments to taxable income:</b>													
11	Book Average net salvage	\$ 14,578	\$ 86	\$ 14,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,492
12	Adj. of book depreciation to tax basis (B)	24,492	259	23,384	-	-	-	849	-	-	-	-	24,233
13	Tax cost of removal/salvage	(8,872)	(52)	(8,820)	-	-	-	-	-	-	-	-	(8,820)
14	Adjust cash pension	6,429	38	6,391	-	-	-	-	-	-	-	-	6,391
15	Net adjustment	\$ 36,627	\$ 331	\$ 35,447	\$ -	\$ -	\$ -	\$ 849	\$ -	\$ -	\$ -	\$ -	\$ 36,296
16	Income subject to state income tax (Line 10 + Line 15)	\$ 92,634	\$ (956)	\$ 93,708	\$ (2,016)	\$ (482)	\$ -	\$ 2,202	\$ 309	\$ (131)	\$ -	\$ -	\$ 93,590
17	State income tax @ 9.99%	\$ 9,350	\$ -	\$ 9,361	\$ (201)	\$ (48)	\$ -	\$ 220	\$ 31	\$ (13)	\$ -	\$ -	\$ 9,350
18	Taxes as budgeted	-	-	-	-	-	-	-	-	-	-	-	-
19	Adjustment to state income tax	\$ 9,350	\$ -	\$ 9,361	\$ (201)	\$ (48)	\$ -	\$ 220	\$ 31	\$ (13)	\$ -	\$ -	\$ 9,350
20	Income subject to federal income tax	\$ 83,285	\$ (956)	\$ 84,347	\$ (1,815)	\$ (434)	\$ -	\$ 1,982	\$ 278	\$ (118)	\$ -	\$ -	\$ 84,240
21	Federal income tax @ 35%	\$ 29,150	\$ (334)	\$ 29,521	\$ (635)	\$ (152)	\$ -	\$ 694	\$ 97	\$ (41)	\$ -	\$ -	\$ 29,484
22	Total federal tax	\$ 29,150	\$ (334)	\$ 29,521	\$ (635)	\$ (152)	\$ -	\$ 694	\$ 97	\$ (41)	\$ -	\$ -	\$ 29,484
23	Taxes as budgeted	40,918	-	40,918	-	-	-	-	-	-	-	-	40,918
24	Adjustment to federal income tax	\$ (11,768)	\$ (334)	\$ (11,397)	\$ (635)	\$ (152)	\$ -	\$ 694	\$ 97	\$ (41)	\$ -	\$ -	\$ (11,434)
<b>(A) Computation of Interest charges</b>													
	Total rate base	\$ 1,548,673	\$ 8,375	\$ 1,509,414	\$ -	\$ -	\$ -	\$ 30,884	\$ -	\$ -	\$ -	\$ -	\$ 1,540,298
	Debt ratio	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%
	Cost of debt	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%
	Interest expense	\$ 44,396	\$ 240	\$ 43,271	\$ -	\$ -	\$ -	\$ 885	\$ -	\$ -	\$ -	\$ -	\$ 44,156
<b>(B) Adjustment of book depreciation to tax basis:</b>													
	Tax depreciation	\$ 45,331	\$ 151	\$ 42,386	\$ -	\$ -	\$ -	\$ 2,794	\$ -	\$ -	\$ -	\$ -	\$ 45,180
	Book depreciation	69,823	410	65,770	-	-	-	3,643	-	-	-	-	69,413
	Depreciation adjustment	\$ (24,492)	\$ (259)	\$ (23,384)	\$ -	\$ -	\$ -	\$ (849)	\$ -	\$ -	\$ -	\$ -	\$ (24,233)

Pennsylvania Electric Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 11  
 \$000

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

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Tax depreciation expense per budget (Exhibit RAD-33)	\$ 70,037		
2	Cost of removal/salvage in tax depreciation	11,613	76.40%	\$ 8,872
3	Smart meter tax depreciation	2,794	100%	2,794
4	Waverly tax depreciation	<u>151</u>	100%	151
5	Distribution tax depreciation (Line 1 - 2 -3 - 4)	<u>55,479</u>	<u>76.40%</u>	<u>42,386</u>
6	Total tax depreciation			<u>\$ 45,331</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 12  
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects (1) the adjustment of Federal deferrals to reflect year-end plant and (2) miscellaneous federal deferred taxes not associated with liberalized depreciation. All state deferred taxes associated with liberalized depreciation have been eliminated.

Line No.	Description	Provision for Deferred Taxes - Net	
		Federal (1)	State (2)
1	Deferred taxes per budget, 12 months ending 4/30/2016	\$ 519	\$ -
2	Deferred taxes - liberalized depreciation (Exhibit RAD-41, page 11)	3,399	-
3	Jurisdictional allocation factor	<u>76.40%</u>	<u>76.40%</u>
4	Jurisdictional deferred taxes - liberalized depreciation (Line 2 X Line 3)	2,597	-
5	Adjustment to deferred tax expense (Line 4 - Line 1)	<u>2,078</u>	<u>-</u>
6	Deferred tax expense per budget for the 12 months ending 4/30/2016, as adjusted	<u>\$ 2,597</u>	<u>\$ -</u>

Pennsylvania Electric 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.

Line No.	Description	Amount	
		(1)	(2)
1	Investment tax credit adjustments per budget, 12 months ending 4/30/2016	\$	(398)
2	Jurisdictional allocation factor	<u>23.60%</u>	
3	Adjustment to investment tax credit expense (Line 1 X Line 2)		<u>94</u>
4	Adjustment to investment tax credit expense per budget for the 12 months ending 4/30/2016, as adjusted	\$	<u>(304)</u>

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

Line No.	Description	Per Budget (1)	Adjustments and Normalizations (2)	Adj No.	Total (3)	New York Jurisdictional (4)	PA Jurisdictional Normalized Rate Base		
							Distribution (5)	Smart Meter Costs (6)	PA Jurisdictional Total (7) = (5) + (6)
Electric Plant:									
1	Plant in service	\$ 3,245,248	\$ (712,800)	1	\$ 2,532,448	\$ 15,195	\$ 2,481,433	\$ 35,820	\$ 2,517,253
2	Plant held for future use	30	(30)	2	-	-	-	-	-
3	Construction work in progress - pollution control and safety	-	-		-	-	-	-	-
4	Total electric plant	\$ 3,245,278	\$ (712,830)		\$ 2,532,448	\$ 15,195	\$ 2,481,433	\$ 35,820	\$ 2,517,253
Depreciation & Amortization Reserve:									
5	Plant in service	\$ 1,106,017	\$ (282,045)	3	\$ 823,972	\$ 4,861	\$ 816,634	\$ 2,477	\$ 819,111
6	Plant held for future use	-	-		-	-	-	-	-
7	Total depreciation & amortization reserve	\$ 1,106,017	\$ (282,045)		\$ 823,972	\$ 4,861	\$ 816,634	\$ 2,477	\$ 819,111
8	Net Electric Plant	\$ 2,139,261	\$ (430,785)		\$ 1,708,476	\$ 10,333	\$ 1,664,800	\$ 33,343	\$ 1,698,143
Additions:									
9	Cash working capital	\$ -	\$ 124,842	4	\$ 124,842	\$ -	\$ 124,842	\$ -	\$ 124,842
10	M&S inventories	-	17,423	5	17,423	106	17,317	-	17,317
11	Deferred storm damage	-	12,795	6	12,795	-	12,795	-	12,795
12	Legacy meters	-	58,040	7	58,040	-	58,040	-	58,040
13	Total additions	\$ -	\$ 213,100		\$ 213,100	\$ 106	\$ 212,994	\$ -	\$ 212,994
Deductions:									
14	Customer deposits	\$ 17,948	\$ -		\$ 17,948	\$ 23	\$ 17,925	\$ -	\$ 17,925
15	Customer advances for construction	-	-		-	-	-	-	-
16	Accum. Deferred income taxes - Liberalized depreciation	583,484	(168,532)	8	414,952	2,531	409,962	2,459	412,421
17	Operating reserves (net of taxes)	3,754	(886)	9	2,868	17	2,851	-	2,851
18	Total deductions	\$ 605,186	\$ (169,418)		\$ 435,768	\$ 2,572	\$ 430,737	\$ 2,459	\$ 433,196
19	Total Rate Base	\$ 1,534,075	\$ (48,267)		\$ 1,485,808	\$ 7,867	\$ 1,447,057	\$ 30,884	\$ 1,477,941
20	Pro forma return at present rates (PA Distribution)	\$ 53,197	Dollars						
21		3.60%	Percent						
22	Pro forma return at proposed rates (PA Distribution)	\$ 122,755	Dollars						
23		8.31%	Percent						

PENNSYLVANIA ELECTRIC COMPANY  
Normalization Adjustment No. 1  
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to: (1) eliminate the Asset Retirement Costs ("ARC"). An 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. And (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.

Line No.	Description	Adjustments (1)	Plant in Service (2)	Cross Reference (3)
1	Budgeted Plant in Service at 3/31/2015		\$ 3,245,248	Penelec Exhibit RAD-47, Attach. B, p. 2
	Normalizing adjustments:			
2	Eliminate ARC	\$ (48,070)		Penelec Exhibit RAD-47, Attach. B, p. 1
3	Remove FERC Transmission Plant	(552,056)		Penelec Exhibit RAD-47, Attach. B, p. 1 and 2
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant	(7,442)		Penelec Exhibit RAD-47, Attach. B, p. 1
5	Remove allocated portion of General Plant associated with FERC Transmission Plant	(37,293)		Penelec Exhibit RAD-47, Attach. B, p. 1 and 2
6	Remove legacy meters	<u>(67,939)</u>		Penelec Exhibit RAD-47, Attach. B, p. 2
7	Normalization adjustment		<u>(712,800)</u>	Penelec Exhibit RAD-47, Attach. B, p. 2
8	Plant in Service at 3/31/2015, as adjusted		<u>\$ 2,532,448</u>	Penelec Exhibit RAD-47, Attach. B, p. 2

PENNSYLVANIA ELECTRIC 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>Description</u>	<u>Amount</u> (1)
1	Per budget Plant Held for Future Use at 3/31/2015	\$ 30
	Normalizing adjustment:	
2	Eliminate Plant Held for Future Use	<u>(30)</u>
3	Plant Held for Future Use at 3/31/2015, as adjusted	<u>\$ -</u>

PENNSYLVANIA ELECTRIC 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 the Asset Retirement Costs ("ARC"); (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.

Line No.	Description	Depreciation Reserves		Cross Reference
		Adjustments (1)	Plant in Service (2)	
1	Plant in Service depreciation reserves at 3/31/2015		\$ 1,106,017	Penelec Exhibit RAD-47, Attach. B, p. 3
<u>Normalizing adjustments:</u>				
2	Eliminate ARC	\$ (47,935)		Penelec Exhibit RAD-47, Attach. B, p. 3 and 4
3	Remove FERC Transmission Plant	(190,507)		Penelec Exhibit RAD-47, Attach. B, p. 3 and 4
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant	(5,563)		Penelec Exhibit RAD-47, Attach. B, p. 3 and 4
5	Remove allocated portion of General Plant associated with FERC Transmission Plant	(24,184)		Penelec Exhibit RAD-47, Attach. B, p. 3 and 4
6	Remove legacy meters	<u>(13,856)</u>		Penelec Exhibit RAD-47, Attach. B, p. 3 and 5
7	Normalization Adjustment		<u>(282,045)</u>	
8	Plant in Service depreciation reserves at 3/31/2015, as adjusted		<u>\$ 823,972</u>	Penelec Exhibit RAD-47, Attach. B, p. 3 and 4

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 4  
 (\$000)

Adjustment of Cash Working Capital

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

Line No.	Description	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)	\$ 124,842	
3	Cash working capital per budget	<u>-</u>	
4	Normalization Adjustment		<u>124,842</u>
5	Cash working capital at 3/31/2015, as adjusted		<u>\$ 124,842</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 5  
 (\$000)

Adjustment of Material and Supplies Inventories

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

Line No.	Description	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 Penelec at 3/31/2015 (Exhibit RAD-13)	\$ 17,423	
3	M&S Inventory per budget at 3/31/2015	<u>-</u>	
4	Normalization adjustment		<u>17,423</u>
5	M&S inventory at 3/31/2015, as adjusted		<u>\$ 17,423</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 6  
 (\$000)

Adjustment of Deferred Storm Damage Expenses

To include in rate base the deferred storm damage balances for distribution non-capital storm expenses that exceeded 125% of storm costs included in base rates between the period of February 25, 2011 through September 30, 2012 as a result of the FirstEnergy and Allegheny Merger approved at Docket Nos. A-2010-2176520 and A-2010-2176732, including but not limited to Hurricane Irene, the October 2011 snowstorm, and Tropical Storm Lee.

Line No.	Description	Storms	
		(1)	(2)
1	Unamortized storm deferral expense per budget at 3/31/2015		\$ -
2	Merger storm damage deferral	<u>\$ 12,795</u>	
3	Normalization adjustment		<u>12,795</u>
4	Unamortized storm deferral expense at 3/31/2015, as adjusted		<u>\$ 12,795</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 7  
 (\$000)

Adjustment to Include Legacy Meters in Regulatory Asset

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>Description</u>	<u>Legacy Meters</u>	
		<u>(1)</u>	<u>(2)</u>
1	Net legacy meters in regulatory asset		\$ -
2	Legacy meters per budget for the 12 months at 3/31/2015	\$ 67,939	
3	Net estimated cost of removal and salvage	3,957	
4	Depreciation reserve for legacy meters per budget for the 12 months at 3/31/2015	<u>(13,856)</u>	
5	Normalization adjustment (Lines 2 + 3 +4)		<u>58,040</u>
6	Net legacy meters in regulatory asset as adjusted at 3/31/2015		<u>\$ 58,040</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 8  
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

This adjustment adjusts the budgeted deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate the deferred income taxes - liberalized depreciation balances associated with TMI-2; (2) eliminate remaining state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; (3) eliminate other excludable items (capital leases); and (4) eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation balance associated with FERC Transmission Plant.

Line No.	Description	Adjustments	Accumulated Reserve for Deferred Taxes - Liberalized Depreciation
		(1)	(2)
1	Deferred taxes per budget - liberalized depreciation at 3/31/2015		\$ 583,484
	<u>Normalizing adjustments:</u>		
2	Eliminate deferred income taxes - liberalized depreciation associated with TMI-2 (federal and state)	\$ 1,327	
3	Eliminate Other Excludable Items (Capital Leases)	(21,404)	
4	Eliminate remaining state deferred taxes - liberalized depreciation including the federal benefit of those taxes	(20,276)	
5	Eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation associated with FERC Transmission Plant	<u>(128,179)</u>	
6	Normalization Adjustment		<u>(168,532)</u>
7	Deferred taxes - liberalized depreciation at 3/31/2015, as adjusted		<u>\$ 414,952</u>

PENNSYLVANIA ELECTRIC 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>Description</u>	<u>Amount</u>
1	Operating reserves, net of taxes, per budget at 3/31/2015	\$ 3,754
	<u>Normalizing adjustment:</u>	
2	Eliminate portion of operating reserves associated with FERC Transmission operations	<u>(886)</u>
3	Operating reserves, net of taxes, at 3/31/2015, as adjusted	<u>\$ 2,868</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Rate of Return at March 31, 2015  
 (\$000)

<u>Line No.</u>	<u>Description</u>	<u>Exhibit SRS-24 Capital Amounts</u>	<u>Capital Ratios</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
		(1)	(2)	(3)	(4) = (2) X (3)
1	Total long-term debt	\$ 1,123,863	50.10%	5.72%	2.87%
2	Total preferred stock	-	0.00%	0.00%	0.00%
3	Total Common Equity	<u>1,119,404</u>	<u>49.90%</u>	10.90%	<u>5.44%</u>
4	Total Capitalization	<u>\$ 2,243,267</u>	<u>100.00%</u>		<u>8.31%</u>

**Pennsylvania Electric Company**  
**Statement of Operating Income, 12 Months Ended March 31, 2015, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

**Normalized PaPUC Jurisdictional**

Line No.	Description	Per Budget (1)	Normalizations & Adjustments (2)	Adj. No.	Budget as Adjusted (3)=(1)+(2)	New York Jurisdictional (4)	Riders							PaPUC Total Distribution (14) = (5) + (9)		
							Distribution (5)	Price to Compare (6)	Universal Service (7)	Energy Efficiency (8)	Smart Meters (9)	Default Service Support (10)	Solar (11)		NUG (12)	Storm (13)
<b>Operating revenues</b>																
1	Retail sales	\$ 685,476	\$ 1,871	1	\$ 687,347	\$ 5,934	\$ 288,658	\$ 276,416	\$ 25,177	\$ 20,695	\$ 14,136	\$ 21,184	\$ 3,725	\$ 31,422	\$ -	\$ 302,794
2	STAS revenue	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-
3	Sales for resale	63,639	-	-	63,639	-	-	63,544	-	95	-	-	-	-	-	-
4	Other operating revenue	65,429	(54,394)	3	11,035	64	12,044	(1,073)	-	-	-	-	-	-	-	12,044
5	<b>Total operating revenue</b>	<b>\$ 814,544</b>	<b>\$ (52,523)</b>		<b>\$ 762,021</b>	<b>\$ 5,998</b>	<b>\$ 300,702</b>	<b>\$ 338,887</b>	<b>\$ 25,177</b>	<b>\$ 20,790</b>	<b>\$ 14,136</b>	<b>\$ 21,184</b>	<b>\$ 3,725</b>	<b>\$ 31,422</b>	<b>\$ -</b>	<b>\$ 314,838</b>
<b>Operating expenses</b>																
6	Price To Compare	\$ 324,946	\$ -		\$ 324,946	\$ 1,080	\$ -	\$ 321,864	\$ -	\$ -	\$ -	\$ -	\$ 2,002	\$ -	\$ -	\$ -
7	Distribution	61,696	(10,225)	4	51,471	299	40,631	-	-	-	-	10,541	-	-	-	40,631
8	Customer accounts	21,189	1,264	5	22,453	130	16,947	-	-	-	-	5,376	-	-	-	16,947
9	Customer service & info	47,123	36	6	47,159	99	17,291	-	29,569	-	-	200	-	-	-	17,291
10	Admin & gen expense	38,082	10,791	7	48,873	283	13,283	-	-	22,612	12,695	-	-	-	-	25,978
11	Depreciation - accrual	76,140	3,998	8	80,138	473	78,263	-	-	-	1,402	-	-	-	-	79,665
12	Amortization & Accretion	25,268	4,841	9	30,109	215	4,264	1,710	(5,465)	(3,043)	(1,658)	2,963	1,555	29,568	-	2,606
13	Taxes other than income	47,900	(1,051)	10	46,849	75	23,601	16,309	1,485	1,221	834	1,250	220	1,854	-	24,435
14	<b>Operating expense before tax</b>	<b>\$ 642,344</b>	<b>\$ 9,655</b>		<b>\$ 651,999</b>	<b>\$ 2,654</b>	<b>\$ 194,281</b>	<b>\$ 339,883</b>	<b>\$ 25,589</b>	<b>\$ 20,790</b>	<b>\$ 13,273</b>	<b>\$ 20,330</b>	<b>\$ 3,777</b>	<b>\$ 31,422</b>	<b>\$ -</b>	<b>\$ 207,554</b>
15	<b>Operating income before income tax</b>	<b>\$ 172,200</b>	<b>\$ (62,178)</b>		<b>\$ 110,022</b>	<b>\$ 3,344</b>	<b>\$ 106,421</b>	<b>\$ (996)</b>	<b>\$ (412)</b>	<b>\$ -</b>	<b>\$ 863</b>	<b>\$ 854</b>	<b>\$ (52)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 107,284</b>
<b>Income taxes</b>																
16	Federal income tax - current	\$ 11,001	\$ 25,853	11	\$ 36,854	\$ 1,196	\$ 35,584	\$ (314)	\$ (130)	\$ -	\$ 265	\$ 269	\$ (16)	\$ -	\$ -	\$ 35,850
17	State income tax - current	-	11,308	11	11,308	-	11,284	(100)	(41)	-	84	85	(5)	-	-	11,368
18	Deferred income tax - federal	36,714	(29,500)	12	7,214	43	7,171	-	-	-	-	-	-	-	-	7,171
19	Deferred income tax - state	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(398)	94	13	(304)	(2)	(302)	-	-	-	-	-	-	-	-	(302)
21	<b>Total tax expense</b>	<b>\$ 47,317</b>	<b>\$ 7,755</b>		<b>\$ 55,072</b>	<b>\$ 1,237</b>	<b>\$ 53,738</b>	<b>\$ (413)</b>	<b>\$ (171)</b>	<b>\$ -</b>	<b>\$ 349</b>	<b>\$ 354</b>	<b>\$ (22)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 54,087</b>
22	<b>Total operating expenses</b>	<b>\$ 689,661</b>	<b>\$ 17,410</b>		<b>\$ 707,071</b>	<b>\$ 3,891</b>	<b>\$ 248,018</b>	<b>\$ 339,470</b>	<b>\$ 25,418</b>	<b>\$ 20,790</b>	<b>\$ 13,622</b>	<b>\$ 20,684</b>	<b>\$ 3,755</b>	<b>\$ 31,422</b>	<b>\$ -</b>	<b>\$ 261,641</b>
23	<b>Operating Income</b>	<b>\$ 124,883</b>	<b>\$ (69,933)</b>		<b>\$ 54,950</b>	<b>\$ 2,107</b>	<b>\$ 52,684</b>	<b>\$ (583)</b>	<b>\$ (241)</b>	<b>\$ -</b>	<b>\$ 514</b>	<b>\$ 500</b>	<b>\$ (30)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,197</b>



**Pennsylvania Electric Company**  
**Statement of Operating Income, 12 Months Ended March 31, 2015, Normalized and Adjusted**  
**to Reflect Revenue Necessary to Achieve Allowable Return**  
 (\$000)

Line No.	Description	Distribution (25) = (5) + (15)	Riders							PaPUC Total Distribution (34) = (25) + (29)	
			Price to Compare (26)	Universal Service (27)	Energy Efficiency (28)	Smart Meters (29) = (9) + (19)	Default Service Support (30)	Solar (31)	NUG (32)		Storm (33)
<b>Operating revenues</b>											
1	Retail sales	\$ 411,275	\$ 276,416	\$ 25,177	\$ 20,695	\$ 17,862	\$ 21,184	\$ 3,725	\$ 31,422	\$ -	\$ 429,137
2	STAS revenue	-	-	-	-	-	-	-	-	-	-
3	Sales for resale	-	63,544	-	95	-	-	-	-	-	-
4	Other operating revenue	12,044	(1,073)	-	-	-	-	-	-	-	12,044
5	Total operating revenue	\$ 423,319	\$ 338,887	\$ 25,177	\$ 20,790	\$ 17,862	\$ 21,184	\$ 3,725	\$ 31,422	\$ -	\$ 441,181
<b>Operating expenses</b>											
6	Price to Compare	\$ -	\$ 321,864	\$ -	\$ -	\$ -	\$ -	\$ 2,002	\$ -	\$ -	\$ -
7	Distribution	40,631	-	-	-	-	10,541	-	-	-	40,631
8	Customer accounts	16,947	-	-	-	-	5,376	-	-	-	16,947
9	Customer service & info	17,291	-	29,569	-	-	200	-	-	-	17,291
10	Admin & gen expense	13,283	-	-	22,612	12,695	-	-	-	-	25,978
11	Depreciation - accrual	78,263	-	-	-	1,402	-	-	-	-	79,665
12	Amortization	4,264	1,710	(5,465)	(3,043)	(1,658)	2,963	1,555	29,568	-	2,606
13	Taxes other than income	30,836	16,309	1,485	1,221	1,054	1,250	220	1,854	-	31,889
14	Operating expense before tax	\$ 201,515	\$ 339,883	\$ 25,589	\$ 20,790	\$ 13,493	\$ 20,330	\$ 3,777	\$ 31,422	\$ -	\$ 215,008
15	Operating income before tax	\$ 221,804	\$ (996)	\$ (412)	\$ -	\$ 4,369	\$ 854	\$ (52)	\$ -	\$ -	\$ 226,173
<b>Income taxes</b>											
16	Federal income tax - current	\$ 71,934	\$ (314)	\$ (130)	\$ -	\$ 1,370	\$ 269	\$ (16)	\$ -	\$ -	\$ 73,304
17	State income tax - current	22,811	(100)	(41)	-	434	85	(5)	-	-	23,245
18	Deferred income tax - federal	7,171	-	-	-	-	-	-	-	-	7,171
19	Deferred income tax - state	-	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(302)	-	-	-	-	-	-	-	-	(302)
21	Total tax expense	\$ 101,614	\$ (413)	\$ (171)	\$ -	\$ 1,804	\$ 354	\$ (22)	\$ -	\$ -	\$ 103,418
22	Total operating expenses	\$ 303,129	\$ 339,470	\$ 25,418	\$ 20,790	\$ 15,297	\$ 20,684	\$ 3,755	\$ 31,422	\$ -	\$ 318,426
23	<b>Operating Income</b>	\$ 120,190	\$ (583)	\$ (241)	\$ -	\$ 2,565	\$ 500	\$ (30)	\$ -	\$ -	\$ 122,755
24	<b>Rate Base</b>	\$ 1,447,057	\$ -	\$ -	\$ -	\$ 30,884	\$ -	\$ -	\$ -	\$ -	\$ 1,477,941
25	<b>Rate of Return overall</b>	8.31%				8.31%					8.31%
26	<b>Return on Equity</b>	10.90%				10.90%					10.90%

**Pennsylvania Electric 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	\$ 288,658	\$ 122,617	\$ 411,275
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	<u>12,044</u>	<u>-</u>	<u>12,044</u>
5	Total operating revenue	\$ 300,702	\$ 122,617	\$ 423,319
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	40,631	-	40,631
8	Customer accounts	16,947	-	16,947
9	Customer service & info	17,291	-	17,291
10	Admin & gen expense	13,283	-	13,283
11	Depreciation - accrual	78,263	-	78,263
12	Amortization	4,264	-	4,264
13	Taxes other than income	<u>23,601</u>	<u>7,234</u>	<u>30,836</u>
14	Operating expense before tax	\$ 194,281	\$ 7,234	\$ 201,515
15	Operating income before tax	\$ 106,421	\$ 115,383	\$ 221,804
	<u>Income taxes</u>			
16	Federal income tax - current	\$ 35,584	\$ 36,350	\$ 71,934
17	State income tax - current	11,284	11,527	22,811
18	Deferred income tax - federal	7,171	-	7,171
19	Deferred income tax - state	-	-	-
20	Investment tax credit	<u>(302)</u>	<u>-</u>	<u>(302)</u>
21	Total tax expense	\$ 53,738	\$ 47,876	\$ 101,614
22	Total operating expenses	\$ 248,018	\$ 55,111	\$ 303,129
23	<b>Operating Income</b>	\$ 52,684	\$ 67,506	\$ 120,190
24	<b>Rate Base</b>	\$ 1,447,057		\$ 1,447,057
25	<b>Rate of Return overall</b>	3.64%		8.31%
26	<b>Return on Equity</b>	1.55%		10.90%

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Smart Meter Technologies Charge Rider**  
 \$000

Line No.	Description	Budget as Adjusted	Revenue Adjustment Required	Allowable Revenue
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 14,136	\$ 3,726	\$ 17,862
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	\$ 14,136	\$ 3,726	\$ 17,862
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	12,695	-	12,695
11	Depreciation - accrual	1,402	-	1,402
12	Amortization	(1,658)	-	(1,658)
13	Taxes other than income	834	220	1,054
14	Operating expense before tax	\$ 13,273	\$ 220	\$ 13,493
15	Operating income before tax	\$ 863	\$ 3,506	\$ 4,369
	<u>Income taxes</u>			
16	Federal income tax - current	\$ 265	\$ 1,105	\$ 1,370
17	State income tax - current	84	350	434
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	\$ 349	\$ 1,455	\$ 1,804
22	Total operating expenses	\$ 13,622	\$ 1,675	\$ 15,297
23	<b>Operating Income</b>	\$ 514		\$ 2,565
24	<b>Rate Base</b>	\$ 30,884		\$ 30,884
25	<b>Rate of Return overall</b>	1.66%		8.31%
26	<b>Return on Equity</b>	-2.41%		10.90%

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Total 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	\$ 302,794	\$ 126,343	\$ 429,137
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	12,044	-	12,044
5	Total operating revenue	\$ 314,838	\$ 126,343	\$ 441,181
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	40,631	-	40,631
8	Customer accounts	16,947	-	16,947
9	Customer service & info	17,291	-	17,291
10	Admin & gen expense	25,978	-	25,978
11	Depreciation - accrual	79,665	-	79,665
12	Amortization	2,606	-	2,606
13	Taxes other than income	24,435	7,454	31,889
14	Operating expense before tax	\$ 207,554	\$ 7,454	\$ 215,008
15	Operating income before tax	\$ 107,284	\$ 118,889	\$ 226,173
	<u>Income taxes</u>			
16	Federal income tax - current	\$ 35,850	\$ 37,454	\$ 73,304
17	State income tax - current	11,368	11,877	23,245
18	Deferred income tax - federal	7,171	-	7,171
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(302)	-	(302)
21	Total tax expense	\$ 54,087	\$ 49,331	\$ 103,418
22	Total operating expenses	\$ 261,641	\$ 56,785	\$ 318,426
23	<b>Operating Income</b>	\$ 53,197	\$ 69,558	\$ 122,755
24	<b>Rate Base</b>	\$ 1,477,941		\$ 1,477,941
25	<b>Rate of Return overall</b>	3.60%		8.31%
26	<b>Return on Equity</b>	1.55%		10.90%

**Pennsylvania Electric 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	\$ 25,177	\$ -	\$ 25,177
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	\$ 25,177	\$ -	\$ 25,177
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	-
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	29,569	-	29,569
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	(5,465)	-	(5,465)
13	Taxes other than income	1,485	-	1,485
14	Operating expense before tax	\$ 25,589	\$ -	\$ 25,589
15	Operating income before tax	\$ (412)	\$ -	\$ (412)
	<u>Income taxes</u>			
16	Federal income tax - current	\$ (130)	\$ -	\$ (130)
17	State income tax - current	(41)	-	(41)
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	\$ (171)	\$ -	\$ (171)
22	Total operating expenses	\$ 25,418	\$ -	\$ 25,418
23	<b>Operating Income</b>	\$ (241)	\$ -	\$ (241)

**Pennsylvania Electric 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	PTC	\$ -	\$ -	\$ -
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>	\$ -	\$ -	\$ -

Pennsylvania Electric Company  
 Normalization Adjustment No. 1  
 \$000

Adjustment of Base Operating Revenues

To adjust base operating revenues (1) for changes in customer use, (2) to roll in State Tax Adjustment Surcharge revenues into base rates, (3) adjust for Energy Efficiency and Behind the Meter generation, (4) adjust for street lighting, 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 3/31/2014		\$ 685,476
	<u>Normalizing adjustments:</u>		
2	Customers - increase to year end level	\$ 104	
	<u>Specific adjustments</u>		
3	Roll-in of STAS	-	
4	Energy Efficiency/Behind the meter	(4,336)	
5	Street lighting adjustment	83	
6	Eliminate unbilled revenues	<u>6,020</u>	
7	Total	\$ 1,767	
8	Normalizing adjustment (Lines 2+7)		<u>1,871</u>
9	Base revenues per budget for the 12 months ending 3/31/2014, as adjusted		<u>\$ 687,347</u>

Pennsylvania Electric 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 3/31/2014	\$ -
2	Eliminate per budget STAS	<u>-</u>
3	Other operating revenue per budget for the 12 months ending 3/31/2014, as adjusted	<u>\$ -</u>

Pennsylvania Electric Company  
Normalization Adjustment No. 3  
\$000

Adjustment of Other Operating Revenues

To adjust other operating revenue to eliminate non-jurisdictional transmission revenues.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other operating revenue per budget for the 12 months ending 3/31/2014		\$ 65,429
2	Eliminate non-jurisdictional transmission revenues	<u>(54,394)</u>	
3	Other operating revenue per budget for the 12 months ending 3/31/2014, as adjusted		<u>\$ 11,035</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 4  
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense to reflect year end wage and employee levels, adjust Service Company payroll to reflect year end wage and employee levels, eliminate non-jurisdictional transmission expenses and to include the distribution portion of the amortization of gains or losses to reacquired debt. The labor allocation factors used on Schedule 1 attached to this normalization are supported by Ms. H. E. Stewart.

Line No.	Description	Amount	
		(1)	(2)
1	Distribution expense per budget for the 12 months ending 3/31/2014		\$ 61,696
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 12, Col. 2)	\$ 298	
3	Service Company Distribution payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates Supporting Schedule No. 1, Line 21, Col. 2)	75	
4	Eliminate non-jurisdictional transmission expense	(11,079)	
5	Amortization of (gain) or loss on reacquired debt	630	
6	Allocation ratio based on distribution plant	<u>76.40%</u>	
7	Distribution portion of (gain) or loss	\$ 481	
8	Total normalizing adjustment (Lines 2 + 3 + 4 + 7)		<u>(10,225)</u>
9	Distribution expense per budget for the 12 months ending 3/31/2014, as adjusted		<u>\$ 51,471</u>

Pennsylvania Electric 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 (Exhibit RAD-27)		\$ 67,971
	<b><u>Bargaining</u></b>		
	IBEW 459		
2	Straight time per budget for the 12 months ending 3/31/2015	\$ 8,996	
3	Straight time 3% increase effective May 1, 2015 (Line 2 X 3%)	270	
	UWUA 180		
4	Straight time per budget for April 1, 2014 through July 31, 2014	7,928	
5	Straight time 3% increase effective August 1, 2014 (Line 4 X 3%)	238	
	<b><u>Non-Bargaining</u></b>		
6	Straight time per budget for April 1, 2014 through August 31, 2014	\$ 8,770	
7	Straight time 3% increase effective 9/1/2014 (Line 6 x 3%)	263	
8	Straight time per budget for April 1, 2014 through February 28, 2015	19,587	
9	Straight time 3% increase effective March 1, 2015 (Line 8 X 3%)	588	
10	Total Non-bargaining payroll adjustment (Line 7 + Line 9)	\$ 851	
11	Total company payroll adjustment		<u>1,358</u>
12	Total company payroll as adjusted	\$	69,329
13	O&M allocation percentage		<u>36.85%</u>
14	O&M payroll adjustment (Line 11 X Line 13)	\$	501
	<b><u>Allocation of payroll adjustment:</u></b>		
15	PTC	0.00%	\$ -
16	Transmission	4.18%	21
17	Distribution	59.48%	298
18	Customer accounts	15.68%	78
19	Customer service	7.28%	36
20	Administrative and general	13.38%	67
21	Total	<u>100.00%</u>	<u>\$ 501</u>
	<b><u>Service Company</u></b>		
22	Straight time per budget for April 1, 2014 through August 31, 2014	\$ 4,001	
23	Straight time 3% increase effective 9/1/2014 (Line 22 x 3%)	120	
24	Straight time per budget for April 1, 2014 through February 28, 2015	8,923	
25	Straight time 3% increase effective 3/1/2015 (Line 24 x 3%)	268	
26	Total Service Company payroll adjustment (Lines 23 + 25)	\$ 388	
	<b><u>Allocation of Service Company payroll</u></b>		
27	PTC	0.00%	\$ -
28	Transmission	7.76%	30
29	Distribution	19.32%	75
30	Customer accounting and information	27.52%	107
31	Administrative and general	45.40%	176
32	Total	<u>100.00%</u>	<u>\$ 388</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 5  
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense to reflect year end wage and employee levels, adjust Service Company payroll to reflect year end wage and employee levels, increased costs associated with added customers, interest on customer deposits and adjustment of distribution uncollectible accounts expenses, and the elimination of non-jurisdictional administrative and general expenses.

Line No.	Description	Amount	
		(1)	(2)
1	Customer Account expense per budget for the 12 months ending 3/31/2014		\$ 21,189
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalizing Adjustment No. 4, Supporting Schedule No. 1, Line 13, Col. 2)	\$ 78	
3	Service Company customer account payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates (Normalizing Adjustment No. 4, Supporting Schedule 1, Line 22, Col. 2)	107	
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Supporting Schedule 1, Line 10)	2	
5	Interest on customer deposits, (Supporting Schedule 2, Line 3)	<u>1,077</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>1,264</u>
7	Customer Account expense per budget for the 12 months ending 3/31/2014, as adjusted		<u>\$ 22,453</u>

Pennsylvania Electric 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. The Distribution revenues are 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 3/31/2014	\$ 21,189
2	Less: uncollectible expense	(9,907)
3	Less: Labor expense	<u>(6,284)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 4,998</u>
<u>Total Distribution Revenue</u>		
5	Distribution revenues per budget	\$ 292,807
6	Late payment charges per budget (Exhibit RAD-55)	<u>3,424</u>
7	Total	<u>\$ 296,231</u>
8	Ratio of customer account expense to total revenue Line 4 / Line 7	1.69%
9	Revenue from added customers (Adjustment No. 1, Line 2)	\$ 104
10	Additional expense from added customers Line 8 X Line 9	<u>\$ 2</u>

Pennsylvania Electric 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, Column 5, Line 14)	\$ 17,948
2	Interest rate on deposits	<u>6%</u>
3	Interest expense on customer deposits	<u>\$ 1,077</u>

Pennsylvania Electric 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.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per budget for the 12 months ending 3/31/2014		\$ 47,123
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)	\$ 36	
3	Total normalizing adjustment		<u>36</u>
4	Customer Service expense per budget for the 12 months ending 3/31/2014, as adjusted		<u>\$ 47,159</u>

Pennsylvania Electric 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, adjust Service Company payroll to reflect 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, costs to update computer system to allow accelerated (3 day) switching from one supplier to another, and the elimination of non-jurisdictional administrative and general expenses. Ms. H. E. Stewart supports the non-jurisdictional expense allocation factor.

Line No.	Description	Amount	
		(1)	(2)
1	Administrative & general expense per budget for the 12 months ending 3/31/2014	\$	38,082
2	A&G Expenses related to EEC	\$	(22,612)
3	A&G Expenses related to Smart Meters		<u>(12,695)</u>
4	Adjustment to A&G	\$	(35,307)
5	Net A&G expenses related to Distribution (Line 1 - Line 4)		<u>2,775.00</u>
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, Column 3)	\$	67
7	Service Company Administrative & general payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates (Normalizing Adjustment No. 4, Supporting Schedule No 1, Line 23, Col. 2)		176
8	Adjust OPEB expense to service cost level (Normalization Adjustment No. 7, Supporting Schedule No. 1, Line 12, Col. 1)		4,918
9	Adjust pension expense to ten year cash level (Supporting Schedule No. 2, Line 18, Col. 3)		6,277
10	Adjust employee benefit costs (Supporting Schedule No. 3, Line 8, Col. 3)		<u>215</u>
11	Subtotal of adjustments (Lines 6 + 7 + 8 + 9 + 10)		11,653
12	Administrative and general expense, adjusted (Line 5 + Line 7)	\$	14,428
13	Non-jurisdictional expense allocation factor		<u>4.84%</u>
14	Non-jurisdictional administrative and general expense (Line 8 X Line 9)		(698)
15	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$	521
16	Recovery period - 2 years		<u>2</u>
17	Annual amount (Line 12 / Line 13)		261
18	Less: Rate case expenses per budget		<u>(750)</u>
19	Adjusted rate case expenses (Line 14 +Line 15)		(490)
20	Increase in O&M Costs for Accelerated (3 day) Switching for customers switching from one supplier to another (Exhibit RAD-64)		<u>326</u>
21	Total normalizing adjustment (Lines 11 + 14 + 19 +20)	\$	<u>10,791</u>
22	Administrative and general expense per budget for the 12 months ending 3/31/2014, as adjusted	\$	<u>48,873</u>

Pennsylvania Electric 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.

Line No.	Description	O&M (1)	Capital (2)	Total (3)
1	O&M - Capital allocation ratios	36.85%	63.15%	100.00%
2	Company OPEB expense included in budget	\$ (3,690)	\$ (6,324)	\$ (10,014)
3	FirstEnergy Service Corp. OPEB expense	\$ (14,201)	\$ (24,336)	\$ (38,537)
4	Allocation ratio	<u>6.64%</u>	<u>6.64%</u>	<u>6.64%</u>
5	Allocated FirstEnergy Service Corp. OPEB expense included in budget (Line 3 X Line 4)	\$ (943)	\$ (1,616)	\$ (2,559)
6	Total OPEB expense included in budget (Line 2 + Line 5)	<u>\$ (4,633)</u>	<u>\$ (7,940)</u>	<u>\$ (12,573)</u>
7	Service cost for company OPEB expense	\$ 264	\$ 452	\$ 716
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 311	\$ 534	\$ 845
9	Allocation ratio	<u>6.64%</u>	<u>6.64%</u>	<u>6.64%</u>
10	Allocated FirstEnergy Service Corp. service cost (Line 8 X Line 9)	\$ 21	\$ 35	\$ 56
11	Total OPEB service cost (Lines 7 + 10)	<u>\$ 285</u>	<u>\$ 487</u>	<u>\$ 772</u>
12	Adjustment to set OPEB expense at ongoing service cost level (Line 11 - Line 6)	<u>\$ 4,918</u>	<u>\$ 8,427</u>	<u>\$ 13,345</u>

Pennsylvania Electric Company  
 Supporting Schedule No. 2 to Normalizing Adjustment No. 7  
 \$000

Adjustment for 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-00061367.

Line No.	Description	Amount		
		(1) Total	(2) O&M %	(3) O&M
	<u>Company Cash Contributions</u>			
1	2004 Cash Pension Contribution	\$ 50,314	44.25%	\$ 22,264
2	2005 Cash Pension Contribution	20,021	44.25%	8,859
3	2007 Cash Pension Contribution	13,436	48.25%	6,483
4	2009 Cash Pension Contribution	60,000	41.69%	25,014
5	2012 Cash Pension Contribution	<u>37,500</u>	39.64%	<u>14,865</u>
6	Total Company Cash Pension Contributions	\$ 181,271		\$ 77,485
	<u>FirstEnergy Service Company Cash Contributions</u>			
7	2004 Pension Contribution	\$ 91,633		
8	2004 Company Allocation Factor	<u>9.63%</u>		
9	2004 Service Company Pension Contribution allocated to the Company	\$ 8,824	44.25%	\$ 3,905
10	2007 Pension Contribution	\$ 27,468		
11	2007 Company Allocation Factor	<u>11.11%</u>		
12	2007 Service Company Pension Contribution allocated to the Company	\$ 3,052	48.25%	<u>1,472</u>
13	Total FirstEnergy Service Company Cash Pension Contributions allocated to the Company (Line 9 + Line 12)	\$ 11,876		\$ 5,377
14	Total Pension cash contributions (Line 6 + Line 13)	193,147		\$ 82,862
15	Number of years amortization	<u>10</u>		<u>10</u>
16	Pension expense cash contribution, averaged over 10 years	19,315		\$ 8,286
17	O&M Pension Expense included in budget			<u>2,009</u>
18	Adjustment to Pension Expense (Line 16 - Line 17)			<u>\$ 6,277</u>

Pennsylvania Electric 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. 6, Supporting Schedule No. 1, Line 20 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	0.766%	\$ 501 (b)	\$ 4
2 Pension costs	26.146%	\$ 501 (b)	131
3 OPEB costs	1.114%	\$ 501 (b)	6
4 Life insurance	0.177%	\$ 501 (b)	1
5 Medical / Dental insurance	9.709%	\$ 501 (b)	49
6 Savings Plan	2.503%	\$ 501 (b)	13
7 Other	2.204%	\$ 501 (b)	11
8 Total increase due to payroll adjustment			<u>\$ 215</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	\$ 531	\$ 69,329	0.766%
Pension costs - normalized basis	18,127	69,329	26.146%
OPEB costs - service cost	772	69,329	1.114%
Life insurance	123	69,329	0.177%
Medical / Dental insurance	6,731	69,329	9.709%
Savings Plan	1,735	69,329	2.503%
Other (Exhibit RAD-27)	1,528	69,329	2.204%

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

Pennsylvania Electric Company  
 Normalization Adjustment No. 8  
 \$000

Adjustment of Depreciation Expense

To adjust budgeted depreciation expense to remove legacy meters (non-depreciation expense), to reflect average remaining life rates on adjusted rate base, to eliminate non-jurisdictional expense, to adjust cost of removal/ salvage expense to a five year average amount, according to prior Commission practice and to amortize recovery of legacy meters.

Line No.	Description	Amount			
		(1)	(2)	(3)	(4)
1	Depreciation expense per budget for the 12 months ending 3/31/2014				\$ 76,140
2	Cost of removal/salvage expense per budget for the 12 months ending 3/31/2014, Exhibit RAD-30		\$ 14,333		
3	Depreciation accrual per budget (Line 1 - Line 2)		\$ 61,807		
4	Jurisdictional depreciation expense accrual on adjusted rate base at average remaining life rates (Exhibit RAD-53, page 2)		<u>53,952</u>		
5	Adjustment for average remaining life accrual for jurisdictional plant (Line 4 - Line 3)			\$ (7,855)	
<u>Cost of removal/ salvage</u>					
6	Cost of removal/salvage expense per budget for the 12 months ending 3/31/2014 (Exhibit RAD-30)		\$ 14,333		
7	Cost of removal and salvage 2010 - 2014 (Exhibit RAD-30) for the 12 months ended March 31, 2010	\$ 32,660			
8	for the 12 months ended March 31, 2011	11,900			
9	for the 12 months ended March 31, 2012	13,287			
10	for the 12 months ended March 31, 2013	22,502			
11	for the 12 months ended March 31, 2014	<u>15,056</u>			
12	Total	\$ 95,405			
13	Five year average (Line 12 / 5)		<u>19,081</u>		
14	Allocation ratio based on jurisdictional plant		<u>76.40%</u>		
15	Jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 13 X Line 14)		<u>14,578</u>		
16	Adjustment of jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 15 - Line 6)			245	
17	Adjustment for amortization of legacy meters (Adj. 8, Schedule 1, Line 7)			<u>11,608</u>	
18	Total normalizing adjustment (Lines 5 + 16 + 17)				<u>3,998</u>
19	Depreciation expense per budget for the 12 months ending 3/31/2014, as adjusted				<u>\$ 80,138</u>

Pennsylvania Electric Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 8  
 \$000

Adjustment for Amortization of Legacy Meters

To amortize recovery of legacy meters to fully recover all legacy meter costs by the end of the system installation period.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Legacy meters per budget for the 12 months ending 3/31/2014 (RAD-47 Attachment B, Page 2)	\$ 67,939	
2	Depreciation reserve associated with legacy meters per budget for the 12 months ending 3/31/2014 (RAD-47, Attachment B, Page 4)	<u>13,856</u>	
3	Net legacy meters per budget for the 12 months ending 3/31/2014 (Line 1 - Line 2)	\$ 54,083	
4	Net estimated cost of removal and salvage	<u>3,957</u>	
5	Net legacy meters	<u>\$ 58,040</u>	
6	Annual amortization over a 5 year amortization period		<u>\$ 11,608</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 9  
 \$000

Adjustment of Amortization Expense

To include the amortization of deferred storm damage balances for distribution non-capital storm expenses that exceeded 125% of storm costs included in base rates between the period of February 25, 2011 through September 30, 2012 as a result of the FirstEnergy and Allegheny Merger approved at Docket Nos. A-2010-2176520 and A-2010-2176732, including but not limited to Hurricane Irene, the October 2011 snowstorm, and Tropical Storm Lee. Also, to remove amortization of legacy meters and amortization of rate case expenses and accretion expense in the budget.

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Amortization expense per budget for the 12 months ending 3/31/2014			\$ 25,268
	<u>Storm damage costs</u>			
2	Merger storm deferral	\$ 12,795		
3	Amortized over 3 years	<u>3</u>		
4	Annual Amortization of storm damage costs		\$ 4,265	
5	Remove amortization of rate case expenses in budget		750	
6	Remove accretion expense in budget		<u>(174)</u>	
7	Normalizing adjustment (Line 4 + 5 + 6)			<u>4,841</u>
8	Amortization expense per budget for the 12 months ending 3/31/2014, as adjusted			<u>\$ 30,109</u>

Pennsylvania Electric 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 and eliminate non-jurisdictional taxes. The non-jurisdictional allocation factor is supported by Ms. H. E. Stewart.

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Taxes Other Than Income per budget for the 12 months ending 3/31/2014			\$ 47,900
2	Federal and State payroll taxes in budget	\$ 5,282		
3	Non-jurisdictional percent	<u>4.84%</u>		
4	Eliminate non-jurisdictional payroll taxes		\$ (256)	
5	Capital Stock Tax included in budget	\$ 316		
6	PURTA tax in budget	1,225		
7	Real Estate tax in budget	<u>527</u>		
8	Total Other taxes	\$ 2,068		
9	Non-jurisdictional percent	<u>23.60%</u>		
10	Eliminate non-jurisdictional taxes		(488)	
	<u>Gross Receipts Tax</u>			
11	Normalized sales revenues (Exhibit RAD-2, page 1, Line 1, Col. 3 - Col 4)	\$ 681,413		
12	Gross receipts tax @ 5.9%	40,203		
13	Gross receipts tax included in budget	<u>40,549</u>		
14	Adjustment for gross receipts tax at normalized revenue level (Line 12 - Line 13)		(346)	
15	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>39</u>	
16	Total normalizing adjustment (Lines 4+10+14+15)			<u>(1,051)</u>
17	Taxes other than income per budget for the 12 months ending 3/31/2014, as adjusted			<u>\$ 46,849</u>

Pennsylvania Electric 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	Total payroll per budget for the 12 months ending 3/31/2014 (Normalization Adjustment No. 4, Schedule 1, Line 1, Col 2)	\$ 67,971
2	Total payroll tax included in budget	<u>5,282</u>
3	Effective payroll tax rate (Line 2 / Line 1)	7.771%
4	Total payroll as adjusted (Normalization Adjustment No. 4, Schedule 1, Line 7, Col. 2)	<u>\$ 69,329</u>
5	Payroll tax on normalized payroll (Line 3 X Line 4)	\$ 5,388
6	Total Company payroll tax adjustment (Line 5 - Line 2)	<u>\$ 106</u>
7	O&M Allocation percentage	36.85%
8	Adjustment for payroll tax (Line 6 x Line 7)	<u>\$ 39</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 11  
 \$000

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

Riders

Line No.	Description	Total Company Calculated Taxes (1)	Waverly Calculated Taxes (2)	Distribution Calculated Taxes (3)	PTC Calculated Taxes (4)	Universal Service Calculated Taxes (5)	Energy Efficiency Calculated Taxes (6)	Smart Meter Calculated Taxes (7)	DSS Calculated Taxes (8)	Solar Calculated Taxes (9)	NUG Charge Calculated Taxes (10)	Storm Calculated Taxes (11)	PA Jurisdictional Total Taxes (12)
1	Total operating revenue	\$ 762,021	\$ 5,998	\$ 300,702	\$ 338,887	\$ 25,177	\$ 20,790	\$ 14,136	\$ 21,184	\$ 3,725	\$ 31,422	\$ -	\$ 756,023
2	Less: Total O & M Expense	\$ 494,903	\$ 1,891	\$ 88,153	\$ 321,864	\$ 29,569	\$ 22,612	\$ 12,695	\$ 16,117	\$ 2,002	\$ -	\$ -	\$ 493,012
3	Depreciation - accrual	65,560	387	63,771	-	-	-	1,402	-	-	-	-	65,173
4	Average net salvage	14,578	86	14,492	-	-	-	-	-	-	-	-	14,492
5	Amortization & Accretion	30,109	215	4,264	1,710	(5,465)	(3,043)	(1,658)	2,963	1,555	29,568	-	29,894
6	Taxes other than income taxes	46,849	75	23,601	16,309	1,485	1,221	834	1,250	220	1,854	-	46,774
7	Total deductions	\$ 651,999	2,654	\$ 194,281	\$ 339,883	\$ 25,589	\$ 20,790	\$ 13,273	\$ 20,330	\$ 3,777	\$ 31,422	\$ -	\$ 649,345
8	Net operating income before income taxes	\$ 110,022	\$ 3,344	\$ 106,421	\$ (996)	\$ (412)	\$ -	\$ 863	\$ 854	\$ (52)	\$ -	\$ -	\$ 106,678
9	Less: Interest Charges (A)	42,594	226	41,483	-	-	-	885	-	-	-	-	42,368
10	Net income before income taxes	\$ 67,428	\$ 3,118	\$ 64,938	\$ (996)	\$ (412)	\$ -	\$ (22)	\$ 854	\$ (52)	\$ -	\$ -	\$ 64,310
<b>Adjustments to taxable income:</b>													
11	Book Average net salvage	\$ 14,578	\$ 86	\$ 14,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,492
12	Adj. of book depreciation to tax basis (B)	38,682	236	37,582	-	-	-	864	-	-	-	-	38,446
13	Tax cost of removal/salvage	(10,359)	(61)	(10,298)	-	-	-	-	-	-	-	-	(10,298)
14	Adjust cash pension	6,277	37	6,240	-	-	-	-	-	-	-	-	6,240
15	Net adjustment	\$ 49,178	298	48,016	-	-	-	864	-	-	-	-	48,880
16	Income subject to state income tax (Line 10 + Line 15)	\$ 116,606	\$ 3,416	\$ 112,954	\$ (996)	\$ (412)	\$ -	\$ 842	\$ 854	\$ (52)	\$ -	\$ -	\$ 113,190
17	State income tax @ 9.99%	\$ 11,308	\$ -	\$ 11,284	\$ (100)	\$ (41)	\$ -	\$ 84	\$ 85	\$ (5)	\$ -	\$ -	\$ 11,308
18	Taxes as budgeted	-	-	-	-	-	-	-	-	-	-	-	-
19	Adjustment to state income tax	\$ 11,308	\$ -	\$ 11,284	\$ (100)	\$ (41)	\$ -	\$ 84	\$ 85	\$ (5)	\$ -	\$ -	\$ 11,308
20	Income subject to federal income tax	\$ 105,298	\$ 3,416	\$ 101,670	\$ (896)	\$ (371)	\$ -	\$ 758	\$ 769	\$ (47)	\$ -	\$ -	\$ 101,882
21	Federal income tax @ 35%	\$ 36,854	\$ 1,196	\$ 35,584	\$ (314)	\$ (130)	\$ -	\$ 265	\$ 269	\$ (16)	\$ -	\$ -	\$ 35,659
22	Total federal tax	\$ 36,854	\$ 1,196	\$ 35,584	\$ (314)	\$ (130)	\$ -	\$ 265	\$ 269	\$ (16)	\$ -	\$ -	\$ 35,659
23	Taxes as budgeted	11,001	-	11,001	-	-	-	-	-	-	-	-	11,001
24	Adjustment to federal income tax	\$ 25,853	\$ 1,196	\$ 24,583	\$ (314)	\$ (130)	\$ -	\$ 265	\$ 269	\$ (16)	\$ -	\$ -	\$ 24,658
<b>(A) Computation of Interest charges</b>													
	Total rate base	\$ 1,485,808	\$ 7,867	\$ 1,447,057	\$ -	\$ -	\$ -	\$ 30,884	\$ -	\$ -	\$ -	\$ -	\$ 1,477,941
	Debt ratio	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%
	Cost of debt	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%
	Interest expense	\$ 42,594	\$ 226	\$ 41,483	\$ -	\$ -	\$ -	\$ 885	\$ -	\$ -	\$ -	\$ -	\$ 42,368
<b>(B) Adjustment of book depreciation to tax basis:</b>													
	Tax depreciation	\$ 26,878	\$ 151	\$ 26,189	\$ -	\$ -	\$ -	\$ 538	\$ -	\$ -	\$ -	\$ -	\$ 26,727
	Book depreciation	65,560	387	63,771	-	-	-	1,402	-	-	-	-	65,173
	Depreciation adjustment	\$ (38,682)	\$ (236)	\$ (37,582)	\$ -	\$ -	\$ -	\$ (864)	\$ -	\$ -	\$ -	\$ -	\$ (38,446)

Pennsylvania Electric Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 11  
 \$000

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

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Tax depreciation expense per budget	\$ 48,527		
2	Cost of removal/salvage in tax depreciation	13,559	76.40%	\$ 10,359
3	Smart meter tax depreciation	538	100%	538
4	Waverly tax depreciation	<u>151</u>	100%	151
5	Distribution tax depreciation (Line 1 - 2 - 3 - 4)	<u>34,279</u>	<u>76.40%</u>	<u>26,189</u>
6	Total tax depreciation			<u>\$ 26,878</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 12  
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects (1) the adjustment of Federal deferrals to reflect year-end plant and (2) miscellaneous federal deferred taxes not associated with liberalized depreciation. All state deferred taxes associated with liberalized depreciation have been eliminated.

Line No.	Description	Provision for Deferred Taxes - Net	
		Federal (1)	State (2)
1	Deferred taxes per budget, 12 months ending 3/31/2014	\$ 36,714	\$ -
2	Deferred taxes - liberalized depreciation (Exhibit RAD-41, page 11)	9,443	-
3	Jurisdictional allocation factor	<u>76.40%</u>	<u>76.40%</u>
4	Jurisdictional deferred taxes - liberalized depreciation (Line 2 X Line 3)	7,214	-
5	Adjustment to deferred tax expense (Line 4 - Line 1)	<u>(29,500)</u>	<u>-</u>
6	Deferred tax expense per budget for the 12 months ending 3/31/2014, as adjusted	<u>\$ 7,214</u>	<u>\$ -</u>

Pennsylvania Electric 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 3/31/2014	\$	(398)
2	Jurisdictional allocation factor	<u>23.60%</u>	
3	Adjustment to investment tax credit expense (Line 1 X Line 2)		<u>94</u>
4	Adjustment to investment tax credit expense per budget for the 12 months ending 3/31/2014, as adjusted	\$	<u>(304)</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Rate Base At Original Cost  
 Normalized To Year-End Conditions at March 31, 2014  
 (\$000)

Line No.	Description	Per Books (1)	Adjustments and Normalizations (2)	Adj. No.	Total (3)	New York Jurisdictional (4)	PA Jurisdictional Normalized Rate Base		
							Distribution (5)	Smart Meter Costs (6)	PA Jurisdictional Total (7) = (5) + (6)
Electric Plant:									
1	Plant in service	\$ 3,071,305	\$ (648,462)	1	\$ 2,422,843	\$ 14,537	\$ 2,372,486	\$ 35,820	\$ 2,408,306
2	Plant held for future use	30	(30)	2	-	-	-	-	-
3	Construction work in progress - pollution control and safety	-	-	-	-	-	-	-	-
4	Total electric plant	\$ 3,071,335	\$ (648,492)		\$ 2,422,843	\$ 14,537	\$ 2,372,486	\$ 35,820	\$ 2,408,306
Depreciation & Amortization Reserve:									
5	Plant in service	\$ 1,063,282	\$ (277,415)	3	\$ 785,867	\$ 4,637	\$ 778,753	\$ 2,477	\$ 781,230
6	Plant held for future use	-	-	-	-	-	-	-	-
7	Total depreciation & amortization reserve	\$ 1,063,282	\$ (277,415)		\$ 785,867	\$ 4,637	\$ 778,753	\$ 2,477	\$ 781,230
8	Net Electric Plant	\$ 2,008,053	\$ (371,077)		\$ 1,636,976	\$ 9,900	\$ 1,593,733	\$ 33,343	\$ 1,627,076
Additions:									
9	Cash working capital	\$ -	\$ 124,842	4	\$ 124,842	\$ -	\$ 124,842	\$ -	\$ 124,842
10	M&S inventories	-	17,423	5	17,423	106	17,317	-	17,317
11	Deferred storm damage	-	12,795	6	12,795	-	12,795	-	12,795
12	Legacy meters	-	60,884	7	60,884	-	60,884	-	60,884
13	Total additions	\$ -	\$ 215,944		\$ 215,944	\$ 106	\$ 215,838	\$ -	\$ 215,838
Deductions:									
14	Customer deposits	\$ 18,804	\$ -		\$ 18,804	\$ 24	\$ 18,780	\$ -	\$ 18,780
15	Customer advances for construction	-	-		-	-	-	-	-
16	Accumulated Deferred income taxes - Liberalized depreciation	579,893	(167,990)	8	411,903	2,513	406,931	2,459	409,390
17	Operating reserves (net of taxes)	3,754	(886)	9	2,868	17	2,851	-	2,851
18	Total deductions	\$ 602,451	\$ (168,876)		\$ 433,575	\$ 2,555	\$ 428,561	\$ 2,459	\$ 431,020
19	Total Rate Base	\$ 1,405,602	\$ 13,743		\$ 1,419,345	\$ 7,452	\$ 1,381,009	\$ 30,884	\$ 1,411,893
20	Pro forma return at present rates (PA Distribution)	\$ 59,803	Dollars						
21		4.24%	Percent						
22	Pro forma return at proposed rates (PA Distribution)	\$ 117,269	Dollars						
23		8.31%	Percent						

PENNSYLVANIA ELECTRIC COMPANY  
Normalization Adjustment No. 1  
 (\$000)

Adjustment of Electric Plant in Service

To adjust the budgeted gross plant in service to: (1) eliminate the Asset Retirement Costs ("ARC"). An 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. And (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.

Line No.	Description	Adjustments (1)	Plant in Service (2)	Cross Reference (3)
1	Per books Plant in Service at 3/31/2014		\$ 3,071,305	Penelec Exhibit RAD-48, Attach. B, p. 2
	Normalizing adjustments:			
2	Eliminate ARC	\$ (47,804)		Penelec Exhibit RAD-48, Attach. B, p. 1
3	Remove FERC Transmission Plant	(490,591)		Penelec Exhibit RAD-48, Attach. B, p. 1 and 2
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant	(7,018)		Penelec Exhibit RAD-48, Attach. B, p. 1
5	Remove allocated portion of General Plant associated with FERC Transmission Plant	(35,110)		Penelec Exhibit RAD-48, Attach. B, p. 1 and 2
6	Remove legacy meters	<u>(67,939)</u>		Penelec Exhibit RAD-48, Attach. B, p. 2
7	Normalization adjustment		<u>(648,462)</u>	Penelec Exhibit RAD-48, Attach. B, p. 2
8	Plant in Service at 3/31/2014, as adjusted		<u>\$ 2,422,843</u>	Penelec Exhibit RAD-48, Attach. B, p. 2

PENNSYLVANIA ELECTRIC 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>Description</u>	<u>Amount</u>
		(1)
1	Per books Plant Held for Future Use at 3/31/2014	\$ 30
	Normalizing adjustment:	
2	Eliminate Plant Held for Future Use	<u>(30)</u>
3	Plant Held for Future Use at 3/31/2014, as adjusted	<u>\$ -</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 3  
 (\$000)

Adjustment of Depreciation Reserves - Plant In Service

To adjust the per books plant in service depreciation reserves to (1) eliminate the Asset Retirement Costs ("ARC"); (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.

Line No.	Description	Depreciation Reserves		Cross Reference
		Adjustments (1)	Plant in Service (2)	
1	Per books Plant in Service depreciation reserves at 3/31/2014		\$ 1,063,282	Penelec Exhibit RAD-48, Attach. B, p. 3
<u>Normalizing adjustments:</u>				
2	Eliminate ARC	\$ (47,924)		Penelec Exhibit RAD-48, Attach. B, p. 3 and 4
3	Remove FERC Transmission Plant	(190,088)		Penelec Exhibit RAD-48, Attach. B, p. 3 and 4
4	Remove allocated portion of Intangible Plant associated with FERC Transmission Plant	(5,077)		Penelec Exhibit RAD-48, Attach. B, p. 3 and 4
5	Remove allocated portion of General Plant associated with FERC Transmission Plant	(23,314)		Penelec Exhibit RAD-48, Attach. B, p. 3 and 4
6	Remove legacy meters	<u>(11,012)</u>		Penelec Exhibit RAD-48, Attach. B, p. 3 and 5
7	Normalization Adjustment		<u>(277,415)</u>	
8	Plant in Service depreciation reserves at 3/31/2014, as adjusted		\$ <u>785,867</u>	Penelec Exhibit RAD-48, Attach. B, p. 3 and 4

PENNSYLVANIA ELECTRIC COMPANY  
Normalization Adjustment No. 4  
(\$000)

Adjustment of Cash Working Capital

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

Line No.	Description	Cash Working Capital	
		(1)	(2)
1	Cash working capital per books at 3/31/2014		\$ -
	<u>Normalizing adjustment:</u>		
2	Cash working capital normalized to year-end (Exhibit PML-1)	\$ 124,842	
3	Cash working capital per books	<u>-</u>	
4	Normalization Adjustment		<u>124,842</u>
5	Cash working capital at 3/31/2014, as adjusted		<u>\$ 124,842</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 5  
 (\$000)

Adjustment of Material and Supplies Inventories

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

Line No.	Description	M&S Inventories	
		(1)	(2)
1	M&S Inventory per books at 3/31/2014		\$ -
	<u>Normalizing adjustment:</u>		
2	Distribution component of projected FE Service M&S Inventory allocated to Penelec at 3/31/2014 (Exhibit RAD-13)	\$ 17,423	
3	M&S Inventory per books at 3/31/2014	<u>-</u>	
4	Normalization adjustment		<u>17,423</u>
5	M&S inventory at 3/31/2014, as adjusted		<u>\$ 17,423</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 6  
 (\$000)

Adjustment of Deferred Storm Damage Expenses

To include in rate base the deferred storm damage balances for distribution non-capital storm expenses that exceeded 125% of storm costs included in base rates between the period of February 25, 2011 through September 30, 2012 as a result of the FirstEnergy and Allegheny Merger approved at Docket Nos. A-2010-2176520 and A-2010-2176732, including but not limited to Hurricane Irene, the October 2011 snowstorm, and Tropical Storm Lee.

<u>Line No.</u>	<u>Description</u>	<u>Storms</u>	
		<u>(1)</u>	<u>(2)</u>
1	Unamortized storm deferral expense per books at 3/31/2014		\$ -
2	Merger storm damage deferral	<u>\$ 12,795</u>	
3	Normalization adjustment		<u>12,795</u>
4	Unamortized storm deferral expense at 3/31/2014, as adjusted		<u>\$ 12,795</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 7  
 (\$000)

Adjustment to Include Legacy Meters in Regulatory Asset

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.

Line No.	Description	Legacy Meters	
		(1)	(2)
1	Net legacy meters in regulatory asset		\$ -
2	Legacy meters per books for the 12 months at 3/31/2014	\$ 67,939	
3	Net estimated cost of removal and salvage	3,957	
4	Depreciation reserve for legacy meters per books for the 12 months at 3/31/2014	<u>(11,012)</u>	
5	Normalization adjustment (Lines 2 + 3 +4)		<u>60,884</u>
6	Net legacy meters in regulatory asset, as adjusted at 4/30/2016		<u>\$ 60,884</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Normalization Adjustment No. 8  
 (\$000)

Adjustment of Accumulated Deferred Income Taxes - Liberalized Depreciation

This adjustment adjusts the per books deferred tax balances for liberalized depreciation (excluding the impact of SFAS No. 109 deferrals) to (1) eliminate the deferred income taxes - liberalized depreciation balances associated with TMI-2; (2) eliminate remaining state deferred taxes - liberalized depreciation balances including the federal benefit of those taxes; (3) eliminate other excludable items (capital leases); and (4) eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation balance associated with FERC Transmission Plant.

<u>Line No.</u>	<u>Description</u>	<u>Accumulated Reserve for Deferred</u>	
		<u>Adjustments</u>	<u>Taxes - Liberalized Depreciation</u>
		(1)	(2)
1	Deferred taxes per books - liberalized depreciation at 3/31/2014		\$ 579,893
	<u>Normalizing adjustments:</u>		
2	Eliminate deferred income taxes - liberalized depreciation associated with TMI-2 (federal and state)	\$ 1,392	
3	Eliminate Other Excludable Items (Capital Leases)	(21,404)	
4	Eliminate remaining state deferred taxes - liberalized depreciation including the federal benefit of those taxes	(20,741)	
5	Eliminate an allocated portion of the remaining federal deferred income taxes - liberalized depreciation associated with FERC Transmission Plant	<u>(127,237)</u>	
6	Normalization Adjustment		<u>(167,990)</u>
7	Deferred taxes - liberalized depreciation at 3/31/2014, as adjusted		\$ <u>411,903</u>

PENNSYLVANIA ELECTRIC 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>Description</u>	<u>Amount</u>
1	Operating reserves, net of taxes, per books at 3/31/2014	\$ 3,754
	<u>Normalizing adjustment:</u>	
2	Eliminate portion of operating reserves associated with FERC Transmission operations	<u>(886)</u>
3	Operating reserves, net of taxes, at 3/31/2014, as adjusted	<u>\$ 2,868</u>

PENNSYLVANIA ELECTRIC COMPANY  
 Rate of Return at March 31, 2014  
 (\$000)

<u>Line No.</u>	<u>Description</u>	<u>Exhibit SRS-24 Capital Amounts</u> (1)	<u>Capital Ratios</u> (2)	<u>Cost Rate</u> (3)	<u>Weighted Cost Rate</u> (4) = (2) X (3)
1	Total long-term debt	\$ 1,123,863	50.10%	5.72%	2.87%
2	Total preferred stock	-	0.00%	0.00%	0.00%
3	Total Common Equity	<u>1,119,404</u>	<u>49.90%</u>	10.90%	<u>5.44%</u>
4	Total Capitalization	<u>\$ 2,243,267</u>	<u>100.00%</u>		<u>8.31%</u>

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

Normalized PaPUC Jurisdictional																
Line No.	Description	Per Books (1)	Normalizations & Adjustments (2)	Adj. No.	Per books as Adjusted (3)=(1)+(2)	New York Jurisdictional (4)	Riders								PaPUC Total Distribution (14) = (5) + (9)	
							Distribution (5)	Price to Compare (6)	Universal Service (7)	Energy Efficiency (8)	Smart Meters (9)	Default Service Support (10)	Solar (11)	NUG (12)		Storm (13)
<b>Operating revenues</b>																
1	Retail sales	\$ 706,699	\$ (15,130)	1	\$ 691,569	\$ 6,105	\$ 282,198	\$ 316,359	\$ 29,205	\$ 20,260	\$ 8,136	\$ 17,377	\$ 2,897	\$ 9,032	\$ -	\$ 290,334
2	STAS revenue	(2,599)	2,599	2	-	-	-	-	-	-	-	-	-	-	-	-
3	Sales for resale	84,862	-	-	84,862	-	27	84,365	-	470	-	-	-	-	-	27
4	Other operating revenue	63,541	(54,551)	3	8,990	(57)	12,084	(3,037)	-	-	-	-	-	-	-	12,084
5	<b>Total operating revenue</b>	<b>\$ 852,503</b>	<b>\$ (67,082)</b>		<b>\$ 785,421</b>	<b>\$ 6,048</b>	<b>\$ 294,309</b>	<b>\$ 397,687</b>	<b>\$ 29,205</b>	<b>\$ 20,730</b>	<b>\$ 8,136</b>	<b>\$ 17,377</b>	<b>\$ 2,897</b>	<b>\$ 9,032</b>	<b>\$ -</b>	<b>\$ 302,445</b>
<b>Operating expenses</b>																
6	Price To Compare	\$ 392,395	\$ -	-	\$ 392,395	\$ 4,114	\$ -	\$ 386,415	\$ -	\$ -	\$ -	\$ -	\$ 1,866	\$ -	\$ -	\$ -
7	Distribution	66,968	(34,098)	4	32,870	191	24,896	-	-	-	-	7,783	-	-	-	24,896
8	Customer accounts	22,493	1,281	5	23,774	138	23,307	-	-	-	-	329	-	-	-	23,307
9	Customer service & info	41,876	39	6	41,915	88	9,084	-	27,189	-	-	5,554	-	-	-	9,084
10	Admin & gen expense	(1,752)	32,601	7	30,849	179	3,331	-	-	19,262	8,077	-	-	-	-	11,408
11	Depreciation - accrual	70,536	11,569	8	82,105	484	81,519	-	-	-	102	-	-	-	-	81,621
12	Amortization & Accretion	6,259	4,101	9	10,360	(234)	1,791	(2,677)	716	163	(475)	1,940	869	8,267	-	1,316
13	Taxes other than income	48,312	(1,261)	10	47,051	75	23,092	18,499	1,744	1,305	461	939	171	765	-	23,553
14	<b>Operating expense before tax</b>	<b>\$ 647,087</b>	<b>\$ 14,233</b>		<b>\$ 661,320</b>	<b>\$ 5,035</b>	<b>\$ 167,021</b>	<b>\$ 402,237</b>	<b>\$ 29,649</b>	<b>\$ 20,730</b>	<b>\$ 8,165</b>	<b>\$ 16,545</b>	<b>\$ 2,906</b>	<b>\$ 9,032</b>	<b>\$ -</b>	<b>\$ 175,186</b>
15	<b>Operating income before incor</b>	<b>\$ 205,416</b>	<b>\$ (81,315)</b>		<b>\$ 124,101</b>	<b>\$ 1,013</b>	<b>\$ 127,288</b>	<b>\$ (4,550)</b>	<b>\$ (444)</b>	<b>\$ -</b>	<b>\$ (29)</b>	<b>\$ 832</b>	<b>\$ (9)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 127,259</b>
<b>Income taxes</b>																
16	Federal income tax - current	\$ 30,705	\$ 8,233	11	\$ 38,938	\$ 423	\$ 40,188	\$ (1,433)	\$ (140)	\$ -	\$ (359)	\$ 262	\$ (3)	\$ -	\$ -	\$ 39,829
17	State income tax - current	10,999	1,215	11	12,214	-	12,744	(455)	(44)	-	(114)	83	(1)	-	-	12,630
18	Deferred income tax - federal	(27,145)	42,708	12	15,563	93	15,470	-	-	-	-	-	-	-	-	15,470
19	Deferred income tax - state	-	-	12	-	-	-	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(460)	109	13	(351)	(2)	(349)	-	-	-	-	-	-	-	-	(349)
21	<b>Total tax expense</b>	<b>\$ 14,099</b>	<b>\$ 52,265</b>		<b>\$ 66,364</b>	<b>\$ 514</b>	<b>\$ 68,053</b>	<b>\$ (1,888)</b>	<b>\$ (184)</b>	<b>\$ -</b>	<b>\$ (473)</b>	<b>\$ 345</b>	<b>\$ (4)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 67,580</b>
22	<b>Total operating expenses</b>	<b>\$ 661,186</b>	<b>\$ 66,498</b>		<b>\$ 727,684</b>	<b>\$ 5,549</b>	<b>\$ 235,074</b>	<b>\$ 400,349</b>	<b>\$ 29,465</b>	<b>\$ 20,730</b>	<b>\$ 7,692</b>	<b>\$ 16,890</b>	<b>\$ 2,902</b>	<b>\$ 9,032</b>	<b>\$ -</b>	<b>\$ 242,766</b>
23	<b>Operating Income</b>	<b>\$ 191,317</b>	<b>\$ (133,580)</b>		<b>\$ 57,737</b>	<b>\$ 499</b>	<b>\$ 59,235</b>	<b>\$ (2,662)</b>	<b>\$ (260)</b>	<b>\$ -</b>	<b>\$ 444</b>	<b>\$ 487</b>	<b>\$ (5)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 59,679</b>

**Pennsylvania Electric 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 Total Distribution (24) = (15) + (19)	
		Distribution (15)	PTC (16)	Universal Service (17)	Energy Efficiency (18)	Smart Meters (19)	Default Service Support (20)	Solar (21)	NUG (22)		Storm (23)
<b>Operating revenues</b>											
1	Retail sales	\$ 100,752	\$ -	\$ -	\$ -	\$ 3,853	\$ -	\$ -	\$ -	\$ -	\$ 104,606
2	STAS revenue	-	-	-	-	-	-	-	-	-	-
3	Sales for resale	-	-	-	-	-	-	-	-	-	-
4	Other operating revenue	-	-	-	-	-	-	-	-	-	-
5	Total operating revenue	\$ 100,752	\$ -	\$ -	\$ -	\$ 3,853	\$ -	\$ -	\$ -	\$ -	\$ 104,606
<b>Operating expenses</b>											
6	PTC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Distribution	-	-	-	-	-	-	-	-	-	-
8	Customer accounts	-	-	-	-	-	-	-	-	-	-
9	Customer service & info	-	-	-	-	-	-	-	-	-	-
10	Admin & gen expense	-	-	-	-	-	-	-	-	-	-
11	Depreciation - accrual	-	-	-	-	-	-	-	-	-	-
12	Amortization	-	-	-	-	-	-	-	-	-	-
13	Taxes other than income	5,944	-	-	-	227	-	-	-	-	6,172
14	Operating expense before tax	\$ 5,944	\$ -	\$ -	\$ -	\$ 227	\$ -	\$ -	\$ -	\$ -	\$ 6,172
15	Operating income before income tax	\$ 94,808	\$ -	\$ -	\$ -	\$ 3,626	\$ -	\$ -	\$ -	\$ -	\$ 98,434
<b>Income taxes</b>											
16	Federal income tax - current	\$ 29,868	\$ -	\$ -	\$ -	\$ 1,142	\$ -	\$ -	\$ -	\$ -	\$ 31,010
17	State income tax - current	9,471	-	-	-	362	-	-	-	-	9,834
18	Deferred income tax - federal	-	-	-	-	-	-	-	-	-	-
19	Deferred income tax - state	-	-	-	-	-	-	-	-	-	-
20	Investment tax credit	-	-	-	-	-	-	-	-	-	-
21	Total tax expense	\$ 39,339	\$ -	\$ -	\$ -	\$ 1,505	\$ -	\$ -	\$ -	\$ -	\$ 40,844
22	Total operating expenses	\$ 45,284	\$ -	\$ -	\$ -	\$ 1,732	\$ -	\$ -	\$ -	\$ -	\$ 47,015
23	<b>Operating income</b>	\$ 55,469	\$ -	\$ -	\$ -	\$ 2,121	\$ -	\$ -	\$ -	\$ -	\$ 57,590

**Pennsylvania Electric 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	Distribution (25) = (5) + (15)	Riders							PaPUC Total Distribution (34) = (25) + (29)	
			Price to Compare (26)	Universal Service (27)	Energy Efficiency (28)	Smart Meters (29) = (9) + (19)	Default Service Support (30)	Solar (31)	NUG (32)		Storm (33)
<b>Operating revenues</b>											
1	Retail sales	\$ 382,950	\$ 316,359	\$ 29,205	\$ 20,260	\$ 11,989	\$ 17,377	\$ 2,897	\$ 9,032	\$ -	\$ 394,940
2	STAS revenue	-	-	-	-	-	-	-	-	-	-
3	Sales for resale	27	84,365	-	470	-	-	-	-	-	27
4	Other operating revenue	12,084	(3,037)	-	-	-	-	-	-	-	12,084
5	Total operating revenue	\$ 395,061	\$ 397,687	\$ 29,205	\$ 20,730	\$ 11,989	\$ 17,377	\$ 2,897	\$ 9,032	\$ -	\$ 407,051
<b>Operating expenses</b>											
6	Price to Compare	\$ -	\$ 386,415	\$ -	\$ -	\$ -	\$ -	\$ 1,866	\$ -	\$ -	\$ -
7	Distribution	24,896	-	-	-	-	7,783	-	-	-	24,896
8	Customer accounts	23,307	-	-	-	-	329	-	-	-	23,307
9	Customer service & info	9,084	-	27,189	-	-	5,554	-	-	-	9,084
10	Admin & gen expense	3,331	-	-	19,262	8,077	-	-	-	-	11,408
11	Depreciation - accrual	81,519	-	-	-	102	-	-	-	-	81,621
12	Amortization	1,791	(2,677)	716	163	(475)	1,940	869	8,267	-	1,316
13	Taxes other than income	29,036	18,499	1,744	1,305	688	939	171	765	-	29,725
14	Operating expense before tax	\$ 172,965	\$ 402,237	\$ 29,649	\$ 20,730	\$ 8,392	\$ 16,545	\$ 2,906	\$ 9,032	\$ -	\$ 181,357
15	Operating income before tax	\$ 222,096	\$ (4,550)	\$ (444)	\$ -	\$ 3,597	\$ 832	\$ (9)	\$ -	\$ -	\$ 225,693
<b>Income taxes</b>											
16	Federal income tax - current	\$ 70,056	\$ (1,433)	\$ (140)	\$ -	\$ 783	\$ 262	\$ (3)	\$ -	\$ -	\$ 70,840
17	State income tax - current	22,215	(455)	(44)	-	248	83	(1)	-	-	22,464
18	Deferred income tax - federal	15,470	-	-	-	-	-	-	-	-	15,470
19	Deferred income tax - state	-	-	-	-	-	-	-	-	-	-
20	Investment tax credit	(349)	-	-	-	-	-	-	-	-	(349)
21	Total tax expense	\$ 107,392	\$ (1,888)	\$ (184)	\$ -	\$ 1,032	\$ 345	\$ (4)	\$ -	\$ -	\$ 108,424
22	Total operating expenses	\$ 280,357	\$ 400,349	\$ 29,465	\$ 20,730	\$ 9,424	\$ 16,890	\$ 2,902	\$ 9,032	\$ -	\$ 289,781
23	<b>Operating Income</b>	\$ 114,704	\$ (2,662)	\$ (260)	\$ -	\$ 2,565	\$ 487	\$ (5)	\$ -	\$ -	\$ 117,269
24	<b>Rate Base</b>	\$ 1,381,009	\$ -	\$ -	\$ -	\$ 30,884	\$ -	\$ -	\$ -	\$ -	\$ 1,411,893
25	<b>Rate of Return overall</b>	8.31%	NA	NA	NA	8.31%	NA	NA	NA	NA	8.31%
26	<b>Return on Equity</b>	10.90%	NA	NA	NA	10.90%	NA	NA	NA	NA	10.90%

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Distribution**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books 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	\$ 282,198	\$ 100,752	\$ 382,950
2	STAS revenue	-	-	-
3	Sales for resale	27	-	27
4	Other operating revenue	12,084	-	12,084
5	Total operating revenue	\$ 294,309	\$ 100,752	\$ 395,061
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	24,896	-	24,896
8	Customer accounts	23,307	-	23,307
9	Customer service & info	9,084	-	9,084
10	Admin & gen expense	3,331	-	3,331
11	Depreciation - accrual	81,519	-	81,519
12	Amortization	1,791	-	1,791
13	Taxes other than income	23,092	5,944	29,036
14	Operating expense before tax	\$ 167,021	\$ 5,944	\$ 172,965
15	Operating income before tax	\$ 127,288	\$ 94,808	\$ 222,096
	<u>Income taxes</u>			
16	Federal income tax - current	\$ 40,188	\$ 29,868	\$ 70,056
17	State income tax - current	12,744	9,471	22,215
18	Deferred income tax - federal	15,470	-	15,470
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(349)	-	(349)
21	Total tax expense	\$ 68,053	\$ 39,339	\$ 107,392
22	Total operating expenses	\$ 235,074	\$ 45,284	\$ 280,357
23	<b>Operating Income</b>	\$ 59,235	\$ 55,469	\$ 114,704
24	<b>Rate Base</b>	\$ 1,381,009		\$ 1,381,009
25	<b>Rate of Return overall</b>	4.29%		8.31%
26	<b>Return on Equity</b>	2.85%		10.90%

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Smart Meter Technologies Charge Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 8,136	\$ 3,853	\$ 11,989
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	\$ 8,136	\$ 3,853	\$ 11,989
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	-	-	-
10	Admin & gen expense	8,077	-	8,077
11	Depreciation - accrual	102	-	102
12	Amortization	(475)	-	(475)
13	Taxes other than income	461	227	688
14	Operating expense before tax	\$ 8,165	\$ 227	\$ 8,392
15	Operating income before tax	\$ (29)	\$ 3,626	\$ 3,597
	<u>Income taxes</u>			
16	Federal income tax - current	\$ (359)	\$ 1,142	\$ 783
17	State income tax - current	(114)	362	248
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	\$ (473)	\$ 1,505	\$ 1,032
22	Total operating expenses	\$ 7,692	\$ 1,732	\$ 9,424
23	<b>Operating Income</b>	\$ 444		\$ 2,565
24	<b>Rate Base</b>	\$ 30,884		\$ 30,884
25	<b>Rate of Return overall</b>	1.44%		8.31%
26	<b>Return on Equity</b>	-2.87%		10.90%

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Total Distribution**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 290,334	\$ 104,606	\$ 394,940
2	STAS revenue	-	-	-
3	Sales for resale	27	-	27
4	Other operating revenue	12,084	-	12,084
5	Total operating revenue	\$ 302,445	\$ 104,606	\$ 407,051
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	24,896	-	24,896
8	Customer accounts	23,307	-	23,307
9	Customer service & info	9,084	-	9,084
10	Admin & gen expense	11,408	-	11,408
11	Depreciation - accrual	81,621	-	81,621
12	Amortization	1,316	-	1,316
13	Taxes other than income	23,553	6,172	29,725
14	Operating expense before tax	\$ 175,186	\$ 6,172	\$ 181,357
15	Operating income before tax	\$ 127,259	\$ 98,434	\$ 225,693
	<u>Income taxes</u>			
16	Federal income tax - current	\$ 39,829	\$ 31,010	\$ 70,840
17	State income tax - current	12,630	9,834	22,464
18	Deferred income tax - federal	15,470	-	15,470
19	Deferred income tax - state	-	-	-
20	Investment tax credit	(349)	-	(349)
21	Total tax expense	\$ 67,580	\$ 40,844	\$ 108,424
22	Total operating expenses	\$ 242,766	\$ 47,015	\$ 289,781
23	<b>Operating Income</b>	\$ 59,679	\$ 57,590	\$ 117,269
24	<b>Rate Base</b>	\$ 1,411,893		\$ 1,411,893
25	<b>Rate of Return overall</b>	4.23%		8.31%
26	<b>Return on Equity</b>	2.85%		10.90%

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Universal Service Cost Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books as Adjusted</u>	<u>Revenue Adjustment Required</u>	<u>Allowable Revenue</u>
		(1)	(2)	(3)
	<u>Operating revenues</u>			
1	Retail sales	\$ 29,205	\$ -	\$ 29,205
2	STAS revenue	-	-	-
3	Sales for resale	-	-	-
4	Other operating revenue	-	-	-
5	Total operating revenue	\$ 29,205	\$ -	\$ 29,205
	<u>Operating expenses</u>			
6	PTC	\$ -	\$ -	\$ -
7	Distribution	-	-	-
8	Customer accounts	-	-	-
9	Customer service & info	27,189	-	27,189
10	Admin & gen expense	-	-	-
11	Depreciation - accrual	-	-	-
12	Amortization	716	-	716
13	Taxes other than income	1,744	-	1,744
14	Operating expense before tax	\$ 29,649	\$ -	\$ 29,649
15	Operating income before tax	\$ (444)	\$ -	\$ (444)
	<u>Income taxes</u>			
16	Federal income tax - current	\$ (140)	\$ -	\$ (140)
17	State income tax - current	(44)	-	(44)
18	Deferred income tax - federal	-	-	-
19	Deferred income tax - state	-	-	-
20	Investment tax credit	-	-	-
21	Total tax expense	\$ (184)	\$ -	\$ (184)
22	Total operating expenses	\$ 29,465	\$ -	\$ 29,465
23	<b>Operating Income</b>	\$ (260)	\$ -	\$ (260)

**Pennsylvania Electric Company**  
**Summary of Revenue Requirements**  
**Storm Damage Rider**  
 \$000

<u>Line No.</u>	<u>Description</u>	<u>Per Books 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	PTC	\$ -	\$ -	\$ -
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>	\$ -	\$ -	\$ -

Pennsylvania Electric Company  
 Normalization Adjustment No. 1  
 \$000

Adjustment of Base Operating Revenues

To adjust base operating revenues (1) for changes in customer use, (2) to roll in State Tax Adjustment Surcharge revenues into base rates, (3) adjust for Energy Efficiency and Behind the Meter generation, (4) adjust for street lighting, 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 3/31/2014		\$ 706,699
	<u>Normalizing adjustments:</u>		
2	Customers - increase to year end level	\$ 111	
	<u>Specific adjustments</u>		
3	Roll-in of STAS	-	
4	Energy Efficiency/Behind the meter	(13,360)	
5	Street lighting adjustment	-	
6	Eliminate unbilled revenues	<u>(1,881)</u>	
7	Total	\$ (15,241)	
8	Normalizing adjustment (Lines 2+7)		<u>(15,130)</u>
9	Base revenues per books for the 12 months ended 3/31/2014, as adjusted		<u>\$ 691,569</u>

Pennsylvania Electric 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 3/31/2014	\$ (2,599)
2	Eliminate per books STAS	<u>2,599</u>
3	Other operating revenue per books for the 12 months ended 3/31/2014, as adjusted	<u>\$ -</u>

Pennsylvania Electric Company  
Normalization Adjustment No. 3  
\$000

Adjustment of Other Operating Revenues

To adjust other operating revenue to eliminate non-jurisdictional transmission revenues.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Other operating revenue per books for the 12 months ended 3/31/2014		\$ 63,541
2	Eliminate non-jurisdictional transmission revenues	<u>(54,551)</u>	
3	Other operating revenue per books for the 12 months ended 3/31/2014, as adjusted		<u>\$ 8,990</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 4  
 \$000

Adjustment of Distribution Expense

To adjust distribution payroll expense to reflect year end wage and employee levels, adjust Service Company payroll to reflect year end wage and employee levels, eliminate non-jurisdictional transmission expenses and to include the distribution portion of the amortization of gains or losses to reacquired debt. The labor allocation factors used on Schedule 1 attached to this normalization are supported by Ms. H. E. Stewart.

Line No.	Description	Amount	
		(1)	(2)
1	Distribution expense per books for the 12 months ended 3/31/2014		\$ 66,968
2	Distribution payroll expense adjustment to reflect year end employee levels, and ongoing wage and salary rates (Supporting Schedule No. 1, Line 12, Col. 2)	\$ 316	
3	Service Company Distribution payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates Supporting Schedule No. 1, Line 21, Col. 2)	72	
4	Eliminate non-jurisdictional transmission expense	(37,013)	
5	Amortization of (gain) or loss on reacquired debt	3,307	
6	Allocation ratio based on distribution plant	<u>76.40%</u>	
7	Distribution portion of (gain) or loss	\$ 2,527	
8	Total normalizing adjustment (Lines 2 + 3 + 4 + 7)		<u>(34,098)</u>
9	Distribution expense per books for the 12 months ended 3/31/2014, as adjusted		<u>\$ 32,870</u>

Pennsylvania Electric 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 (Exhibit RAD-27)		\$ 71,714
	<b><u>Bargaining</u></b>		
	IBEW 459		
2	Straight time per books for the 12 months ended 3/31/2014	\$ 32,797	
3	Straight time 3% increase effective May 1, 2014 (Line 2 X 3%)	984	
	UWUA 180		
4	Straight time per books for April 1, 2013 through July 31, 2013	3,634	
5	Straight time 3% increase effective August 1, 2013 (Line 4 X 3%)	109	
	<b><u>Non-Bargaining</u></b>		
6	Straight time per books for April 1, 2013 through August 31, 2013	11,673	
7	Straight time 3% increase effective September 1, 2013 (Line 6 X 3%)	350	
6	Total company payroll adjustment (Line 3 + Line 5 + Line 7)		<u>1,443</u>
7	Total company payroll as adjusted (Line 1 + Line 6)	\$	73,157
8	O&M allocation percentage		<u>36.85%</u>
9	O&M payroll adjustment (Line 6 X Line 8)	\$	532
	<b><u>Allocation of payroll adjustment:</u></b>		
10	PTC	0.00%	\$ -
11	Transmission	4.19%	22
12	Distribution	59.48%	316
13	Customer accounts	15.68%	83
14	Customer service	7.28%	39
15	Administrative and general	13.38%	71
16	Total	<u>100%</u>	<u>\$ 532</u>
	<b><u>Service Company</u></b>		
17	Straight time per books for April 1, 2013 through August 31, 2013 (Exhibit RAD-25)	\$ 8,932	
18	Straight time 3% increase effective September 1, 2013	268	
	<b><u>Allocation of Service Company payroll</u></b>		
19	PTC	0.60%	\$ 1
20	Transmission	6.65%	18
21	Distribution	26.99%	72
22	Customer accounting and information	25.30%	69
23	Administrative and general	40.45%	108
24	Total	<u>100%</u>	<u>\$ 268</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 5  
 \$000

Adjustment of Customer Accounts Expense

To adjust customer account expense to reflect year end wage and employee levels, adjust Service Company payroll to reflect year end wage and employee levels, increased costs associated with added customers, interest on customer deposits and adjustment of distribution uncollectible accounts expenses, and the elimination of non-jurisdictional administrative and general expenses.

Line No.	Description	Amount	
		(1)	(2)
1	Customer Account expense per books for the 12 months ended 3/31/2014		\$ 22,493
2	Customer Account payroll expense adjustment to reflect year end employee levels and ongoing wage & salary rates (Normalizing Adjustment No. 4, Supporting Schedule No. 1, Line 13, Col. 2)	\$ 83	
3	Service Company customer account payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates (Normalizing Adjustment No. 4, Supporting Schedule 1, Line 22, Col. 2)	69	
4	Increased O&M costs associated with increased number of customers in normalized revenue levels (Supporting Schedule 1, Line 10)	2	
5	Interest on customer deposits, (Supporting Schedule 2, Line 3)	<u>1,127</u>	
6	Total normalizing adjustment (Lines 2 + 3 + 4 + 5)		<u>1,281</u>
7	Customer Account expense per books for the 12 months ended 3/31/2014, as adjusted		<u>\$ 23,774</u>

Pennsylvania Electric 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. The Distribution revenues are 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 3/31/2014	\$ 22,493
2	Less: uncollectible expense (Exhibit RAD-55)	(11,571)
3	Less: Labor expense	<u>(6,284)</u>
4	Customer Account expense excluding labor and uncollectible expense	<u>\$ 4,638</u>
<u>Total Distribution Revenue</u>		
5	Distribution revenues per books	\$ 295,447
6	Late payment charges per books (Exhibit RAD-55)	<u>3,212</u>
7	Total	<u>\$ 298,659</u>
8	Ratio of customer account expense to total revenue Line 4 / Line 7	1.55%
9	Revenue from added customers (Adjustment No. 1, Line 2)	\$ 111
10	Additional expense from added customers Line 8 X Line 9	<u>\$ 2</u>

Pennsylvania Electric 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, Column 5, Line 14)	\$ 18,780
2	Interest rate on deposits	<u>6%</u>
3	Interest expense on customer deposits	<u>\$ 1,127</u>

Pennsylvania Electric 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.

<u>Line No.</u>	<u>Description</u>	<u>Amount</u>	
		(1)	(2)
1	Customer Service expense per books for the 12 months ended 3/31/2014		\$ 41,876
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)	\$ 39	
3	Total normalizing adjustment		<u>39</u>
4	Customer Service expense per books for the 12 months ended 3/31/2014, as adjusted		<u>\$ 41,915</u>

Pennsylvania Electric 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, adjust Service Company payroll to reflect 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, costs to update computer system to allow accelerated (3 day) switching from one supplier to another, and the elimination of non-jurisdictional administrative and general expenses. Ms. H. E. Stewart supports the non-jurisdictional expense allocation factor.

Line No.	Description	Amount	
		(1)	(2)
1	Administrative & general expense per books for the 12 months ended 3/31/2014	\$	(1,752)
2	A&G Expenses related to EEC	\$	(19,262)
3	A&G Expenses related to Smart Meters		<u>(8,077)</u>
4	Adjustment to A&G	\$	(27,339)
5	Net A&G expenses related to Distribution (Line 1 - Line 4)		<u>(29,091)</u>
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, Column 3)	\$	71
7	Service Company Administrative & general payroll expense adjustment allocated to Penelec to reflect year end employee levels and ongoing wage and salary rates (Normalizing Adjustment No. 4, Supporting Schedule No 1, Line 23, Col. 2)		108
8	Adjust OPEB expense to service cost level (Normalization Adjustment No. 7, Supporting Schedule No. 1, Line 12, Col. 1)		10,197
9	Adjust pension expense to ten year cash level (Supporting Schedule No. 2, Line 18, Col. 3)		21,593
10	Adjust employee benefit costs (Supporting Schedule No. 3, Line 8, Col. 3)		<u>194</u>
11	Subtotal of adjustments (Lines 6 + 7 + 8 + 9 + 10)		32,163
12	Administrative and general expense, adjusted (Line 5 + Line 11)	\$	3,072
13	Non-jurisdictional expense allocation factor		<u>4.84%</u>
14	Non-jurisdictional administrative and general expense (Line 8 X Line 9)		(149)
15	Rate case expenses to be incurred during current rate proceeding (Exhibit RAD-23)	\$	521
16	Recovery period - 2 years		<u>2</u>
17	Annual amount (Line 15 / Line 16)		261
18	Increase in O&M Costs for Accelerated (3 day) Switching for customers switching from one supplier to another (Exhibit RAD-64)		<u>326</u>
19	Total normalizing adjustment (Lines 11 + 14 + 17 + 18)	\$	<u>32,601</u>
20	Administrative and general expense per books for the 12 months ended 3/31/2014, as adjusted	\$	<u>30,849</u>

Pennsylvania Electric Company  
 Supporting Schedule No. 1 to Normalizing Adjustment No. 7  
 \$000

Adjustment for OPEB Expense

Per books OPEB expense consists of the current service cost, adjustments to prior years' service costs, and the financing component. This schedule adjusts the total per books 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.

Line No.	Description	O&M (1)	Capital (2)	Total (3)
1	O&M - Capital allocation ratios	36.85%	63.15%	100.00%
2	Company OPEB expense included on books	\$ (8,845)	\$ (15,159)	\$ (24,004)
3	FirstEnergy Service Corp. OPEB expense	\$ (15,211)	\$ (26,068)	\$ (41,279)
4	Allocation ratio	<u>6.64%</u>	<u>6.64%</u>	<u>6.64%</u>
5	Allocated FirstEnergy Service Corp. OPEB expense included on books (Line 3 X Line 4)	<u>\$ (1,010)</u>	<u>\$ (1,731)</u>	<u>\$ (2,741)</u>
6	Total OPEB expense included on books (Line 2 + Line 5)	<u>\$ (9,855)</u>	<u>\$ (16,890)</u>	<u>\$ (26,745)</u>
7	Service cost for company OPEB expense	\$ 315	\$ 541	\$ 856
8	Service cost for FirstEnergy Service Corp. OPEB expense	\$ 408	\$ 699	\$ 1,107
9	Allocation ratio	<u>6.64%</u>	<u>6.64%</u>	<u>6.64%</u>
10	Allocated FirstEnergy Service Corp. service cost (Line 8 X Line 9)	<u>\$ 27</u>	<u>\$ 47</u>	<u>\$ 74</u>
11	Total OPEB service cost (Lines 7 + 10)	<u>\$ 342</u>	<u>\$ 588</u>	<u>\$ 930</u>
12	Adjustment to set OPEB expense at ongoing service cost level (Line 11 - Line 6)	<u>\$ 10,197</u>	<u>\$ 17,478</u>	<u>\$ 27,675</u>

Pennsylvania Electric Company  
 Supporting Schedule No. 2 to Normalizing Adjustment No. 7  
 \$000

Adjustment for Pension Expense

To adjust per books 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-00061367.

Line No.	Description	Amount		
		(1) Total	(2) O&M %	(3) O&M
	<u>Company Cash Contributions</u>			
1	2004 Cash Pension Contribution	\$ 50,314	44.25%	\$ 22,264
2	2005 Cash Pension Contribution	20,021	44.25%	8,859
3	2007 Cash Pension Contribution	13,436	48.25%	6,483
4	2009 Cash Pension Contribution	60,000	41.69%	25,014
5	2012 Cash Pension Contribution	37,500	39.64%	14,865
6	Total Company Cash Pension Contributions	\$ 181,271		\$ 77,485
	<u>FirstEnergy Service Company Cash Contributions</u>			
7	2004 Pension Contribution	\$ 91,633		
8	2004 Company Allocation Factor	<u>9.63%</u>		
9	2004 Service Company Pension Contribution allocated to the Company	\$ 8,824	44.25%	\$ 3,905
10	2007 Pension Contribution	\$ 27,468		
11	2007 Company Allocation Factor	<u>11.11%</u>		
12	2007 Service Company Pension Contribution allocated to the Company	\$ 3,052	48.25%	<u>1,472</u>
13	Total FirstEnergy Service Company Cash Pension Contributions allocated to the Company (Line 9 + Line 12)	\$ 11,876		\$ 5,377
14	Total Pension cash contributions (Line 6 + Line 13)	193,147		\$ 82,862
15	Number of years amortization	<u>10</u>		<u>10</u>
16	Pension expense cash contribution, averaged over 10 years	19,315		\$ 8,286
17	O&M Pension Expense included on books			<u>(13,307)</u>
18	Adjustment to Pension Expense (Line 16 - Line 17)			<u>\$ 21,593</u>

Pennsylvania Electric 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. 6, Supporting Schedule No. 1, Line 20 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:

Line No.	Description	Effective Rate (a)	Payroll Adjustment	Benefit Adjustment
		(1)	(2)	(3) = (1) X (2)
1	Workers compensation	0.201%	\$ 532 (b)	\$ 1
2	Pension costs	24.778%	\$ 532 (b)	132
3	OPEB costs	1.271%	\$ 532 (b)	7
4	Life insurance	0.071%	\$ 532 (b)	-
5	Medical / Dental insurance	9.022%	\$ 532 (b)	48
6	Savings Plan	1.739%	\$ 532 (b)	9
7	Other	-0.533%	\$ 532 (b)	(3)
8	Total increase due to payroll adjustment			<u>\$ 194</u>

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

	Total Amount	Total Payroll	Effective Rate
Workers compensation	\$ 147	\$ 73,157	0.201%
Pension costs - normalized basis	18,127	73,157	24.778%
OPEB costs - service cost	930	73,157	1.271%
Life insurance	52	73,157	0.071%
Medical / Dental insurance	6,600	73,157	9.022%
Savings Plan	1,272	73,157	1.739%
Other (Exhibit RAD-27)	(390)	73,157	-0.533%

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

Pennsylvania Electric Company  
 Normalization Adjustment No. 8  
 \$000

Adjustment of Depreciation Expense

To adjust per books depreciation expense to remove legacy meters (non-depreciation expense), to reflect average remaining life rates on adjusted rate base, to eliminate non-jurisdictional expense, to adjust cost of removal/ salvage expense to a five year average amount, according to prior Commission practice and to amortize recovery of legacy meters.

Line No.	Description	Amount			
		(1)	(2)	(3)	(4)
1	Depreciation expense per books for the 12 months ended 3/31/2014				\$ 70,536
2	Cost of removal/salvage expense per books for the 12 months ended 3/31/2014, Exhibit RAD-30		\$ 15,056		
3	Depreciation accrual per books (Line 1 - Line 2)		\$ 55,480		
4	Jurisdictional depreciation expense accrual on adjusted rate base at average remaining life rates (Exhibit RAD-53 page 6)		<u>50,936</u>		
5	Adjustment for average remaining life accrual for jurisdictional plant (Line 4 - Line 3)			\$ (4,544)	
<u>Cost of removal/ salvage</u>					
6	Cost of removal/salvage expense per books for the 12 months ended 3/31/2014 (Exhibit RAD-30)		\$ 15,056		
7	Cost of removal and salvage 2010 - 2014 (Exhibit RAD-30) for the 12 months ended March 31, 2010	\$ 32,660			
8	for the 12 months ended March 31, 2011	11,900			
9	for the 12 months ended March 31, 2012	13,287			
10	for the 12 months ended March 31, 2013	22,502			
11	for the 12 months ended March 31, 2014	<u>15,056</u>			
12	Total	\$ 95,405			
13	Five year average (Line 12 / 5)		<u>19,081</u>		
14	Allocation ratio based on jurisdictional plant		<u>76.40%</u>		
15	Jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 13 X Line 14)		<u>14,578</u>		
16	Adjustment of jurisdictional cost of removal/salvage expense to a jurisdictional five year average (Line 15 - Line 6)			(478)	
17	Adjustment for amortization of legacy meters (Adj. 8, Schedule 1, Line 7)			<u>16,592</u>	
18	Total normalizing adjustment (Lines 5 + 16 + 17)				<u>11,569</u>
19	Depreciation expense per books for the 12 months ended 3/31/2014, as adjusted				<u>\$ 82,105</u>

Pennsylvania Electric Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 8  
 \$000

Adjustment for Acceleration of Legacy Meters

To accelerate recovery of legacy meters to fully recover all legacy meter costs by the end of the system installation period.

<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 (RAD-48 Attachment B, Page 2)	\$ 67,989	
2	Depreciation reserve associated with legacy meters per books for the 12 months ended 3/31/2014 (RAD-48, Attachment B, Page 4)	<u>(11,012)</u>	
3	Net legacy meters per books for the 12 months ended 3/31/2014 (Line 1 - Line 2)	\$ 79,001	
4	Net estimated cost of removal and salvage	<u>3,957</u>	
5	Net legacy meters	<u>\$ 82,958</u>	
6	Annual amortization over a 5 year amortization period		<u>\$ 16,592</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 9  
 \$000

Adjustment of Amortization Expense

To include the amortization of deferred storm damage balances for distribution non-capital storm expenses that exceeded 125% of storm costs included in base rates between the period of February 25, 2011 through September 30, 2012 as a result of the FirstEnergy and Allegheny Merger approved at Docket Nos. A-2010-2176520 and A-2010-2176732, including but not limited to Hurricane Irene, the October 2011 snowstorm, and Tropical Storm Lee. Also, to remove amortization of legacy meters and amortization of rate case expenses and accretion expense on the books.

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Amortization expense per books for the 12 months ended 3/31/2014			\$ 6,259
	<u>Storm damage costs</u>			
2	Merger storm deferral	\$ 12,795		
3	Amortized over 3 years	<u>3</u>		
4	Annual Amortization of storm damage costs		\$ 4,265	
5	Remove accretion expense on books		<u>(164)</u>	
6	Normalizing adjustment (Line 4 + 5)			<u>4,101</u>
7	Amortization expense per books for the 12 months ended 3/31/2014, as adjusted			<u>\$ 10,360</u>

Pennsylvania Electric 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 and eliminate non-jurisdictional taxes. The non-jurisdictional allocation factor is supported by Ms. H. E. Stewart.

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Taxes Other Than Income per books for the 12 months ended 3/31/2014			\$ 48,312
2	Federal and State payroll taxes on books	\$ 5,358		
3	Non-jurisdictional percent	<u>4.84%</u>		
4	Eliminate non-jurisdictional payroll taxes		\$ (259)	
5	Capital Stock Tax included on books	\$ 365		
6	PURTA tax on books	1,177		
7	Real Estate tax on books	<u>383</u>		
8	Total Other taxes	\$ 1,925		
9	Non-jurisdictional percent	<u>23.60%</u>		
10	Eliminate non-jurisdictional taxes		(454)	
	<u>Gross Receipts Tax</u>			
11	Normalized sales revenues ( Exhibit RAD-2, page 1, Line 1, Col. 3 - Col 4)	\$ 685,464		
12	Gross receipts tax @ 5.9%	40,442		
13	Gross receipts tax included on books	<u>41,029</u>		
14	Adjustment for gross receipts tax at normalized revenue level (Line 12 - Line 13)		(587)	
15	Adjustment for payroll taxes on normalized payroll (Supporting Schedule No. 1, Line 8)		<u>40</u>	
16	Total normalizing adjustment (Lines 4+10+14+15)			<u>(1,261)</u>
17	Taxes other than income per books for the 12 months ended 3/31/2014, as adjusted			<u>\$ 47,051</u>

Pennsylvania Electric 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	Total payroll per books for the 12 months ended 3/31/2014 (Normalization Adjustment No. 4, Schedule 1, Line 1, Col 2)	\$ 71,714
2	Total payroll tax included on books	<u>5,358</u>
3	Effective payroll tax rate (Line 2 / Line 1)	7.471%
4	Total payroll as adjusted (Normalization Adjustment No. 4, Schedule 1, Line 7, Col. 2)	<u>\$ 73,157</u>
5	Payroll tax on normalized payroll (Line 3 X Line 4)	\$ 5,466
6	Total Company payroll tax adjustment (Line 5 - Line 2)	<u>\$ 108</u>
7	O&M Allocation percentage	36.85%
8	Adjustment for payroll tax (Line 6 x Line 7)	<u>\$ 40</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 11  
 \$000

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

Riders

Line No.	Description	Total Company Calculated Taxes (1)	Waverly Calculated Taxes (2)	Distribution Calculated Taxes (3)	PTC Calculated Taxes (4)	Universal Service Calculated Taxes (5)	Energy Efficiency Calculated Taxes (6)	Smart Meter Calculated Taxes (7)	DSS Calculated Taxes (8)	Solar Calculated Taxes (9)	NUG Charge Calculated Taxes (10)	Storm Calculated Taxes (11)	PA Jurisdictional Total Taxes (12)
1	Total operating revenue	\$ 785,421	\$ 6,048	\$ 294,309	\$ 397,687	\$ 29,205	\$ 20,730	\$ 8,136	\$ 17,377	\$ 2,897	\$ 9,032	\$ -	\$ 779,373
2	Less: Total O & M Expense	\$ 521,803	\$ 4,709	\$ 60,618	\$ 386,415	\$ 27,189	\$ 19,262	\$ 8,077	\$ 13,666	\$ 1,866	\$ -	\$ -	\$ 517,093
3	Depreciation - accrual	67,528	398	67,027	-	-	-	102	-	-	-	-	67,129
4	Average net salvage	14,578	86	14,492	-	-	-	-	-	-	-	-	14,492
5	Amortization & Accretion	10,360	(234)	1,791	(2,677)	716	163	(475)	1,940	869	8,267	-	10,594
6	Taxes other than income taxes	47,051	75	23,092	18,499	1,744	1,305	461	939	171	765	-	46,976
7	Total deductions	\$ 661,320	\$ 5,035	\$ 167,021	\$ 402,237	\$ 29,649	\$ 20,730	\$ 8,165	\$ 16,545	\$ 2,906	\$ 9,032	\$ -	\$ 656,285
8	Net operating income before income taxes	\$ 124,101	\$ 1,013	\$ 127,288	\$ (4,550)	\$ (444)	\$ -	\$ (29)	\$ 832	\$ (9)	\$ -	\$ -	\$ 123,088
9	Less: Interest Charges (A)	40,689	214	39,590	-	-	-	885	-	-	-	-	40,475
10	Net income before income taxes	\$ 83,412	\$ 799	\$ 87,698	\$ (4,550)	\$ (444)	\$ -	\$ (914)	\$ 832	\$ (9)	\$ -	\$ -	\$ 82,613
<b>Adjustments to taxable income:</b>													
11	Book Average net salvage	\$ 14,578	\$ 86	\$ 14,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,492
12	Adj. of book depreciation to tax basis (B)	12,621	247	12,598	-	-	-	(225)	-	-	-	-	12,373
13	Tax cost of removal/salvage	(8,738)	(52)	(8,686)	-	-	-	-	-	-	-	-	(8,686)
14	Adjust cash pension	21,593	127	21,466	-	-	-	-	-	-	-	-	21,466
15	Net adjustment	\$ 40,054	\$ 409	\$ 39,870	\$ -	\$ -	\$ -	\$ (225)	\$ -	\$ -	\$ -	\$ -	\$ 39,645
16	Income subject to state income tax (Line 10 + Line 15)	\$ 123,466	\$ 1,209	\$ 127,568	\$ (4,550)	\$ (444)	\$ -	\$ (1,139)	\$ 832	\$ (9)	\$ -	\$ -	\$ 122,258
17	State income tax @ 9.99%	\$ 12,214	\$ -	\$ 12,744	\$ (455)	\$ (44)	\$ -	\$ (114)	\$ 83	\$ (1)	\$ -	\$ -	\$ 12,214
18	Taxes per books	10,999	-	10,999	-	-	-	-	-	-	-	-	10,999
19	Adjustment to state income tax	\$ 1,215	\$ -	\$ 1,745	\$ (455)	\$ (44)	\$ -	\$ (114)	\$ 83	\$ (1)	\$ -	\$ -	\$ 1,215
20	Income subject to federal income tax	\$ 111,253	\$ 1,209	\$ 114,824	\$ (4,095)	\$ (400)	\$ -	\$ (1,026)	\$ 749	\$ (8)	\$ -	\$ -	\$ 110,044
21	Federal income tax @ 35%	\$ 38,938	\$ 423	\$ 40,188	\$ (1,433)	\$ (140)	\$ -	\$ (359)	\$ 262	\$ (3)	\$ -	\$ -	\$ 38,515
22	Total federal tax	\$ 38,938	\$ 423	\$ 40,188	\$ (1,433)	\$ (140)	\$ -	\$ (359)	\$ 262	\$ (3)	\$ -	\$ -	\$ 38,515
23	Taxes per books	30,705	-	30,705	-	-	-	-	-	-	-	-	30,705
24	Adjustment to federal income tax	\$ 8,233	\$ 423	\$ 9,483	\$ (1,433)	\$ (140)	\$ -	\$ (359)	\$ 262	\$ (3)	\$ -	\$ -	\$ 7,810
<b>(A) Computation of Interest charges</b>													
	Total rate base	\$ 1,419,345	\$ 7,452	\$ 1,381,009	\$ -	\$ -	\$ -	\$ 30,884	\$ -	\$ -	\$ -	\$ -	\$ 1,411,893
	Debt ratio	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%	50.10%
	Cost of debt	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%	5.72%
	Interest expense	\$ 40,689	\$ 214	\$ 39,590	\$ -	\$ -	\$ -	\$ 885	\$ -	\$ -	\$ -	\$ -	\$ 40,475
<b>(B) Adjustment of book depreciation to tax basis:</b>													
	Tax depreciation	\$ 54,907	\$ 151	\$ 54,429	\$ -	\$ -	\$ -	\$ 327	\$ -	\$ -	\$ -	\$ -	\$ 54,756
	Book depreciation	67,528	398	67,027	-	-	-	102	-	-	-	-	67,129
	Depreciation adjustment	\$ (12,621)	\$ (247)	\$ (12,598)	\$ -	\$ -	\$ -	\$ 225	\$ -	\$ -	\$ -	\$ -	\$ (12,373)

Pennsylvania Electric Company  
 Supporting Schedule No. 1 to Normalization Adjustment No. 11  
 \$000

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

Line No.	Description	Amount		
		(1)	(2)	(3)
1	Tax depreciation expense per books	\$ 83,157		
2	Cost of removal/salvage in tax depreciation	11,437	76.40%	\$ 8,738
3	Smart meter tax depreciation	327	100%	327
4	Waverly tax depreciation	<u>151</u>	100%	151
5	Distribution tax depreciation (Line 1 - 2 -3 - 4)	<u>71,242</u>	<u>76.40%</u>	<u>54,429</u>
6	Total tax depreciation			<u>\$ 54,907</u>

Pennsylvania Electric Company  
 Normalization Adjustment No. 12  
 \$000

Adjustment of Provision for Deferred Income Taxes

This adjustment to the Provision for Deferred Income Taxes reflects (1) the adjustment of Federal deferrals to reflect year-end plant and (2) miscellaneous federal deferred taxes not associated with liberalized depreciation. All state deferred taxes associated with liberalized depreciation have been eliminated.

Line No.	Description	Provision for Deferred Taxes - Net	
		Federal (1)	State (2)
1	Deferred taxes per books, 12 months ended 3/31/2014	\$ (27,145)	\$ -
2	Deferred taxes - liberalized depreciation (Exhibit RAD-41, page 11)	20,371	-
3	Jurisdictional allocation factor	<u>76.40%</u>	<u>76.40%</u>
4	Jurisdictional deferred taxes - liberalized depreciation (Line 2 X Line 3)	15,563	-
5	Adjustment to deferred tax expense (Line 4 - Line 1)	<u>42,708</u>	<u>-</u>
6	Deferred tax expense per books for the 12 months ended 3/31/2014, as adjusted	<u>\$ 15,563</u>	<u>\$ -</u>

Pennsylvania Electric 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, 12 months ended 3/31/2014	\$	(460)
2	Jurisdictional allocation factor	<u>23.60%</u>	
3	Adjustment to investment tax credit expense (Line 1 X Line 2)		<u>109</u>
4	Adjustment to investment tax credit expense per books for the 12 months ended 3/31/2014, as adjusted	\$	<u>(351)</u>

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-7 Attachment A.



PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-1 for the Fully Projected Future Test Year.

See Penelec Exhibit RAD-3 for the Future Test Year.

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-5 for the Historical Test Year.

PENNSYLVANIA ELECTRIC 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.

PENNSYLVANIA ELECTRIC 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:

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

PENNSYLVANIA ELECTRIC 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:

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

PENNSYLVANIA ELECTRIC 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:

PENNSYLVANNIA ELECTRIC 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	\$ 17,947,697
	2	April 30, 2013	17,328,755
	3	May 31, 2013	17,556,178
	4	June 30, 2013	18,249,310
	5	July 31, 2013	18,243,237
	6	August 31, 2013	18,326,261
	7	September 30, 2013	18,013,989
	8	October 31, 2013	17,894,236
	9	November 30, 2013	17,553,466
	10	December 31, 2013	16,738,923
	11	January 31, 2014	17,024,038
	12	February 28, 2014	17,309,998
	13	March 31, 2014	17,422,598
	14	13 Period Average	\$ 17,662,207

PENNSYLVANIA ELECTRIC 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.

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

1. Customer Deposits

Customer deposits are being 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.

PENNSYLVANIA ELECTRIC 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 Penelec 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 Penelec Witness Kevin M. Siedt, Penelec Statement No. 3 and Penelec Exhibit KMS-1, Attachment A which accompanies his Direct Testimony.

Future Test Year

- (a – f) See Penelec 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 Penelec Witness Kevin M. Siedt, Penelec Statement No. 3 and Penelec Exhibit KMS-1, Attachment B which accompanies his Direct Testimony.

PENNSYLVANIA ELECTRIC 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 Penelec 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 Penelec Witness Kevin M. Siedt, Penelec Statement No. 3 and Penelec Exhibit KMS-1, Attachment C which accompanies his Direct Testimony.

PENNSYLVANIA ELECTRIC 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:
	Fuel
401-2	Net Interchange
	Deferred Energy Costs
	Other
	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  
Taxes Other Than Income Taxes  
408 Total Operating Expenses Prior To  
Federal & State Income Taxes

***OPERATING EXPENSES***

Operating Income Prior To Federal and State Income Taxes

***FEDERAL AND STATE INCOME TAXES***

409 Federal Income Taxes  
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 Dividend 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
426	Miscellaneous
	Total Other Income Deductions

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

408	Taxes Other Than Income Taxes
409	Federal Income Tax
	State Income Tax
409	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 Penelec Exhibit RAD-18 Attachment A that provides the comparative operating income statements.

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

**OPERATING REVENUES**

Residential Sales (Variation \$1,258)

This variance is due primarily to an increase of \$8.9 million in Hourly Pricing Default Service offset by decreases of \$2.2 million in Residential Electric Service, \$2.0 million in Smart Meter Technologies, \$3.0 million in Universal Service Charge, and \$3.1 million in Energy Efficiency Conservation.

Commercial Sales (Variation (\$19,512))

This variance is due primarily to a decrease of \$20.6 million in Hourly Pricing Default Service revenues offset by an increase of \$1.0 million in Electric Service Commercial.

Industrial Sales (Variation (\$8,845))

This variance is due primarily to a decrease of \$7.5 million in Hourly Default Service revenues and a \$1.5 million decrease in NUG rider energy charge revenue.

Sales for Resale (Variation \$21,911)

This variance is due primarily to an increase of \$21.0 million in the PJM spot market energy revenues.

**OPERATING EXPENSES**

Operation and Maintenance expense Account 401-2 (Variance (\$10,584))

This variance is due primarily to decreases of \$16.5 million in purchased power and \$4.7 million in customer assistance expenses. These decreases were partially offset by increases of \$4.7 million distribution expenses and \$5.7 administrative & general expenses.

Account 403 Depreciation expense (Variance (\$2,145))

This variance is due primarily to a \$3.4 million increase in depreciation on assets offset by \$5.5 million decrease in Depreciation cost of removal.

Account 404-5 Amortization and depletion of utility plant (Variance \$1,573)

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

Account 407.4 Regulatory credits (Variance \$17,900)

This variance is due primarily to an increase of \$7.1 million in the Universal Service deferral, \$5.9 million in the Price to Compare rider, \$4.0 million in the Energy Efficiency Conservation deferral, and \$1.3 million in the Smart Meter deferral.

Account 408.1 Taxes other than income taxes (Variance (\$1,591))

This variance is due primarily to a \$1.9 million decrease in the PA gross receipts tax.

**OTHER EXPENSES**

Account 427 Interest on Long Term Debt (Variance \$7,976)

The variance in interest is primarily related to the associated increase in long term debt.

**Pennsylvania Electric Company  
Comparative Income Statements**

FERC Account	Twelve Months Ending		Increase/ (Decrease)	
	April 30, 2016	March 31, 2015		
<b>Operating Revenues</b>				
<b>Electric Service Revenues</b>				
440	Residential sales	\$ 440,871	\$ 439,612	\$ 1,258
442	Commercial sales	144,732	164,245	(19,512)
442	Industrial sales	68,708	77,553	(8,845)
444	Public street and highway lighting	5,466	5,067	400
445	Other sales to public authorities	-	-	-
447	Sale for resale	84,550	62,639	21,911
	Total electric service revenues	<u>\$ 744,327</u>	<u>\$ 749,115</u>	<u>\$ (4,789)</u>
<b>Other Electric Revenue</b>				
450	Forfeited discounts	\$ 3,424	\$ 3,424	\$ -
451	Miscellaneous service revenues	1,653	1,653	(0)
454	Rent from electric property	6,407	6,407	-
456	Other electric revenues	53,049	53,945	(896)
	Total other electric revenues	<u>\$ 64,533</u>	<u>\$ 65,429</u>	<u>\$ (896)</u>
	Total operating revenues	<u>\$ 808,860</u>	<u>\$ 814,545</u>	<u>\$ (5,685)</u>
<b>Operating Expenses</b>				
401-2	Operation and maintenance expense			
	Power production expenses	\$ 306,269	\$ 322,781	\$ (16,512)
	Transmission expenses	24,547	23,738	809
	Regional market expenses	53	47	7
	Distribution expenses	44,791	40,076	4,715
	Customer accounts expense	20,513	21,189	(676)
	Customer service & information expense	42,385	47,096	(4,711)
	Sales expenses	28	27	1
	Administrative & general expenses	43,867	38,082	5,785
	Subtotal	<u>\$ 482,452</u>	<u>\$ 493,036</u>	<u>\$ (10,584)</u>
403	Depreciation expense	\$ 70,847	\$ 72,992	\$ (2,145)
404-5	Amortization and depletion of utility plant	4,721	3,148	1,573
406	Amortization and utility plant acq. adjustment	-	-	-
407	Amortization of property losses	-	-	-
407.3	Regulatory debits	32,214	32,746	(531)
407.4	Regulatory credits	10,249	(7,652)	17,900
408.1	Taxes other than income taxes	46,308	47,900	(1,591)
411.1	Accretion expense	139	174	(35)
411.8	Gains from disposition allowance	-	-	-
	Total operating expenses before federal and state income taxes	<u>\$ 646,930</u>	<u>\$ 642,343</u>	<u>\$ 4,587</u>

**Pennsylvania Electric Company  
Comparative Income Statements**

<b>FERC Account</b>	<b>Twelve Months Ending</b>		
	<b>April 30, 2016</b>	<b>March 31, 2015</b>	<b>Increase/ (Decrease)</b>
Net operating income before income taxes	<u>\$ 161,930</u>	<u>\$ 172,201</u>	<u>\$ (10,271)</u>
<b>Income taxes</b>			
409.1 Income taxes-federal	\$ 40,918	\$ 11,001	\$ 29,918
409.1 Income taxes-state	-	-	-
410.1 Provision for deferred income taxes	47,976	80,394	(32,418)
411.1 Income taxes deferred in prior years-cr.	(47,457)	(43,679)	(3,778)
411.4 Investment tax credit adjustments-net	(398)	(398)	-
Total income taxes	<u>\$ 41,039</u>	<u>\$ 47,318</u>	<u>\$ (6,278)</u>
Net operating income	<u>\$ 120,891</u>	<u>\$ 124,884</u>	<u>\$ (3,993)</u>
<b>Other income</b>			
415-16 Revenues from merchandising, jobbing and contract work	\$ 2,112	\$ 2,979	\$ (867)
417 Revenues from non-utility operations	-	-	-
417.1 Expenses from non-utility operations	-	-	-
418 Nonoperating rental income	(11)	(12)	1
418.1 Equity in earnings of subsidiary companies	-	-	-
419 Interest and dividend income	1,400	963	437
419.1 Allowance for funds used during construction	235	670	(435)
421 Miscellaneous non-operating income	-	-	-
421.1 Gain on disposition of property	1,913	1,984	(71)
421.1 Gain on disposition of property	14	14	-
Total other income	<u>\$ 5,662</u>	<u>\$ 6,597</u>	<u>\$ (935)</u>
Gross income	<u>\$ 126,553</u>	<u>\$ 131,481</u>	<u>\$ (4,928)</u>
<b>Other Income Deductions</b>			
421.2 Loss on disposition of property	\$ -	\$ -	\$ -
425 Miscellaneous amortization	-	-	-
426 Other income deductions	170	149	20
Total other income deductions	<u>\$ 170</u>	<u>\$ 149</u>	<u>\$ 20</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.	-	-	-

**Pennsylvania Electric Company  
Comparative Income Statements**

<b>FERC Account</b>	<b>Twelve Months Ending</b>		<b>Increase/ (Decrease)</b>
	<b>April 30, 2016</b>	<b>March 31, 2015</b>	
Total taxes on other income and deductions	\$ -	\$ -	\$ -
<b>Interest Charges</b>			
427 Interest on long term debt	\$ 67,797	\$ 59,821	\$ 7,976
428 Amortization of debt discount and expense	1,034	897	138
428.1 Amortization of loss on reacquired debt	-	-	-
429 Amortization of premium on debt credit	174	725	(551)
429.1 Amortization of gain on reacquired debt	-	-	-
430 Interest on debt to associated companies	(95)	(95)	-
431 Other interest expense	4	185	(181)
432 Allowance for borrowed funds used during construction - credit	3,500	3,741	(241)
	(541)	(1,542)	1,002
	-	-	-
Total interest charges	\$ 71,874	\$ 63,732	\$ 8,142
Income before extraordinary items	\$ 54,509	\$ 67,599	\$ (13,090)
<b>Extraordinary Items &amp; Related Taxes</b>			
434 Extraordinary income	\$ -	\$ -	\$ -
435 Extraordinary deductions	-	-	-
409.3 Income taxes - Federal & other	-	-	-
Extraordinary items after taxes	\$ -	\$ -	\$ -
Net income	\$ 54,509	\$ 67,599	\$ (13,090)

**Pennsylvania Electric Company**

Line No.	Adj. No.	Support Schedule No.	Description	Operating Revenues (1)	Operating Expenses (2)	Taxes Other Than Income Taxes (3)	Operating Income Before 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)	\$ 808,860	\$ 600,622	\$ 46,308	\$ 161,930	\$ -	\$ 41,039	\$ 120,891
<b>Normalizations and Adjustments</b>										
<b>Operating Revenues</b>										
2	1		Base Operating Revenues	\$ (877)	\$ -	\$ -	\$ (877)	\$ (88)	\$ (276)	\$ (513)
3	2		State Tax Surcharge Revenues	-	-	-	-	-	-	-
4			<u>Other Operating Revenues</u>							
5	3		Eliminate non-jurisdictional transmission revenues	(53,470)	-	-	(53,470)	(5,342)	(16,845)	(31,283)
<b>Operating Expenses</b>										
<b>Distribution</b>										
6	4	1	Distribution payroll adjustment to reflect year end employee levels and ongoing wage and salary rates	\$ -	\$ 239	\$ -	\$ (239)	\$ (24)	\$ (75)	\$ (140)
7	4	1	Service company distribution payroll adjustment to reflect year end employee levels and ongoing wage and salary rates	-	74	-	(74)	(7)	(23)	(43)
8	4		Eliminate non-jurisdictional transmission expense	-	(14,092)	-	14,092	1,408	4,439	8,245
9	4		Amortization of gain or loss on reacquired debt	-	60	-	(60)	(6)	(19)	(35)
<b>Customer Accounts</b>										
10	5		Customer account payroll adjustment to reflect year end employee levels and ongoing wage and salary rates	\$ -	\$ 63	\$ -	\$ (63)	\$ (6)	\$ (20)	\$ (37)
11	5		Service company customer account payroll adjustment to reflect year end employee levels and ongoing wage and salary rates	-	105	-	(105)	(10)	(33)	(61)
12	5	1	Increased O&M costs associated with increased number of customers in normalized revenue levels	-	7	-	(7)	(1)	(2)	(4)
13	5	2	Interest on customer deposits	-	1,075	-	(1,075)	(107)	(339)	(629)
<b>Customer Service</b>										
14	6		Customer service payroll adjustment to reflect year end employee levels and ongoing wage and salary rates	\$ -	\$ 29	\$ -	\$ (29)	\$ (3)	\$ (9)	\$ (17)
<b>Administrative &amp; General Expenses</b>										
15	7		A&G payroll adjustment to reflect year end employee levels and ongoing wage and salary rates	\$ -	\$ 54	\$ -	\$ (54)	\$ (5)	\$ (17)	\$ (32)
16	7		Service company A&G payroll adjustment to reflect year end employee levels and ongoing wage and salary rates	-	174	-	(174)	(17)	(55)	(102)
17	7	1	Adjust OPEB expense to service cost level	-	1,281	-	(1,281)	(128)	(404)	(749)
18	7	2	Adjust Pension Expense to ten year cash level	-	6,429	-	(6,429)	(642)	(2,025)	(3,761)
19	7	3	Adjust employee benefit costs	-	168	-	(168)	(17)	(53)	(98)
20	7		Adjustment to remove non-jurisdictional A&G expense	-	(962)	-	962	96	303	563
21	7		Rate Case expenses normalized over 2 years	-	(490)	-	490	49	154	287
22	7		Less legacy meters from budget	-	(360)	-	360	36	113	211
23	7		Increase in O&M costs for accelerated (3 day) switching for customers moving to a new supplier	-	326	-	(326)	(33)	(103)	(191)
<b>Depreciation Expense</b>										
24	8		Adjustment for average remaining life accrual for jurisdictional plant	\$ -	\$ (7,945)	\$ -	\$ 7,945	\$ 794	\$ 2,503	\$ 4,648
25	8		Adjustment of cost of removal/salvage expenses to a jurisdictional five year average	-	5,787	-	(5,787)	(578)	(1,823)	(3,386)
26	8	1	Adjustment for amortiation of legacy meters	-	10,992	-	(10,992)	(1,098)	(3,463)	(6,431)
<b>Amortization</b>										
27	9		Adjustment for storms	\$ -	\$ 4,265	\$ -	\$ (4,265)	\$ (426)	\$ (1,344)	\$ (2,495)
28	9		Remove legacy meters from budget	-	360	-	(360)	(36)	(113)	(211)
29	9		Remove amortization of rate case expenses from budget	-	750	-	(750)	(75)	(236)	(439)
30	9		Remove accretion expense	-	(139)	-	139	14	44	81
<b>Taxes Other than Income</b>										
31	10		Eliminate non-jurisdictional payroll taxes	\$ -	\$ -	\$ (265)	\$ 265	\$ 26	\$ 83	\$ 155
32	10		Eliminate other non-jurisdictional taxes	-	-	(416)	416	42	131	243
33	10		Adjustment for gross receipts tax at normalized revenue level	-	-	(423)	423	42	133	247
34	10	1	Adjustment for payroll taxes on normalized payroll	-	-	30	(30)	(3)	(9)	(17)

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>Federal &amp; State Income Taxes</b>										
<u>Income Taxes</u>										
35	11		Current federal & state income taxes	\$ -	\$ -	\$ -	\$ -	\$ 15,496	\$ 7,614	\$ (23,110)
36	12		Deferred federal & state income taxes	-	-	-	-	-	2,078	(2,078)
37	13		Amortization of ITC	-	-	-	-	-	94	(94)
38			Total adjustments (Exhibit RAD-2, Page 1, col. 2)	<u>\$ (54,347)</u>	<u>\$ 8,251</u>	<u>\$ (1,073)</u>	<u>\$ (61,525)</u>	<u>\$ 9,350</u>	<u>\$ (9,596)</u>	<u>\$ (61,279)</u>
39			Budget as Adjusted (Exhibit RAD-2, Page 1, col. 3)	\$ 754,513	\$ 608,873	\$ 45,235	\$ 100,404	\$ 9,350	\$ 31,443	\$ 59,612
40			NY jurisdictional (Exhibit RAD-2, Page 1, col. 4)	<u>5,521</u>	<u>6,528</u>	<u>39</u>	<u>(1,046)</u>	<u>-</u>	<u>(320)</u>	<u>(726)</u>
41			Budget as adjusted PA jurisdictional Lines 39 - 40	\$ 748,992	\$ 602,345	\$ 45,196	\$ 101,450	\$ 9,350	\$ 31,763	\$ 60,338
42			Adjustments to achieve required return - Total PaPUC Jurisdictional (Exhibit RAD-2, Page 1, col. 14)	<u>\$ 322,544</u>	<u>\$ 193,813</u>	<u>\$ 24,961</u>	<u>\$ 103,770</u>	<u>\$ 9,581</u>	<u>\$ 32,494</u>	<u>\$ 61,695</u>

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-19 Attachment A.

PENNSYLVANIA ELECTRIC 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:

Penelec has not incurred any non-recurring or extraordinary expenses in the test year.

PENNSYLVANIA ELECTRIC 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:

Penelec has no extraordinary property losses.

PENNSYLVANIA ELECTRIC 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:

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>
1	<b>Balance, January 1, 2011</b>	\$ (3,370,577)
2	Accruals	\$ (7,891,429)
3	Write-offs (Net)	<u>\$ 9,017,305</u>
4	<b>Balance, December 31, 2011</b>	\$ (2,244,701)
5	Accruals	\$ (9,160,381)
6	Write-offs (Net)	<u>\$ 9,063,756</u>
7	<b>Balance, December 31, 2012</b>	\$ (2,341,326)
8	Accruals	\$ (11,672,805)
9	Write-offs (Net)	<u>\$ 8,384,745</u>
10	<b>Balance, December 31, 2013</b>	<u><u>\$ (5,629,386)</u></u>

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-2 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> <u>(\$000)</u>
1.	Legal Fees	\$ 289
2.	Expert Witnesses	35
3.	Other	<u>197</u>
4.	Total Current Filing	<u>\$ 521</u>

PENNSYLVANIA ELECTRIC 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) See Page 2 of 3
- (b) See Page 2 of 3
- (c) See Page 2 of 3
- (d) See Page 2 of 3
- (e) See Page 3 of 3
- (f) See Page 3 of 3

Line No.	Description	12 Months Ending		
		April 30 2016	March 31 2015	March 31 2014
<b><u>Acct 913 - Advertising &amp; Acct 930 - Miscellaneous General Expense</u></b>				
Institutional or Goodwill Advertising Expenses (913 & 930.1)				
1	Goodwill Advertising	\$ 93	\$ 92	\$ 51
2	Print Advertising	1	1	31
3	Radio Advertising	-	-	1
4	Yellow/White Pages Advertising			1
5	Total Institutional or Goodwill Advertising	<u>\$ 94</u>	<u>\$ 94</u>	<u>\$ 84</u>
Misc. General Expenses (930.2)				
4	Financing Admin Fees	\$ 235	\$ 235	\$ 214
5	Bank Fees	213	213	178
6	Misc Regulatory Expenses	166	220	214
7	Corporate Dues - Trade	132	132	129
8	Corporate Dues - Civic	55	55	25
9	Association Fees and Dues	6	6	4
10	FENOC - Tax	-	-	8
11	Licenses, Permits & Regulation	-	-	8
12	FENOC - Benefits	-	-	4
13	Other Miscellaneous Expenses	-	-	(43)
10	Reimbursement Affiliate	(515)	(515)	-
11	Total Miscellaneous General Expenses	<u>\$ 291</u>	<u>\$ 345</u>	<u>\$ 740</u>
12	Total Account 930	<u>\$ 385</u>	<u>\$ 438</u>	<u>\$ 823</u>

**Account 923 - Outside Services Employed**

1	Outside Contractors	\$ 19,650	\$ 22,520	\$ 16,303 (A)
2	FE Service Co. Assessments	18,197	17,554	16,336
3	FENOC	11	11	63
4	West Penn	2	2	-
5	Metropolitan Edison	1	1	1
6	Ohio Edison Company	-	-	1
7	Total Account 923	<u>\$ 37,861</u>	<u>\$ 40,088</u>	<u>\$ 32,704</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	\$ 2,378	\$ 2,336	\$ 2,337
2	Total Account 928	<u>\$ 2,378</u>	<u>\$ 2,336</u>	<u>\$ 2,337</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>	\$ 163	\$ 158	\$ 296 (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	\$ 73	\$ 73	\$ 64
2	Special Event	26	26	16
3	Civic Donations	18	18	38
4	S & E Assessments to Capital	-	-	21
5	Total charitable and civic contributions	\$ 116	\$ 116	\$ 138

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-25 Attachment A for a summary of charges budgeted to be billed to Penelec by First Energy Service Company for the twelve months ending April 30, 2016 and the 12 months ending March 31, 2015. Penelec Exhibit RAD-25 Attachment A also shows the charges billed to Penelec by First Energy Service Company for the twelve months ended March 31, 2014.

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

Pennsylvania Electric Company  
Charges by Affiliates  
(000's)

Line No.	Description	Twelve Months Ending April 30, 2016			Twelve Months Ending March 31, 2015			Twelve Months Ended March 31, 2014		
		Labor *	Other than Labor **	Total	Labor *	Other than Labor **	Total	Labor *	Other than Labor **	Total
1	Production	-	210	210	-	292	292	129	151	280
2	Transmission	1,188	1,043	2,231	1,147	1,016	2,163	1,426	923	2,348
3	Distribution	2,958	1,549	4,507	2,798	1,538	4,336	5,786	4,915	10,701
4	Customer Accounting and Information	4,213	3,633	7,845	4,194	3,650	7,844	5,424	3,644	9,068
5	Administrative and General	6,950	11,672	18,622	1,463	16,597	18,060	8,671	8,046	16,717
6	Total	<u>15,309</u>	<u>18,106</u>	<u>33,415</u>	<u>9,603</u>	<u>23,092</u>	<u>32,695</u>	<u>21,436</u>	<u>17,679</u>	<u>39,115</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.

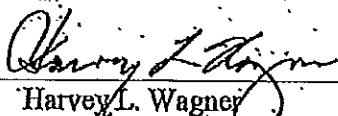
This Agreement shall inure to the benefit and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or either party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld,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

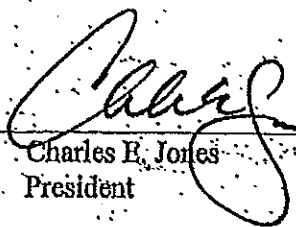
IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed effective as of the 25th day of February, 2011. This Agreement supercedes any previous agreement between the Service Company and the Client Companies.

FirstEnergy Service Company

By:   
Harvey L. Wagner  
Vice President & Controller

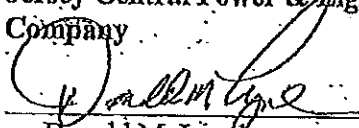
Client Companies:

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 BEO/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, BMS 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**

Product or Service	Product / Service Description	Indirect Allocation Methods
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.	<b>Multiple Factor – All or Multiple Factor Utility*</b>
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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 (VBBA) 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 modelling 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

PENNSYLVANIA ELECTRIC 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:

Pennsylvania Electric 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	\$ 132	\$ 132	\$ 129
2	Chamber of Commerce, Economic Development, & Local Community Organizations	55	55	25
3	Southeastern Electric Exchange Inc.			4
4	Other Business / Trade Organizations	6	6	4
5	Total Account 930.20	<u>\$ 193</u>	<u>\$ 193</u>	<u>\$ 162</u>
<b><u>Account 923</u></b>				
6	Southeastern Electric Exchange Inc.	-	-	3
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3</u>
<b><u>Account 426</u></b>				
7	Edison Electric Institute	32	32	37
		<u>\$ 32</u>	<u>\$ 32</u>	<u>\$ 37</u>
8	Total (line 5 + line 6 + line 7)	<u>\$ 225</u>	<u>\$ 225</u>	<u>\$ 202</u>

Pennsylvania Electric Company (Penelec)

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 Non-Bargaining	Total	Full-Time Bargaining	Full-Time Non-Bargaining	Total	Full-Time Bargaining	Full-Time Non-Bargaining	Total
	Number of Employees									
1	Average	526	251	777	501	260	761	483	261	744
2	Year-End	526	251	777	526	251	777	388	259	647
3	Straight Time Payroll	\$ 40,238	\$ 21,847	\$ 62,085	\$ 36,057	\$ 20,995	\$ 57,052	\$ 35,031	\$ 20,824	\$ 55,855
4	Overtime Payroll	5,747	1,220	6,967	5,532	2,378	7,909	\$ 6,142	\$ 4,309	\$ 10,451
5	Incentive Compensation	1,807	1,265	3,073	1,687	1,323	3,010	\$ 2,527	\$ 2,881	\$ 5,408
6	Total Payroll	<u>\$ 47,792</u>	<u>\$ 24,332</u>	<u>\$ 72,124</u>	<u>\$ 43,275</u>	<u>\$ 24,696</u>	<u>\$ 67,971</u>	<u>\$ 43,700</u>	<u>\$ 28,014</u>	<u>\$ 71,714</u>
	Total Company Employee Benefits:									
7	Workers Compensation	\$ 359	\$ 171	\$ 531	\$ 349	\$ 181	\$ 531	\$ 99	\$ 47	\$ 147
8	Pension Costs	1,352	645	1,998	1,444	750	2,194	(15,646)	(7,466)	(23,112)
9	OPEB	(628)	(300)	(928)	(6,591)	(3,423)	(10,014)	(16,250)	(7,754)	(24,004)
10	Life Insurance	77	37	113	81	42	123	35	17	52
11	Medical/Dental Insurance	4,862	2,320	7,181	4,430	2,301	6,731	4,468	2,132	6,600
12	Executive Benefits	0	469	469	0	451	451	0	(702)	(702)
13	Restricted Stock	0	0	0	0	0	0	0	0	0
14	Savings Plan	1,647	786	2,433	1,142	593	1,735	861	411	1,272
15	Long Term Disability	135	64	200	131	68	200	56	27	83
16	Education Assistance	51	24	75	54	28	83	13	6	19
17	Employee Awards	6	3	9	6	3	8	0	0	0
18	Employee Assistance Program	10	5	15	10	5	15	9	4	14
19	Wellness Program	193	92	285	172	89	262	84	40	124
20	Relocation	0	399	399	0	435	435	0	107	107
21	Other	48	23	71	49	25	74	(24)	(11)	(35)
22	Total Employee Benefits	<u>\$ 8,112</u>	<u>\$ 4,739</u>	<u>\$ 12,851</u>	<u>\$ 1,278</u>	<u>\$ 1,551</u>	<u>\$ 2,829</u>	<u>\$ (26,293)</u>	<u>\$ (13,142)</u>	<u>\$ (39,435)</u>

- (1) Employee Counts exclude Part-time and Temporary employees
- (2) Penelec 3+9 Forecast assumed continuation of UWUA lockout through May 2014
- (3) Benefit costs allocated to Bargaining/NonBargaining based on average number of employees except for Executive Benefits, Restricted Stock and Relocation expenses (100% non-bargaining)

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-27, Attachment A to this response.
- c. Managerial employees shown below are also included in response a and b under “Full-Time Non-Bargaining” 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 NonBargaining	Full-Time NonBargaining	Full-Time NonBargaining	
Number of Management Employees				
1	Average	26	26	26
2	Year-End	26	26	26
3	Straight Time Payroll	\$ 3,126	\$ 3,035	\$ 2,947
4	Overtime Payroll	-	-	-
5	Incentive Compensation	209	203	197
6	Total Payroll	<u>\$ 3,336</u>	<u>\$ 3,239</u>	<u>\$ 3,144</u>
7	Total Employees Benefits	<u>\$ 627</u>	<u>\$ 609</u>	<u>\$ 591</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. Bargaining IBEW 459 3.00% effective 5/1/15. Bargaining UWUA 180 3% effective 8/1/15.

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. Bargaining IBEW 459 3.00% effective 5/1/14. Bargaining UWUA 180 3.00% effective 8/1/14.

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, \$853.

Apr. 2014 – Mar. 2015 test period – increase saving plan match by 1%, effective January 1, 2015, average increase per employee, \$771.

- e. Item “e” to be completed by PA Rate Department.
- f. The percentage of payroll expense directly charged to O&M expense for the Apr. 2013 - Mar. 2014 period is 38%. The percentage of employee benefits directly charged to O&M expense for the Apr. 2013 – Mar. 2014 period is 35%. 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 36%. The percentage of employee benefits directly charged to O&M expense for the Apr. 2014 – Mar. 2015 test period is 34%. 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 39%. The percentage of employee benefits directly charged to O&M expense for the May 2015 – Apr. 2016 test period is 38%. 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.

PENNSYLVANIA ELECTRIC 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	GE Capital Commercial Inc. (successor-in-interest BLC Corporation)	<u>Motor Vehicles &amp; Trailers</u> – Base term 36-120 months with fixed to rate & maximum expected residual of 25% and unguaranteed residual of 13%. At end of base term, option for renewal exists for up to 24 months at 474 BPS plus federal 2 year swap rate. At end of renewal term, option to continue to rent for monthly fee equivalent of 1/12 of 1% of acquisition cost until unit is sold or returned to Lessor. <u>Other Equipment</u> – Base term of 36-120 months with a fixed rate & maximum expected residual of 20% with unguaranteed residual of 13%. At end of base term, option for renewal exists for up to 24 months at 474 BPS plus federal 2 year swap rate. At end of renewal term, option to continue to rent for monthly fee equivalent of 1/12 of 1% of acquisition cost until unit is sold or returned to Lessor.	\$1,239

2	RBS Asset Finance, Inc.	<p><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 &amp; trailers with a \$1 buy out at end of term for all.</p> <p><u>Other Equipment</u> – Base term 96 months for miscellaneous equipment like ATVs, sweeper/scrubbers, etc. and 120 months for construction equipment &amp; forklifts with a \$1 buy out at end of term for all.</p> <p>Rates for both motor vehicles/trailers &amp; 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).</p>	\$3,642
3	John Hill Real Estate	Towanda Service Building - Lease inception 11/15/1985, expiration 11/30/2015 with no options remaining.	\$470
4	Associated Penn. Contractors	Harrisburg Office Space - Lease inception 9/1/1995, expiration 2/28/2017.	\$75
5	Western NY & Penn Railroad	Saegertown Pole Storage Yard Lease inception 5/9/1974, annual renewal with no expiration date.	\$1

PENNSYLVANIA ELECTRIC 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 3 thru 6.

A list of all independent audits performed from April 2012 thru March 2014 appears on page 6.

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

1. In 2006, the Company adopted SFAS 158 (ASC 715), *Accounting for Defined Benefits*. This statement requires employers to recognize an asset or liability for the overfunded or underfunded status of their pension and other postretirement benefit plans (OPEB). For a pension plan, the asset or liability is the difference between the fair value of the plan's assets and the projected benefit obligation. For any other postretirement benefit plan, the asset or liability is the difference between the fair value of the plan's assets and the accumulated postretirement benefit obligation. The Statement required employers to recognize all unrecognized prior service costs and credits and unrecognized actuarial gains and losses in accumulated other comprehensive income (AOCI), net of tax. Such amounts will be adjusted as they are subsequently recognized as components of net periodic benefit cost or income pursuant to the current recognition and amortization provisions.
2. In 2007, the Company adopted FIN 48, *Accounting for Uncertainty in Income Taxes*, which provides guidance for accounting for uncertainty in income taxes in a company's financial statements in accordance with SFAS 109 (ASC 740), *Accounting for Income Taxes*. This interpretation prescribes a financial statement recognition threshold and measurement attribute for tax positions taken or

expected to be taken on a company's tax return. FIN 48 also provides guidance on derecognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. The first step is to determine if it is more likely than not that a tax position will be sustained upon examination, based on the merits of the position, and should therefore be recognized. The second step is to measure a tax position that meets the more likely than not recognition threshold to determine the amount of income tax benefit to recognize in the financial statements.

FIN 48 also requires companies to recognize interest expense or income related to uncertain tax positions. That amount is computed by applying the applicable statutory interest rate to the difference between the tax position recognized in accordance with FIN 48 and the amount previously taken or expected to be taken on the tax return. The Company includes net interest and penalties in the provision for income taxes, consistent with its policy prior to implementing FIN 48.

3. 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. Reconciliation of Advanced Billing Platform System Data to Electric Distribution Company Data as of July 8, 2012
3. Audit of Regulated Metered But Unbilled Revenue as of September 27, 2012
4. Sarbanes-Oxley Annual Progress Report as of December 28, 2012
5. First Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of March 31, 2012
6. Second Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of June 30, 2012
7. Third Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of September 30, 2012
8. 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 Penelec Overhead and Underground Inspection and Maintenance Programs as of April 16, 2013 - Privileged and Confidential - Prepared at the Request of Counsel
4. Audit of The Company's Compliance With Section 114 of the Fair and Accurate Credit Transactions Act as of March 31, 2013
5. Audit of Contract Compliance of Osmose Utilities Services, Inc., as of September 24, 2013
6. Interim Report of the Pre-Implementation Audit of the State Code of Conduct Project as of December 6, 2013
7. 2013 Corporate Compliance Program Update
8. 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. Internal Auditing's Partnering Engagement in Documenting Regulated Settlements' Processes and High Risk Procedures
4. 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 The Company 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 Transmission Control Center Affiliate Rent Calculation as of July 12, 2013
4. Audit of the Smart Meter Tracking, Accounting and Cost Allocations Process as of November 7, 2013
5. Audit of the 2012 SOx 404 Assessment of Internal Controls as of December 31, 2012
6. First Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of March 31, 2013
7. Second Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of June 30, 2013
8. Third Quarter Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting as of September 30, 2013
9. Audit of the Purchasing Card Automated Reconciliation and Travel Expenses Implementation as of February 28, 2013
10. Vendor Payroll Tax Reconciliation Audit Review

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

**Compliance:**

1. Audit of The Company Utilities Waste Management Practices as of November 7, 2013
2. Audit of The Company'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. Revenew'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

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-30 Attachment A.

Pennsylvania Electric Company  
 Third Party Reimbursements, Cost of Removal and Salvage  
 For 12 month ending April 30, 2016, 12 months ending March 2013 and Historic years from April 2009 through March 2014

	<u>Third Party Reimbursements</u> (1)	<u>Cost of Removal</u> (2)	<u>Salvage</u> (3)	<u>Net Salvage</u> (4)=(2)+(3)
4/1/2009 thru 3/31/2010	\$ (3,218,580)	\$ 32,925,897	\$ (265,469)	\$ 32,660,429
4/1/2010 thru 3/31/2011	\$ (2,386,924)	\$ 12,542,172	\$ (642,278)	\$ 11,899,894
4/1/2011 thru 3/31/2012	\$ (4,808,258)	\$ 13,461,729	\$ (175,127)	\$ 13,286,601
4/1/2012 thru 3/31/2013	\$ (5,062,193)	\$ 22,969,015	\$ (467,115)	\$ 22,501,900
4/1/2013 thru 3/31/2014	\$ (4,351,703)	\$ 15,400,324	\$ (344,110)	\$ 15,056,214
4/1/2014 thru 3/31/2015	\$ (5,777,742)	\$ 14,332,645	\$ -	\$ 14,332,645
5/1/2015 thru 4/30/2016	\$ (5,777,742)	\$ 8,791,318	\$ -	\$ 8,791,318

PENNSYLVANIA ELECTRIC 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 test year under present rates is \$44,156,000 as calculated in Penelec Exhibit RAD-2, Adjustment No. 11, page 27.

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-32 Attachment A.

Pennsylvania Electric 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	\$ 5,467	\$ 265	\$ 5,202
	<u>State</u>			
2	Capital Stock	135	32	103
3	Gross Receipts	38,975	-	38,975
4	Public utility realty	1,239	292	947
5	Gross premiums	-	-	-
6	Use tax	104	-	104
	<u>Local</u>			
7	Real estate & other	<u>388</u>	<u>92</u>	<u>296</u>
8	TOTAL	<u>\$ 46,308</u>	<u>\$ 680</u>	<u>\$ 45,628</u>

Pennsylvania Electric Company

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	\$ 54,659		
	Net utility operating income:			
2	Exhibit RAD-2, page 1, line 23, column 14		\$ 61,695	
3	Exhibit RAD-2, page 3, line 23, column 34			\$ 127,934
	Add:			
4	Income Taxes-Federal	\$ 31,211	\$ 30,215	\$ 65,882
5	Income Taxes-State	9,506	9,581	20,892
6	Provision for Deferred Income Taxes	4,098	2,581	2,581
7	Provision for Deferred Income Taxes-Credit	(3,567)		-
8	Investment Tax Credit	(398)	(302)	(302)
9	Book Income Subject to Tax	\$ 95,509	\$ 103,770	\$ 216,987
	Adjustments:			
10	Book Depreciation	\$ 66,787	\$ 83,905	\$ 83,905
11	Tax Depreciation	(63,922)	(70,037)	(70,037)
12	Interest expense per Ratemaking	-	44,156	44,156
13	Business Meals	97		97
14	Life Insurance	(58)		(58)
15	Medicare Federal Subsidy	-		-
16	ESOP Dividend	(665)		(665)
17	Lobbying	32		32
18	Capitalized Interest-Avoided Costs in Excess of AFC	-		-
19	FAS 123R - Restricted Stock Units	-		-
20	FAS 143	139		139
21	Price to Compare Rider	7,045		7,045
22	ESOP Compensation Expense	-		-
23	Storm Damage & Other Deferrals	30,850		30,850
24	Deferrals / Amort SEIA			-
25	OPEBs	(1,197)		(1,197)
26	Tax Capitalized Interest	487		487
27	Reacquired Debt - Book Amortization of Loss	1,168		1,168
28	Casualty Loss	(7,619)		(7,619)
29	Section 263	(6,106)		(6,106)
30	T&D Repairs	(24,999)		(24,999)
31	AFUDC Equity	(235)		(235)
32	Capitalized Interest-Book AFC	(541)		(541)
33	PA PTC Deferral	7,045		7,045
34	Pension Accrual	(975)		(975)

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)
35	PV of Lease Obligation GPUN Parsippany Office	\$ -	\$ -	\$ -
36	Self-Insurance Payments-General Liability	-	-	-
37	Sustainable & Renew Energy	-	-	-
38	Universal Service Program	1,124	-	1,124
39	Other Reg Assets / Liabilities	(2,510)	-	(2,510)
40	CIAC - Post 86	-	-	-
41	State Taxable Income before Tax Preferences	\$ 101,455	\$ 161,792	\$ 278,090
42	State Tax Preference Items	-	-	-
43	State Taxable Income	\$ 101,456	\$ 161,792	\$ 278,090
State Income Tax:				
44	Current Year	9,506	16,163	27,781
45	Total State Tax	\$ 9,506	\$ 16,163	\$ 27,781
46	Less: State Tax Preference Items	-	-	-
47	Federal Taxable Income (Line 40-L42-L43)	\$ 91,950	\$ 145,629	\$ 250,309

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-33 Attachment A.

PENNSYLVANIA ELECTRIC 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:

See Penelec Exhibit RAD-34 Attachment A to this response.

Pennsylvania Electric Company  
 Income Tax Refunds Prior Year Claims

( ) represents refunds

		Tax Refunds	Interest Rec	0.414935 Tax On Interest	Net Interest
<b>Received 2009</b>					
Claim for Refund					
	2001	(631,093.00)	(190,517.56)	79,052.40	(111,465.16)
<b>Received 2010</b>					
Interest Netting Claim					
	2001		(97,792.91)	40,577.70	(57,215.21)
NOL Carryback Claim	2009	(54,054,542.00)			
<b>Received 2011</b>					
Audit Settlement					
	2001	(21,052,459.00)	(6,740,920.00)	2,797,043.64	(3,943,876.36)
	2002	(9,314,878.00)	(2,583,740.00)	1,072,084.16	(1,511,655.84)
	2003	(2,966,819.00)	(746,090.00)	309,578.85	(436,511.15)
	2004	(1,104,012.00)	(624,254.00)	259,024.83	(365,229.17)
	2007	(1,327,873.00)	(79,302.00)	32,905.18	(46,396.82)
<b>Received 2012</b>					
NOL Carryback Claim	2011	(8,108,126.00)			
<b>Received 2013</b>					
None					
Total		(98,559,802.00)	(11,062,616.47)	4,590,266.76	(6,472,349.71)

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-35 Attachment A.

Pennsylvania Electric Company  
Accumulated Deferred Taxes  
 (\$000)

<u>Line No.</u>	<u>Balance at 04/30/16</u>	<u>Balance at 03/31/15</u>	<u>Balance at 03/31/14</u>	<u>Balance at 12/31/13</u>
	(1)	(2)	(3)	(4)
<u>Account 190-Accumulated Deferred Income Taxes</u>				
1	\$ 42,746	\$ 42,746	\$ 42,746	\$ 42,746
2	946	482	94	-
3	48,134	48,069	47,997	47,979
4	628	628	628	628
5	2,336	2,336	2,336	2,336
6	306	306	306	306
7	297	340	379	389
8	52	63	79	83
9	288	288	288	288
10	7	7	7	7
11	30,323	30,323	30,323	30,323
12	40,020	40,020	40,020	40,020
13	5,758	5,758	5,758	5,758
14	102	102	102	102
15	28	28	28	28
16	2,505	2,505	2,505	2,505
17	6,734	6,734	6,734	6,734
18	1,278	1,278	1,278	1,278
19	5,303	4,953	4,554	4,480
20	90	90	90	90
21	2,233	2,539	2,821	3,018
22	521	521	521	521
23	556	556	556	556
24	6	6	6	6
25	640	640	640	640
26	12	12	12	12
27	263	263	263	278
28	10,669	12,891	44,124	44,124
29	107	107	107	107
30	213	213	213	213
31	646	430	234	192
32	34	34	34	34
33	86	86	86	86
34	110	110	110	115
35	1	1	1	1
36	7,315	7,938	11,310	12,336
37	44,319	46,420	48,351	48,351
38	422	422	422	422
39	166,869	167,285	167,707	167,811
40	7,256	7,256	7,256	7,256
41	324	324	324	324
42	420	420	420	420
43	96	96	96	96
44	275	275	275	275
45	132	132	132	132
46	1,503	1,059	416	273
47	46	46	46	46
48	789	789	789	789
49	2,752	2,752	2,752	2,752
50	1,990	1,661	2,231	2,338
51	737	737	737	737
52	1,265	1,265	1,265	1,265
53	65	65	65	65
54	1,133	1,133	1,133	1,133
	<u>\$ 441,686</u>	<u>\$ 445,540</u>	<u>\$ 481,707</u>	<u>\$ 482,804</u>
	Total Account 190			

<u>Line No.</u>	<u>Balance at 04/30/16</u>	<u>Balance at 03/31/15</u>	<u>Balance at 03/31/14</u>	<u>Balance at 12/31/13</u>	
	(1)	(2)	(3)	(4)	
<u>Account 281-283 Accum. Deferred Income Taxes</u>					
55	Liberalized Depreciation	\$ (700,155)	\$ (682,079)	\$ (671,596)	\$ (668,030)
56	2013 PTC Admin	(333)	(333)	(333)	(333)
57	Accounts Receivable - Deferred Revenue	(37)	(37)	(37)	(37)
58	Company Debt - Loss on Reacquisition	(1,346)	(1,424)	(1,725)	(2,026)
59	Decommissioning TMI2 Qualified Investment	(63,676)	(63,676)	(63,676)	(63,676)
60	Decommissioning TMI2 Qual Principal	(8,842)	(8,842)	(8,842)	(8,842)
61	Decommissioning TMI2 Unrealized Gain/Loss	(5,794)	(5,794)	(5,794)	(5,794)
62	Decommissioning Trust - Contribution Deduction	(40,762)	(40,762)	(40,762)	(40,762)
63	Decommissioning Trust - Pour Over Deduction	(14,739)	(14,739)	(12,897)	(12,283)
64	Default Serv Support-Unbilled Def	(266)	(574)	(128)	(9)
65	Energy Efficiency Phase 2 Unbilled Deferral	(633)	(633)	(633)	(633)
66	Energy Insurance Services Cell 6	(73)	(73)	(73)	(73)
67	FAS 109 Gross-Up	(62,862)	(63,267)	(63,394)	(63,362)
68	FAS 115 - Investment in Securities	(23)	(23)	(23)	(23)
69	FAS 123R - Restricted Stock Unit Deduction	(381)	(381)	(381)	(381)
70	FAS 123R - Stock Options Exercised Deduction	(575)	(575)	(575)	(575)
71	FAS 158 OPEB	(5,704)	(9,363)	(16,280)	(18,219)
72	FE Service Non Property Timing Allocation	(6,226)	(6,226)	(6,723)	(6,889)
73	FE Service RSU 162(m) Val. Allow Allocation	(383)	(383)	(383)	(383)
74	FE Service Tax Interest Allocation	(5)	(5)	(5)	(5)
75	Incremental PJM Deferral & Interest	(5,216)	(5,216)	(5,216)	(5,216)
76	Mark-to-Market	(8,130)	(8,130)	(8,130)	(8,130)
77	NUG Derivative	(47,371)	(47,371)	(47,371)	(47,371)
78	OPEB Adj - Health Reform Act	(2,945)	(2,945)	(2,945)	(2,945)
79	PTC Rider Waverly	(294)	(294)	(294)	(294)
80	Pension EDCP-SERP Payments	(251)	(251)	(251)	(251)
81	Pensions Contribution	(45,100)	(45,100)	(45,100)	(45,100)
82	Price to Compare Rider	512	(2,638)	(2,714)	(1,708)
83	RAR Interest - NUG Federal Deferred	(3,357)	(3,357)	(3,357)	(3,357)
84	RAR Interest - NUG State Deferred	(1,064)	(1,064)	(1,064)	(1,064)
85	Regulatory Assets - Other	65	65	65	-
86	Reverse Capital Gain	(5)	(5)	(5)	(5)
87	State Income Tax - Fed Deferred Only	(6,501)	(6,501)	(6,501)	(6,501)
88	State Income Tax - RAR - Federal	(407)	(407)	(407)	(407)
89	Storm Damage	24,365	10,367	(2,739)	(5,309)
90	Tax Basis Setp-Up	(23)	(7)	(3)	(3)
91	Vegetation Management	(803)	(803)	(803)	(803)
92	Waverly DSS Rider	(117)	(269)	(360)	(348)
93	Interest Income-Plant Held for Future Use	(43)	(43)	(43)	(43)
	Total Account 281-283	<u>\$ (1,009,500)</u>	<u>\$ (1,013,158)</u>	<u>\$ (1,021,498)</u>	<u>\$ (1,021,190)</u>
	Total Deferred Taxes	<u>\$ (567,814)</u>	<u>\$ (567,618)</u>	<u>\$ (539,791)</u>	<u>\$ (538,386)</u>

PENNSYLVANIA ELECTRIC 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:

Penelec is not entitled to a Federal graduated tax rate. Penelec 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 consolidate 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.

PENNSYLVANIA ELECTRIC 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.

In June, 1977, Pennsylvania Electric Company filed with the Internal Revenue Service an application for a change in accounting for cost of removal on pre-1971 property to conform with treatment for book and regulatory purposes. The Internal Revenue Service's acceptance of this application was dated October 19, 1977.

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.

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-38, Attachment A.

**Pennsylvania Electric Company**  
**Net Operating Loss Carryforwards - Federal & State**  
**Cumulative Balance at 12-31-14**

	2011	2012	2013	2014	Total
<b>Federal NOL</b>	\$92,754,988	\$33,114,476	\$0	\$0	\$125,869,464
2014 Utilization	(37,529,235)	0	0	0	(37,529,235)
Balance	\$55,225,753	\$33,114,476	\$0	\$0	\$88,340,229
					0
<b>PA NOL</b>	\$601,056,800	\$17,993,080	\$0	\$0	\$619,049,880
2012 Utilization	0	0	0	0	0
2013 Utilization	(18,159,678)	0	0	0	(18,159,678)
2014 Utilization	(49,700,936)	0	0	0	(49,700,936)
Balance	\$533,196,186	\$17,993,080	\$0	\$0	\$551,189,266
<b>NY NOL</b>	\$911,322	\$333,418	\$0	\$0	\$1,244,740
2012 Utilization	0	0	0	0	0
2013 Utilization	(282,957)	0	0	0	(282,957)
2014 Utilization	(628,365)	(333,418)	0	0	(961,783)
Balance	\$0	\$0	\$0	\$0	\$0
<b>MD NOL</b>	\$116,306	\$21,515	\$0	\$0	\$137,821
2012 Utilization	0	0	0	0	0
2013 Utilization	(31,829)	0	0	0	(31,829)
2014 Utilization	(89,064)	0	0	0	(89,064)
Balance	(\$4,587)	\$21,515	\$0	\$0	\$16,928

PENNSYLVANIA ELECTRIC 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.

PENNSYLVANIA ELECTRIC 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 Penelec 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 Penelec Exhibit RAD-40, Attachment A, pages 7 – 39, 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 Penelec 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 Penelec Exhibit RAD-40 Attachment A, pages 2-39.
- (f) See Penelec Exhibit RAD-40 Attachment A, pages 2-39.

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

PENNSYLVANIA ELECTRIC COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
	State	Federal	Total	Normalizing Adjustments	Total
Provision: 1970	\$ -	\$ -	\$ -	\$ -	\$ -
1971	-	1	1	-	1
1972	-	515	515	-	515
1973	-	392	392	-	392
1974	-	1,610	1,610	-	1,610
1975	-	669	669	-	669
1976	-	489	489	-	489
1977	-	55	55	-	55
1978	-	526	526	-	526
1979	-	1,857	1,857	-	1,857
1980	-	175	175	-	175
1981	-	3,503	3,503	-	3,503
1982	-	177	177	-	177
1983	-	350	350	-	350
1984	-	397	397	-	397
1985	-	2,498	2,498	-	2,498
1986	-	2,935	2,935	-	2,935
1987	-	18,062	18,062	-	18,062
1988	-	16,307	16,307	-	16,307
1989	-	8,132	8,132	-	8,132
1990	-	6,322	6,322	-	6,322
1991	-	4,307	4,307	-	4,307
1992	-	7,436	7,436	-	7,436
1993	-	169,658	169,658	-	169,658
1994	-	408,680	408,680	-	408,680
1995	-	658,237	658,237	-	658,237
1996	-	540,534	540,534	-	540,534
1997	-	584,649	584,649	-	584,649
1998	-	1,010,080	1,010,080	-	1,010,080
1999	-	454,569	454,569	-	454,569
2000	-	645,753	645,753	-	645,753
2001	-	578,549	578,549	-	578,549
2001 30%	-	15,987	15,987	-	15,987
2002	-	45,514	45,514	-	45,514
2002 30%	-	152,458	152,458	-	152,458
2003	-	(810)	(810)	-	(810)
2003 30%	-	56,206	56,206	-	56,206
2003 50%	-	47,102	47,102	-	47,102
2004	-	(6,362)	(6,362)	-	(6,362)
2004 30%	-	131,650	131,650	-	131,650
2004 50%	-	37,333	37,333	-	37,333
2005	-	704,941	704,941	-	704,941
2006	-	1,158,313	1,158,313	-	1,158,313
2007	-	949,379	949,379	-	949,379
2008	-	123,114	123,114	-	123,114
2008 50%	-	357,881	357,881	-	357,881
2009	-	226,643	226,643	-	226,643
2009 50%	-	592,654	592,654	-	592,654
2010	-	21,661	21,661	-	21,661
2010 100%	-	3,454	3,454	-	3,454
2010 50%	-	284,580	284,580	-	284,580
2011	-	245,864	245,864	-	245,864
2011 100%	-	5,679	5,679	-	5,679
2011 50%	-	102,138	102,138	-	102,138
2012	-	162,264	162,264	-	162,264
2012 50%	-	1,099,832	1,099,832	-	1,099,832
2013	-	959,645	959,645	-	959,645
2013 50%	-	19,244,722	19,244,722	-	19,244,722
2014	-	1,609,203	1,609,203	-	1,609,203
Total Provision	\$ -	\$ 33,458,465	\$ 33,458,465	\$ -	\$ 33,458,465

PENNSYLVANIA ELECTRIC COMPANY  
 Summary of Deferred Income Taxes  
 Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Deferral of Taxes			Pro Forma Under Present Rates	
	State	Federal	Total	Normalizing Adjustments	Total
Reversal					
1970	\$ -	\$ (17,990)	\$ (17,990)		\$ (17,990)
1971	-	(4,996)	(4,996)		(4,996)
1972	-	(8,431)	(8,431)		(8,431)
1973	-	(10,616)	(10,616)		(10,616)
1974	-	(10,893)	(10,893)		(10,893)
1975	-	(14,363)	(14,363)		(14,363)
1976	-	(9,266)	(9,266)		(9,266)
1977	-	(12,262)	(12,262)		(12,262)
1978	-	(2,940)	(2,940)		(2,940)
1979	-	1,585	1,585		1,585
1980	-	17,094	17,094		17,094
1981	-	(267,650)	(267,650)		(267,650)
1982	-	(207,136)	(207,136)		(207,136)
1983	-	(199,840)	(199,840)		(199,840)
1984	-	(172,325)	(172,325)		(172,325)
1985	-	(185,888)	(185,888)		(185,888)
1986	-	(315,696)	(315,696)		(315,696)
1987	-	(246,706)	(246,706)		(246,706)
1988	-	(229,225)	(229,225)		(229,225)
1989	-	(283,427)	(283,427)		(283,427)
1990	-	(287,246)	(287,246)		(287,246)
1991	-	(322,535)	(322,535)		(322,535)
1992	-	(358,892)	(358,892)		(358,892)
1993	-	(328,153)	(328,153)		(328,153)
1994	-	(560,878)	(560,878)		(560,878)
1995	-	(606,298)	(606,298)		(606,298)
1996	-	(471,903)	(471,903)		(471,903)
1997	-	(547,757)	(547,757)		(547,757)
1998	-	(635,842)	(635,842)		(635,842)
1999	-	(365,667)	(365,667)		(365,667)
2000	-	(465,220)	(465,220)		(465,220)
2001	-	64,956	64,956		64,956
2001 30%	-	(299)	(299)		(299)
2002	-	(49,126)	(49,126)		(49,126)
2002 30%	-	(1,116)	(1,116)		(1,116)
2003	-	(86,596)	(86,596)		(86,596)
2003 30%	-	(15,553)	(15,553)		(15,553)
2003 50%	-	(941)	(941)		(941)
2004	-	(582,178)	(582,178)		(582,178)
2004 30%	-	31,788	31,788		31,788
2004 50%	-	19,565	19,565		19,565
2005	-	(485,343)	(485,343)		(485,343)
2006	-	(766,552)	(766,552)		(766,552)
2007	-	(787,738)	(787,738)		(787,738)
2008	-	(379,003)	(379,003)		(379,003)
2008 50%	-	(47,884)	(47,884)		(47,884)
2009	-	(353,125)	(353,125)		(353,125)
2009 50%	-	188,590	188,590		188,590
2010	-	38,751	38,751		38,751
2010 100%	-	(190,977)	(190,977)		(190,977)
2010 50%	-	91,967	91,967		91,967
2011	-	(1,233,182)	(1,233,182)		(1,233,182)
2011 100%	-	(948,886)	(948,886)		(948,886)
2011 50%	-	(25,747)	(25,747)		(25,747)
2012	-	(136,038)	(136,038)		(136,038)
2012 50%	-	(336,806)	(336,806)		(336,806)
2013	-	10,129	10,129		10,129
2013 50%	-	25,322	25,322		25,322
2014	-	(109)	(109)		(109)
Total Reversal	\$ -	\$ (13,087,495)	\$ (13,087,495)	\$ -	\$ (13,087,495)
Net Provision	\$ -	\$ 20,370,970	\$ 20,370,970	\$ -	\$ 20,370,970

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 Based upon Electric Plant in Service April, 2013 - March, 2014

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	3	0%	35%	-	1	1
1972	1,472	0%	35%	-	515	515
1973	1,119	0%	35%	-	392	392
1974	4,601	0%	35%	-	1,610	1,610
1975	1,912	0%	35%	-	669	669
1976	1,397	0%	35%	-	489	489
1977	158	0%	35%	-	55	55
1978	1,502	0%	35%	-	526	526
1979	5,306	0%	35%	-	1,857	1,857
1980	501	0%	35%	-	175	175
1981	10,008	0%	35%	-	3,503	3,503
1982	506	0%	35%	-	177	177
1983	999	0%	35%	-	350	350
1984	1,135	0%	35%	-	397	397
1985	7,136	0%	35%	-	2,498	2,498
1986	8,384	0%	35%	-	2,935	2,935
1987	51,152	0%	35%	-	17,903	17,903
1988	46,204	0%	35%	-	16,171	16,171
1989	23,000	0%	35%	-	8,050	8,050
1990	17,659	0%	35%	-	6,181	6,181
1991	12,286	0%	35%	-	4,300	4,300
1992	20,774	0%	35%	-	7,271	7,271
1993	468,347	0%	35%	-	163,921	163,921
1994	1,145,800	0%	35%	-	401,030	401,030
1995	1,845,486	0%	35%	-	645,920	645,920
1996	1,503,843	0%	35%	-	526,345	526,345
1997	1,601,992	0%	35%	-	560,697	560,697
1998	2,768,749	0%	35%	-	969,062	969,062
1999	1,178,287	0%	35%	-	412,401	412,401
2000	1,715,321	0%	35%	-	600,362	600,362
2001	1,533,132	0%	35%	-	536,596	536,596
2001 30%	43,383	0%	35%	-	15,184	15,184
2002	121,727	0%	35%	-	42,604	42,604
2002 30%	387,618	0%	35%	-	135,666	135,666
2003	(4,632)	0%	35%	-	(1,621)	(1,621)
2003 30%	151,445	0%	35%	-	53,006	53,006
2003 50%	114,698	0%	35%	-	40,144	40,144
2004	(18,145)	0%	35%	-	(6,351)	(6,351)
2004 30%	347,963	0%	35%	-	121,787	121,787
2004 50%	89,114	0%	35%	-	31,190	31,190
2005	1,657,894	0%	35%	-	580,263	580,263
2006	2,836,084	0%	35%	-	992,629	992,629
2007	2,482,625	0%	35%	-	868,919	868,919
2008	306,803	0%	35%	-	107,381	107,381
2008 50%	845,763	0%	35%	-	296,017	296,017
2009	600,708	0%	35%	-	210,248	210,248
2009 50%	1,477,320	0%	35%	-	517,062	517,062
2010	51,705	0%	35%	-	18,097	18,097
2010 100%	9,868	0%	35%	-	3,454	3,454
2010 50%	610,205	0%	35%	-	213,572	213,572
2011	669,326	0%	35%	-	234,264	234,264
2011 100%	16,226	0%	35%	-	5,679	5,679
2011 50%	244,551	0%	35%	-	85,593	85,593
2012	403,275	0%	35%	-	141,146	141,146
2012 50%	2,716,629	0%	35%	-	950,820	950,820
2013	2,603,021	0%	35%	-	911,057	911,057
2013 50%	54,623,087	0%	35%	-	19,118,080	19,118,080
2014	4,597,722	0%	35%	-	1,609,203	1,609,203
	<b>\$ 91,964,154</b>			<b>\$ -</b>	<b>\$ 32,187,454</b>	<b>\$ 32,187,454</b>
Provision Gains/Losses Page ( 5 )				<b>\$0</b>	<b>\$1,271,011</b>	<b>\$1,271,011</b>
Provision - Non - TMI				<b>\$ -</b>	<b>\$ 33,458,465</b>	<b>\$ 33,458,465</b>

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		Deferral of Taxes		Total
		State	Federal	State	Federal	
Reversal						
1970	\$ (37,522)	0%	48%	\$ -	\$ (17,990)	\$ (17,990)
1971	(10,438)	0%	48%	-	(4,996)	(4,996)
1972	(17,649)	0%	48%	-	(8,431)	(8,431)
1973	(22,189)	0%	48%	-	(10,616)	(10,616)
1974	(22,730)	0%	48%	-	(10,893)	(10,893)
1975	(29,954)	0%	48%	-	(14,363)	(14,363)
1976	(19,367)	0%	48%	-	(9,266)	(9,266)
1977	(25,640)	0%	48%	-	(12,262)	(12,262)
1978	(35,516)	0%	48%	-	(17,021)	(17,021)
1979	(32,075)	0%	46%	-	(14,724)	(14,724)
1980	(33,850)	0%	46%	-	(15,550)	(15,550)
1981	(641,131)	0%	42%	-	(268,332)	(268,332)
1982	(507,312)	0%	41%	-	(207,820)	(207,820)
1983	(491,136)	0%	41%	-	(199,878)	(199,878)
1984	(434,045)	0%	40%	-	(172,444)	(172,444)
1985	(477,927)	0%	39%	-	(186,434)	(186,434)
1986	(849,658)	0%	37%	-	(316,071)	(316,071)
1987	(709,760)	0%	35%	-	(248,067)	(248,067)
1988	(662,287)	0%	35%	-	(229,224)	(229,224)
1989	(817,018)	0%	35%	-	(283,427)	(283,427)
1990	(828,068)	0%	35%	-	(287,246)	(287,246)
1991	(925,248)	0%	35%	-	(322,535)	(322,535)
1992	(1,026,749)	0%	35%	-	(358,694)	(358,694)
1993	(935,446)	0%	35%	-	(328,153)	(328,153)
1994	(1,602,158)	0%	35%	-	(560,878)	(560,878)
1995	(1,732,162)	0%	35%	-	(606,298)	(606,298)
1996	(1,348,268)	0%	35%	-	(471,903)	(471,903)
1997	(1,564,683)	0%	35%	-	(547,757)	(547,757)
1998	(1,816,417)	0%	35%	-	(635,842)	(635,842)
1999	(1,044,747)	0%	35%	-	(365,667)	(365,667)
2000	(1,328,919)	0%	35%	-	(465,220)	(465,220)
2001	185,793	0%	35%	-	64,956	64,956
2001 30%	(854)	0%	35%	-	(299)	(299)
2002	(140,228)	0%	35%	-	(49,126)	(49,126)
2002 30%	(3,187)	0%	35%	-	(1,116)	(1,116)
2003	(247,416)	0%	35%	-	(86,596)	(86,596)
2003 30%	(44,371)	0%	35%	-	(15,553)	(15,553)
2003 50%	(2,200)	0%	43%	-	(941)	(941)
2004	(1,663,366)	0%	35%	-	(582,178)	(582,178)
2004 30%	91,652	0%	35%	-	31,788	31,788
2004 50%	56,969	0%	34%	-	19,565	19,565
2005	(1,386,509)	0%	35%	-	(485,343)	(485,343)
2006	(2,189,923)	0%	35%	-	(766,552)	(766,552)
2007	(2,240,247)	0%	35%	-	(787,738)	(787,738)
2008	(1,082,004)	0%	35%	-	(379,003)	(379,003)
2008 50%	(133,002)	0%	36%	-	(47,884)	(47,884)
2009	(1,008,874)	0%	35%	-	(353,125)	(353,125)
2009 50%	543,378	0%	35%	-	188,590	188,590
2010	110,718	0%	35%	-	38,751	38,751
2010 100%	(545,649)	0%	35%	-	(190,977)	(190,977)
2010 50%	262,762	0%	35%	-	91,967	91,967
2011	(3,523,378)	0%	35%	-	(1,233,182)	(1,233,182)
2011 100%	(2,711,104)	0%	35%	-	(948,886)	(948,886)
2011 50%	(73,564)	0%	35%	-	(25,747)	(25,747)
2012	(388,681)	0%	35%	-	(136,038)	(136,038)
2012 50%	(962,303)	0%	35%	-	(336,806)	(336,806)
2013	28,939	0%	35%	-	10,129	10,129
2013 50%	72,349	0%	35%	-	25,322	25,322
2014	(312)	0%	35%	-	(109)	(109)
<b>Reversal Non-TMI</b>	<b>\$ (37,024,682)</b>			<b>\$ -</b>	<b>\$ (13,154,133)</b>	<b>\$ (13,154,133)</b>
<b>Total Net Provision - Non-TMI</b>				<b>\$ -</b>	<b>\$ 20,304,332</b>	<b>\$ 20,304,332</b>

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 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			
	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 - 4/13-3/14									
1987	\$ 887,243	\$ 886,789	\$ 454	0%	35%	\$ -	\$ 159	\$ 159	
1988	672,669	672,282	387	0%	35%	-	135	135	
1989	342,778	342,543	235	0%	35%	-	82	82	
1990	386,667	386,263	404	0%	35%	-	141	141	
1991	412,899	412,880	19	0%	35%	-	7	7	
1992	421,454	420,983	471	0%	35%	-	165	165	
1993	890,031	873,641	16,391	0%	35%	-	5,737	5,737	
1994	413,293	391,435	21,857	0%	35%	-	7,650	7,650	
1995	422,461	387,271	35,190	0%	35%	-	12,317	12,317	
1996	329,834	289,295	40,540	0%	35%	-	14,189	14,189	
1997	366,807	298,374	68,433	0%	35%	-	23,952	23,952	
1998	546,458	429,265	117,193	0%	35%	-	41,018	41,018	
1999	459,046	338,565	120,481	0%	35%	-	42,168	42,168	
2000	431,337	301,651	129,686	0%	35%	-	45,390	45,390	
2001	345,982	226,117	119,865	0%	35%	-	41,953	41,953	
2001 30%	6,832	4,537	2,294	0%	35%	-	803	803	
2002	25,041	16,728	8,313	0%	35%	-	2,910	2,910	
2002 30%	122,194	74,217	47,977	0%	35%	-	16,792	16,792	
2003	4,936	2,618	2,317	0%	35%	-	811	811	
2003 30%	28,966	19,824	9,143	0%	35%	-	3,200	3,200	
2003 50%	45,948	26,069	19,878	0%	35%	-	6,957	6,957	
2004	1,302	1,333	(32)	0%	35%	-	(11)	(11)	
2004 30%	60,955	32,776	28,179	0%	35%	-	9,863	9,863	
2004 50%	37,340	19,789	17,551	0%	35%	-	6,143	6,143	
2005	673,406	317,184	356,223	0%	35%	-	124,678	124,678	
2006	825,144	351,763	473,382	0%	35%	-	165,684	165,684	
2007	385,000	155,114	229,886	0%	35%	-	80,460	80,460	
2008	67,687	22,736	44,951	0%	35%	-	15,733	15,733	
2008 50%	265,384	88,629	176,754	0%	35%	-	61,864	61,864	
2009	64,535	17,691	46,843	0%	35%	-	16,395	16,395	
2009 50%	303,352	87,376	215,976	0%	35%	-	75,592	75,592	
2010	13,331	3,148	10,183	0%	35%	-	3,564	3,564	
2010 100%	-	-	-	0%	35%	-	-	-	
2010 50%	261,461	58,581	202,880	0%	35%	-	71,008	71,008	
2011	42,535	9,393	33,142	0%	35%	-	11,600	11,600	
2011 100%	-	-	-	0%	35%	-	-	-	
2011 50%	96,764	49,491	47,272	0%	35%	-	16,545	16,545	
2012	65,743	5,405	60,338	0%	35%	-	21,118	21,118	
2012 50%	462,450	36,702	425,747	0%	35%	-	149,012	149,012	
2013	141,225	2,404	138,822	0%	35%	-	48,588	48,588	
2013 50%	367,616	5,783	361,833	0%	35%	-	126,642	126,642	
Provision - Non-TMI (gains/losses)							\$	1,271,011	\$ 1,271,011

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - TMI #2  
Based upon Electric Plant in Service April, 2013 - March, 2014

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Reversal				
1978	\$ 29,334	\$ -	\$ 14,080	\$ 14,080
1979	35,454	-	16,309	16,309
1980	70,966	-	32,644	32,644
1981	-	-	682	682
1982	-	-	683	683
1983	-	-	37	37
1984	-	-	119	119
1985	-	-	546	546
1986	-	-	374	374
1987	-	-	1,361	1,361
1988	-	-	(1)	(1)
1989	-	-	(0)	(0)
1992	-	-	(198)	(198)
	\$ 135,754	\$ -	\$ 66,638	\$ 66,638

PENNSYLVANIA ELECTRIC 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	-	3	3	-	3	
	1972	-	536	536	-	536	
	1973	-	423	423	-	423	
	1974	-	1,743	1,743	-	1,743	
	1975	-	699	699	-	699	
	1976	-	525	525	-	525	
	1977	-	50	50	-	50	
	1978	-	438	438	-	438	
	1979	-	2,004	2,004	-	2,004	
	1980	-	115	115	-	115	
	1981	-	1,484	1,484	-	1,484	
	1982	-	916	916	-	916	
	1983	-	1,223	1,223	-	1,223	
	1984	-	1,340	1,340	-	1,340	
	1985	-	1,274	1,274	-	1,274	
	1986	-	1,263	1,263	-	1,263	
	1987	-	2,332	2,332	-	2,332	
	1988	-	2,643	2,643	-	2,643	
	1989	-	1,652	1,652	-	1,652	
	1990	-	2,018	2,018	-	2,018	
	1991	-	20	20	-	20	
	1992	-	3,078	3,078	-	3,078	
	1993	-	(2,042)	(2,042)	-	(2,042)	
	1994	-	115,220	115,220	-	115,220	
	1995	-	597,156	597,156	-	597,156	
	1996	-	631,634	631,634	-	631,634	
	1997	-	707,356	707,356	-	707,356	
	1998	-	1,194,971	1,194,971	-	1,194,971	
	1999	-	440,978	440,978	-	440,978	
	2000	-	723,621	723,621	-	723,621	
	2001	-	668,910	668,910	-	668,910	
	2001 30%	-	24,563	24,563	-	24,563	
	2002	-	55,029	55,029	-	55,029	
	2002 30%	-	186,376	186,376	-	186,376	
	2003	-	2,404	2,404	-	2,404	
	2003 30%	-	47,591	47,591	-	47,591	
	2003 50%	-	84,530	84,530	-	84,530	
	2004	-	(7,258)	(7,258)	-	(7,258)	
	2004 30%	-	187,297	187,297	-	187,297	
	2004 50%	-	83,565	83,565	-	83,565	
	2005	-	728,691	728,691	-	728,691	
	2006	-	1,193,975	1,193,975	-	1,193,975	
	2007	-	1,040,849	1,040,849	-	1,040,849	
	2008	-	123,903	123,903	-	123,903	
	2008 50%	-	407,297	407,297	-	407,297	
	2009	-	244,664	244,664	-	244,664	
	2009 50%	-	712,368	712,368	-	712,368	
	2010	-	22,675	22,675	-	22,675	
	2010 100%	-	-	-	-	-	
	2010 50%	-	288,566	288,566	-	288,566	
	2011	-	349,987	349,987	-	349,987	
	2011 100%	-	-	-	-	-	
	2011 50%	-	48,986	48,986	-	48,986	
	2012	-	122,087	122,087	-	122,087	
	2012 50%	-	673,028	673,028	-	673,028	
	2013	-	468,041	468,041	-	468,041	
	2013 50%	-	961,842	961,842	-	961,842	
	2014	-	5,863,368	5,863,368	-	5,863,368	
	2015	-	3,247,525	3,247,525	-	3,247,525	
Total Provision		\$ -	\$ 22,265,531	\$ 22,265,531	\$ -	\$ 22,265,531	

PENNSYLVANIA ELECTRIC 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	\$ -	\$ (16,243)	\$ (16,243)	\$ -	\$ (16,243)
1971	-	(5,283)	(5,283)	-	(5,283)
1972	-	(8,255)	(8,255)	-	(8,255)
1973	-	(10,247)	(10,247)	-	(10,247)
1974	-	(10,379)	(10,379)	-	(10,379)
1975	-	(13,399)	(13,399)	-	(13,399)
1976	-	(8,767)	(8,767)	-	(8,767)
1977	-	(11,541)	(11,541)	-	(11,541)
1978	-	(2,855)	(2,855)	-	(2,855)
1979	-	1,141	1,141	-	1,141
1980	-	15,532	15,532	-	15,532
1981	-	(244,809)	(244,809)	-	(244,809)
1982	-	(189,035)	(189,035)	-	(189,035)
1983	-	(208,267)	(208,267)	-	(208,267)
1984	-	(186,839)	(186,839)	-	(186,839)
1985	-	(215,346)	(215,346)	-	(215,346)
1986	-	(295,603)	(295,603)	-	(295,603)
1987	-	(299,313)	(299,313)	-	(299,313)
1988	-	(266,125)	(266,125)	-	(266,125)
1989	-	(260,697)	(260,697)	-	(260,697)
1990	-	(275,376)	(275,376)	-	(275,376)
1991	-	(301,139)	(301,139)	-	(301,139)
1992	-	(332,301)	(332,301)	-	(332,301)
1993	-	(345,407)	(345,407)	-	(345,407)
1994	-	(339,174)	(339,174)	-	(339,174)
1995	-	(554,549)	(554,549)	-	(554,549)
1996	-	(507,355)	(507,355)	-	(507,355)
1997	-	(499,604)	(499,604)	-	(499,604)
1998	-	(676,562)	(676,562)	-	(676,562)
1999	-	(392,583)	(392,583)	-	(392,583)
2000	-	(493,327)	(493,327)	-	(493,327)
2001	-	74,193	74,193	-	74,193
2001 30%	-	(273)	(273)	-	(273)
2002	-	(51,795)	(51,795)	-	(51,795)
2002 30%	-	(1,043)	(1,043)	-	(1,043)
2003	-	(92,638)	(92,638)	-	(92,638)
2003 30%	-	(15,511)	(15,511)	-	(15,511)
2003 50%	-	1,457	1,457	-	1,457
2004	-	(628,695)	(628,695)	-	(628,695)
2004 30%	-	38,297	38,297	-	38,297
2004 50%	-	26,371	26,371	-	26,371
2005	-	(478,515)	(478,515)	-	(478,515)
2006	-	(807,407)	(807,407)	-	(807,407)
2007	-	(579,356)	(579,356)	-	(579,356)
2008	-	(377,424)	(377,424)	-	(377,424)
2008 50%	-	(43,051)	(43,051)	-	(43,051)
2009	-	(363,708)	(363,708)	-	(363,708)
2009 50%	-	151,021	151,021	-	151,021
2010	-	16,945	16,945	-	16,945
2010 100%	-	(173,691)	(173,691)	-	(173,691)
2010 50%	-	20,400	20,400	-	20,400
2011	-	(1,161,398)	(1,161,398)	-	(1,161,398)
2011 100%	-	(853,506)	(853,506)	-	(853,506)
2011 50%	-	(144,679)	(144,679)	-	(144,679)
2012	-	(130,352)	(130,352)	-	(130,352)
2012 50%	-	(321,171)	(321,171)	-	(321,171)
2013	-	22,107	22,107	-	22,107
2013 50%	-	24,986	24,986	-	24,986
2014	-	(2,132)	(2,132)	-	(2,132)
2015	-	(17,938)	(17,938)	-	(17,938)
Total Reversal	\$ -	\$ (12,822,215)	\$ (12,822,215)	\$ -	\$ (12,822,215)
Net Provision	\$ -	\$ 9,443,316	\$ 9,443,316	\$ -	\$ 9,443,316

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 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	10	0%	35%	-	3	-	3
1972	1,532	0%	35%	-	536	-	536
1973	1,209	0%	35%	-	423	-	423
1974	4,979	0%	35%	-	1,743	-	1,743
1975	1,996	0%	35%	-	699	-	699
1976	1,499	0%	35%	-	525	-	525
1977	144	0%	35%	-	50	-	50
1978	1,250	0%	35%	-	438	-	438
1979	5,726	0%	35%	-	2,004	-	2,004
1980	328	0%	35%	-	115	-	115
1981	4,241	0%	35%	-	1,484	-	1,484
1982	2,617	0%	35%	-	916	-	916
1983	3,494	0%	35%	-	1,223	-	1,223
1984	3,829	0%	35%	-	1,340	-	1,340
1985	3,639	0%	35%	-	1,274	-	1,274
1986	3,610	0%	35%	-	1,263	-	1,263
1987	5,133	0%	35%	-	1,796	-	1,796
1988	5,943	0%	35%	-	2,080	-	2,080
1989	3,743	0%	35%	-	1,310	-	1,310
1990	4,082	0%	35%	-	1,429	-	1,429
1991	(23)	0%	35%	-	(8)	-	(8)
1992	6,831	0%	35%	-	2,391	-	2,391
1993	(15,759)	0%	35%	-	(5,516)	-	(5,516)
1994	318,456	0%	35%	-	111,460	-	111,460
1995	1,691,964	0%	35%	-	592,187	-	592,187
1996	1,781,513	0%	35%	-	623,529	-	623,529
1997	1,969,940	0%	35%	-	689,479	-	689,479
1998	3,328,553	0%	35%	-	1,164,993	-	1,164,993
1999	1,220,677	0%	35%	-	427,237	-	427,237
2000	1,988,262	0%	35%	-	695,892	-	695,892
2001	1,823,873	0%	35%	-	638,355	-	638,355
2001 30%	66,216	0%	35%	-	23,176	-	23,176
2002	149,296	0%	35%	-	52,254	-	52,254
2002 30%	497,557	0%	35%	-	174,145	-	174,145
2003	(179)	0%	35%	-	(63)	-	(63)
2003 30%	127,056	0%	35%	-	44,470	-	44,470
2003 50%	219,756	0%	35%	-	76,915	-	76,915
2004	(20,486)	0%	35%	-	(7,170)	-	(7,170)
2004 30%	496,996	0%	35%	-	173,949	-	173,949
2004 50%	210,663	0%	35%	-	73,732	-	73,732
2005	1,858,207	0%	35%	-	650,373	-	650,373
2006	3,151,747	0%	35%	-	1,103,111	-	1,103,111
2007	2,743,391	0%	35%	-	960,187	-	960,187
2008	318,831	0%	35%	-	111,591	-	111,591
2008 50%	1,016,376	0%	35%	-	355,732	-	355,732
2009	627,568	0%	35%	-	219,649	-	219,649
2009 50%	1,797,425	0%	35%	-	629,099	-	629,099
2010	56,727	0%	35%	-	19,855	-	19,855
2010 100%	-	0%	35%	-	-	-	-
2010 50%	691,869	0%	35%	-	242,154	-	242,154
2011	953,938	0%	35%	-	333,878	-	333,878
2011 100%	-	0%	35%	-	-	-	-
2011 50%	123,800	0%	35%	-	43,330	-	43,330
2012	321,303	0%	35%	-	112,456	-	112,456
2012 50%	1,721,341	0%	35%	-	602,469	-	602,469
2013	1,200,790	0%	35%	-	420,277	-	420,277
2013 50%	2,497,722	0%	35%	-	874,203	-	874,203
2014	16,560,638	0%	35%	-	5,796,223	-	5,796,223
2015	9,278,642	0%	35%	-	3,247,525	-	3,247,525
	\$ 60,840,481.98			\$ -	\$ 21,294,168.69	\$ -	\$ 21,294,168.69
<b>Provision Gains/Losses Page ( 11 )</b>				\$ -	\$ 971,362	\$ -	\$ 971,362
<b>Provision - Non - TMI</b>				\$ -	\$ 22,265,531	\$ -	\$ 22,265,531

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 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	\$ (33,899)	0%	48%	\$ -	\$ (16,243)	(16,243)
1971	(11,194)	0%	47%	-	(5,283)	(5,283)
1972	(17,290)	0%	48%	-	(8,255)	(8,255)
1973	(21,430)	0%	48%	-	(10,247)	(10,247)
1974	(21,664)	0%	48%	-	(10,379)	(10,379)
1975	(27,952)	0%	48%	-	(13,399)	(13,399)
1976	(18,337)	0%	48%	-	(8,767)	(8,767)
1977	(24,152)	0%	48%	-	(11,541)	(11,541)
1978	(33,034)	0%	48%	-	(15,823)	(15,823)
1979	(30,255)	0%	46%	-	(13,880)	(13,880)
1980	(31,653)	0%	46%	-	(14,534)	(14,534)
1981	(586,611)	0%	42%	-	(245,437)	(245,437)
1982	(465,174)	0%	41%	-	(189,665)	(189,665)
1983	(515,005)	0%	40%	-	(208,301)	(208,301)
1984	(472,817)	0%	40%	-	(186,949)	(186,949)
1985	(557,773)	0%	39%	-	(215,849)	(215,849)
1986	(795,179)	0%	37%	-	(295,948)	(295,948)
1987	(860,824)	0%	35%	-	(300,566)	(300,566)
1988	(767,494)	0%	35%	-	(266,125)	(266,125)
1989	(750,756)	0%	35%	-	(260,697)	(260,697)
1990	(793,757)	0%	35%	-	(275,376)	(275,376)
1991	(863,854)	0%	35%	-	(301,139)	(301,139)
1992	(950,681)	0%	35%	-	(332,119)	(332,119)
1993	(977,332)	0%	35%	-	(345,407)	(345,407)
1994	(966,259)	0%	35%	-	(339,174)	(339,174)
1995	(1,584,310)	0%	35%	-	(554,549)	(554,549)
1996	(1,449,565)	0%	35%	-	(507,355)	(507,355)
1997	(1,427,174)	0%	35%	-	(499,604)	(499,604)
1998	(1,932,710)	0%	35%	-	(676,562)	(676,562)
1999	(1,121,631)	0%	35%	-	(392,583)	(392,583)
2000	(1,409,287)	0%	35%	-	(493,327)	(493,327)
2001	212,136	0%	35%	-	74,193	74,193
2001 30%	(780)	0%	35%	-	(273)	(273)
2002	(147,888)	0%	35%	-	(51,795)	(51,795)
2002 30%	(2,979)	0%	35%	-	(1,043)	(1,043)
2003	(264,679)	0%	35%	-	(92,638)	(92,638)
2003 30%	(44,246)	0%	35%	-	(15,511)	(15,511)
2003 50%	4,683	0%	31%	-	1,457	1,457
2004	(1,796,274)	0%	35%	-	(628,695)	(628,695)
2004 30%	110,321	0%	35%	-	38,297	38,297
2004 50%	76,393	0%	35%	-	26,371	26,371
2005	(1,367,055)	0%	35%	-	(478,515)	(478,515)
2006	(2,306,877)	0%	35%	-	(807,407)	(807,407)
2007	(1,651,431)	0%	35%	-	(579,356)	(579,356)
2008	(1,077,565)	0%	35%	-	(377,424)	(377,424)
2008 50%	(119,197)	0%	36%	-	(43,051)	(43,051)
2009	(1,039,088)	0%	35%	-	(363,708)	(363,708)
2009 50%	436,554	0%	35%	-	151,021	151,021
2010	48,414	0%	35%	-	16,945	16,945
2010 100%	(496,259)	0%	35%	-	(173,691)	(173,691)
2010 50%	58,284	0%	35%	-	20,400	20,400
2011	(3,318,281)	0%	35%	-	(1,161,398)	(1,161,398)
2011 100%	(2,438,588)	0%	35%	-	(853,506)	(853,506)
2011 50%	(413,368)	0%	35%	-	(144,679)	(144,679)
2012	(372,435)	0%	35%	-	(130,352)	(130,352)
2012 50%	(917,631)	0%	35%	-	(321,171)	(321,171)
2013	63,163	0%	35%	-	22,107	22,107
2013 50%	71,389	0%	35%	-	24,986	24,986
2014	(6,092)	0%	35%	-	(2,132)	(2,132)
2015	(51,253)	0%	35%	-	(17,938)	(17,938)
<b>Reversal Non-TMI</b>	<b>\$ (36,269,681)</b>			<b>\$ -</b>	<b>\$ (12,883,589)</b>	<b>(12,883,589)</b>
<b>Total Net Provison - Non-TMI</b>				<b>\$ -</b>	<b>\$ 9,381,942</b>	<b>9,381,942</b>

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 Based upon Electric Plant in Service April, 2014 - April, 2015  
Deferred Income Taxes Related to Gains/Losses

Vintage Year	Per Power Tax Report 52			Statutory/ Effective Rates		Deferral of Taxes		
	Basis of Property	Accumulated Tax Depreciation	(Gain)/Loss recognized	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	\$ 236,773	\$ 235,243	\$ 1,531	0%	35%	\$ -	\$ 536	\$ 536
1988	235,466	233,857	1,609	0%	35%	-	563	563
1989	232,079	231,101	978	0%	35%	-	342	342
1990	241,553	239,869	1,685	0%	35%	-	590	590
1991	278,259	278,179	80	0%	35%	-	28	28
1992	294,808	292,846	1,962	0%	35%	-	687	687
1993	333,385	323,460	9,925	0%	35%	-	3,474	3,474
1994	269,937	259,192	10,745	0%	35%	-	3,761	3,761
1995	337,419	323,222	14,197	0%	35%	-	4,969	4,969
1996	271,875	248,719	23,156	0%	35%	-	8,105	8,105
1997	332,415	281,339	51,076	0%	35%	-	17,877	17,877
1998	503,417	417,766	85,651	0%	35%	-	29,978	29,978
1999	185,585	146,324	39,261	0%	35%	-	13,741	13,741
2000	325,988	246,762	79,226	0%	35%	-	27,729	27,729
2001	294,577	207,278	87,299	0%	35%	-	30,555	30,555
2001 30%	13,289	9,325	3,965	0%	35%	-	1,388	1,388
2002	38,771	30,841	7,930	0%	35%	-	2,775	2,775
2002 30%	101,653	66,708	34,945	0%	35%	-	12,231	12,231
2003	15,062	8,014	7,048	0%	35%	-	2,467	2,467
2003 30%	56,340	47,422	8,917	0%	35%	-	3,121	3,121
2003 50%	56,242	34,485	21,757	0%	35%	-	7,615	7,615
2004	5,057	5,308	(252)	0%	35%	-	(88)	(88)
2004 30%	91,751	53,614	38,137	0%	35%	-	13,348	13,348
2004 50%	65,548	37,454	28,094	0%	35%	-	9,833	9,833
2005	462,266	238,499	223,767	0%	35%	-	78,318	78,318
2006	497,717	238,107	259,610	0%	35%	-	90,864	90,864
2007	452,443	221,980	230,463	0%	35%	-	80,662	80,662
2008	58,926	23,747	35,178	0%	35%	-	12,312	12,312
2008 50%	242,098	94,767	147,331	0%	35%	-	51,566	51,566
2009	101,969	30,498	71,471	0%	35%	-	25,015	25,015
2009 50%	368,957	131,046	237,911	0%	35%	-	83,269	83,269
2010	12,346	4,288	8,058	0%	35%	-	2,820	2,820
2010 100%	-	-	-	0%	35%	-	-	-
2010 50%	194,233	61,629	132,604	0%	35%	-	46,412	46,412
2011	60,015	13,991	46,024	0%	35%	-	16,108	16,108
2011 100%	-	-	-	0%	35%	-	-	-
2011 50%	28,663	12,502	16,160	0%	35%	-	5,656	5,656
2012	32,949	5,432	27,517	0%	35%	-	9,631	9,631
2012 50%	233,683	32,086	201,597	0%	35%	-	70,559	70,559
2013	149,127	12,657	136,471	0%	35%	-	47,765	47,765
2013 50%	281,138	30,741	250,397	0%	35%	-	87,639	87,639
2014	206,937	15,096	191,842	0%	35%	-	67,145	67,145
Provision - Non-TMI (gains/losses)						\$ 971,362	\$ 971,362	

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - TMI #2  
Based upon Electric Plant in Service April, 2014 - April, 2015

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Reversal				
1978	\$ 27,016	\$ -	\$ 12,968	\$ 12,968
1979	32,653	-	15,021	15,021
1980	65,360	-	30,065	30,065
1981	-	-	628	628
1982	-	-	629	629
1983	-	-	34	34
1984	-	-	110	110
1985	-	-	503	503
1986	-	-	345	345
1987	-	-	1,253	1,253
1988	-	-	(1)	(1)
1989	-	-	(0)	(0)
1992	-	-	(183)	(183)
	\$ 125,030	\$ -	\$ 61,374	\$ 61,374

PENNSYLVANIA ELECTRIC 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	-	115	115
	1973	-	148	148
	1974	-	611	611
	1975	-	235	235
	1976	-	182	182
	1977	-	14	14
	1978	-	144	144
	1979	-	703	703
	1980	-	35	35
	1981	-	445	445
	1982	-	272	272
	1983	-	370	370
	1984	-	404	404
	1985	-	374	374
	1986	-	381	381
	1987	-	640	640
	1988	-	800	800
	1989	-	493	493
	1990	-	578	578
	1991	-	4	4
	1992	-	931	931
	1993	-	(1,986)	(1,986)
	1994	-	(1,265)	(1,265)
	1995	-	39,725	39,725
	1996	-	157,289	157,289
	1997	-	232,169	232,169
	1998	-	395,544	395,544
	1999	-	144,813	144,813
	2000	-	236,542	236,542
	2001	-	217,585	217,585
	2001 30%	-	7,599	7,599
	2002	-	17,961	17,961
	2002 30%	-	57,570	57,570
	2003	-	457	457
	2003 30%	-	14,964	14,964
	2003 50%	-	25,129	25,129
	2004	-	(2,541)	(2,541)
	2004 30%	-	60,500	60,500
	2004 50%	-	23,960	23,960
	2005	-	239,278	239,278
	2006	-	388,927	388,927
	2007	-	337,670	337,670
	2008	-	39,114	39,114
	2008 50%	-	103,175	103,175
	2009	-	73,368	73,368
	2009 50%	-	184,666	184,666
	2010	-	7,974	7,974
	2010 100%	-	-	-
	2010 50%	-	69,714	69,714
	2011	-	108,292	108,292
	2011 100%	-	-	-
	2011 50%	-	13,166	13,166
	2012	-	37,498	37,498
	2012 50%	-	136,010	136,010
	2013	-	135,207	135,207
	2013 50%	-	249,320	249,320
	2014	-	1,085,560	1,085,560
	2015	-	2,714,225	2,714,225
	2016	-	530,936	530,936
Total Provision		\$ -	\$ 8,087,992	\$ 8,087,992

PENNSYLVANIA ELECTRIC 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	\$ -	\$ (5,721)	\$ (5,721)
	1971	-	(2,124)	(2,124)
	1972	-	(2,983)	(2,983)
	1973	-	(3,785)	(3,785)
	1974	-	(3,844)	(3,844)
	1975	-	(4,950)	(4,950)
	1976	-	(3,252)	(3,252)
	1977	-	(4,290)	(4,290)
	1978	-	(1,077)	(1,077)
	1979	-	372	372
	1980	-	5,706	5,706
	1981	-	(94,120)	(94,120)
	1982	-	(71,587)	(71,587)
	1983	-	(80,364)	(80,364)
	1984	-	(72,299)	(72,299)
	1985	-	(83,467)	(83,467)
	1986	-	(114,392)	(114,392)
	1987	-	(115,758)	(115,758)
	1988	-	(102,194)	(102,194)
	1989	-	(101,084)	(101,084)
	1990	-	(106,444)	(106,444)
	1991	-	(115,981)	(115,981)
	1992	-	(128,291)	(128,291)
	1993	-	(133,129)	(133,129)
	1994	-	(110,861)	(110,861)
	1995	-	(125,297)	(125,297)
	1996	-	(148,837)	(148,837)
	1997	-	(175,024)	(175,024)
	1998	-	(238,695)	(238,695)
	1999	-	(138,189)	(138,189)
	2000	-	(170,154)	(170,154)
	2001	-	24,988	24,988
	2001 30%	-	(108)	(108)
	2002	-	(18,283)	(18,283)
	2002 30%	-	(437)	(437)
	2003	-	(32,698)	(32,698)
	2003 30%	-	(6,190)	(6,190)
	2003 50%	-	157	157
	2004	-	(220,859)	(220,859)
	2004 30%	-	13,009	13,009
	2004 50%	-	8,466	8,466
	2005	-	(181,740)	(181,740)
	2006	-	(283,171)	(283,171)
	2007	-	(155,645)	(155,645)
	2008	-	(120,639)	(120,639)
	2008 50%	-	(12,406)	(12,406)
	2009	-	(116,122)	(116,122)
	2009 50%	-	56,914	56,914
	2010	-	5,453	5,453
	2010 100%	-	(66,989)	(66,989)
	2010 50%	-	(5,182)	(5,182)
	2011	-	(440,773)	(440,773)
	2011 100%	-	(344,203)	(344,203)
	2011 50%	-	(96,591)	(96,591)
	2012	-	(52,147)	(52,147)
	2012 50%	-	(136,345)	(136,345)
	2013	-	(1,670)	(1,670)
	2013 50%	-	(28,945)	(28,945)
	2014	-	(3,339)	(3,339)
	2015	-	(29,737)	(29,737)
	2016	-	8,603	8,603
Total Reversal		\$ -	\$ (4,688,743)	\$ (4,688,743)
Net Provision		\$ -	\$ 3,399,249	\$ 3,399,249

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 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	328	0%	35%	-	115	115	115
1973	423	0%	35%	-	148	148	148
1974	1,746	0%	35%	-	611	611	611
1975	670	0%	35%	-	235	235	235
1976	520	0%	35%	-	182	182	182
1977	40	0%	35%	-	14	14	14
1978	411	0%	35%	-	144	144	144
1979	2,007	0%	35%	-	703	703	703
1980	99	0%	35%	-	35	35	35
1981	1,271	0%	35%	-	445	445	445
1982	778	0%	35%	-	272	272	272
1983	1,058	0%	35%	-	370	370	370
1984	1,155	0%	35%	-	404	404	404
1985	1,068	0%	35%	-	374	374	374
1986	1,087	0%	35%	-	381	381	381
1987	1,350	0%	35%	-	472	472	472
1988	1,777	0%	35%	-	622	622	622
1989	1,102	0%	35%	-	386	386	386
1990	1,115	0%	35%	-	390	390	390
1991	(15)	0%	35%	-	(5)	(5)	(5)
1992	2,039	0%	35%	-	714	714	714
1993	(8,850)	0%	35%	-	(3,098)	(3,098)	(3,098)
1994	(6,427)	0%	35%	-	(2,249)	(2,249)	(2,249)
1995	111,838	0%	35%	-	39,143	39,143	39,143
1996	445,549	0%	35%	-	155,942	155,942	155,942
1997	651,229	0%	35%	-	227,930	227,930	227,930
1998	1,109,268	0%	35%	-	388,244	388,244	388,244
1999	403,604	0%	35%	-	141,261	141,261	141,261
2000	654,359	0%	35%	-	229,026	229,026	229,026
2001	597,226	0%	35%	-	209,029	209,029	209,029
2001 30%	20,606	0%	35%	-	7,212	7,212	7,212
2002	49,058	0%	35%	-	17,170	17,170	17,170
2002 30%	154,501	0%	35%	-	54,075	54,075	54,075
2003	(835)	0%	35%	-	(292)	(292)	(292)
2003 30%	40,160	0%	35%	-	14,056	14,056	14,056
2003 50%	65,468	0%	35%	-	22,914	22,914	22,914
2004	(7,036)	0%	35%	-	(2,463)	(2,463)	(2,463)
2004 30%	161,606	0%	35%	-	56,562	56,562	56,562
2004 50%	60,173	0%	35%	-	21,061	21,061	21,061
2005	616,517	0%	35%	-	215,781	215,781	215,781
2006	1,032,985	0%	35%	-	361,545	361,545	361,545
2007	895,295	0%	35%	-	313,353	313,353	313,353
2008	101,029	0%	35%	-	35,360	35,360	35,360
2008 50%	249,917	0%	35%	-	87,471	87,471	87,471
2009	187,467	0%	35%	-	65,614	65,614	65,614
2009 50%	455,375	0%	35%	-	159,381	159,381	159,381
2010	20,258	0%	35%	-	7,090	7,090	7,090
2010 100%	-	0%	35%	-	-	-	-
2010 50%	158,802	0%	35%	-	55,581	55,581	55,581
2011	295,382	0%	35%	-	103,384	103,384	103,384
2011 100%	-	0%	35%	-	-	-	-
2011 50%	32,819	0%	35%	-	11,487	11,487	11,487
2012	98,764	0%	35%	-	34,567	34,567	34,567
2012 50%	326,203	0%	35%	-	114,171	114,171	114,171
2013	344,119	0%	35%	-	120,442	120,442	120,442
2013 50%	636,922	0%	35%	-	222,923	222,923	222,923
2014	2,886,600	0%	35%	-	1,010,310	1,010,310	1,010,310
2015	7,694,288	0%	35%	-	2,693,001	2,693,001	2,693,001
2016	1,516,960	0%	35%	-	530,936	530,936	530,936
	22,071,228			\$ -	\$ 7,724,930	\$ 7,724,930	
<b>Provision Gains/Losses Page ( 18 )</b>					<b>363,062</b>	<b>363,062</b>	
<b>Provision - Non -TMI</b>				<b>\$ -</b>	<b>\$ 8,087,992</b>	<b>\$ 8,087,992</b>	

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 Based upon Electric Plant in Service May, 2015 - April, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Statutory/ Effective Rates		State	Federal	Deferral of Taxes		Total
		State	Federal			State	Federal	
Reversal								
1970	\$ (11,943)	0%	48%	\$ -	\$ (5,721)	\$ (5,721)		(5,721)
1971	(4,553)	0%	47%	-	(2,124)	(2,124)		(2,124)
1972	(6,320)	0%	47%	-	(2,983)	(2,983)		(2,983)
1973	(7,915)	0%	48%	-	(3,785)	(3,785)		(3,785)
1974	(8,024)	0%	48%	-	(3,844)	(3,844)		(3,844)
1975	(10,327)	0%	48%	-	(4,950)	(4,950)		(4,950)
1976	(6,801)	0%	48%	-	(3,252)	(3,252)		(3,252)
1977	(8,978)	0%	48%	-	(4,290)	(4,290)		(4,290)
1978	(12,239)	0%	48%	-	(5,863)	(5,863)		(5,863)
1979	(11,272)	0%	46%	-	(5,171)	(5,171)		(5,171)
1980	(11,738)	0%	46%	-	(5,390)	(5,390)		(5,390)
1981	(225,631)	0%	42%	-	(94,352)	(94,352)		(94,352)
1982	(175,713)	0%	41%	-	(71,820)	(71,820)		(71,820)
1983	(198,820)	0%	40%	-	(80,377)	(80,377)		(80,377)
1984	(183,102)	0%	40%	-	(72,340)	(72,340)		(72,340)
1985	(216,439)	0%	39%	-	(83,653)	(83,653)		(83,653)
1986	(308,071)	0%	37%	-	(114,519)	(114,519)		(114,519)
1987	(333,038)	0%	35%	-	(116,221)	(116,221)		(116,221)
1988	(294,854)	0%	35%	-	(102,194)	(102,194)		(102,194)
1989	(291,175)	0%	35%	-	(101,084)	(101,084)		(101,084)
1990	(306,795)	0%	35%	-	(106,444)	(106,444)		(106,444)
1991	(332,704)	0%	35%	-	(115,981)	(115,981)		(115,981)
1992	(367,019)	0%	35%	-	(128,223)	(128,223)		(128,223)
1993	(376,687)	0%	35%	-	(133,129)	(133,129)		(133,129)
1994	(313,767)	0%	35%	-	(110,861)	(110,861)		(110,861)
1995	(356,738)	0%	35%	-	(125,297)	(125,297)		(125,297)
1996	(425,232)	0%	35%	-	(148,837)	(148,837)		(148,837)
1997	(499,967)	0%	35%	-	(175,024)	(175,024)		(175,024)
1998	(681,862)	0%	35%	-	(238,695)	(238,695)		(238,695)
1999	(394,798)	0%	35%	-	(138,189)	(138,189)		(138,189)
2000	(486,066)	0%	35%	-	(170,154)	(170,154)		(170,154)
2001	71,454	0%	35%	-	24,988	24,988		24,988
2001 30%	(307)	0%	35%	-	(108)	(108)		(108)
2002	(52,198)	0%	35%	-	(18,283)	(18,283)		(18,283)
2002 30%	(1,246)	0%	35%	-	(437)	(437)		(437)
2003	(93,421)	0%	35%	-	(32,698)	(32,698)		(32,698)
2003 30%	(17,661)	0%	35%	-	(6,190)	(6,190)		(6,190)
2003 50%	632	0%	25%	-	157	157		157
2004	(631,027)	0%	35%	-	(220,859)	(220,859)		(220,859)
2004 30%	37,483	0%	35%	-	13,009	13,009		13,009
2004 50%	24,562	0%	34%	-	8,466	8,466		8,466
2005	(519,204)	0%	35%	-	(181,740)	(181,740)		(181,740)
2006	(809,059)	0%	35%	-	(283,171)	(283,171)		(283,171)
2007	(444,716)	0%	35%	-	(155,645)	(155,645)		(155,645)
2008	(344,573)	0%	35%	-	(120,639)	(120,639)		(120,639)
2008 50%	(34,341)	0%	36%	-	(12,406)	(12,406)		(12,406)
2009	(331,743)	0%	35%	-	(116,122)	(116,122)		(116,122)
2009 50%	164,246	0%	35%	-	56,914	56,914		56,914
2010	15,581	0%	35%	-	5,453	5,453		5,453
2010 100%	(191,396)	0%	35%	-	(66,989)	(66,989)		(66,989)
2010 50%	(14,807)	0%	35%	-	(5,182)	(5,182)		(5,182)
2011	(1,259,351)	0%	35%	-	(440,773)	(440,773)		(440,773)
2011 100%	(983,438)	0%	35%	-	(344,203)	(344,203)		(344,203)
2011 50%	(275,974)	0%	35%	-	(96,591)	(96,591)		(96,591)
2012	(148,992)	0%	35%	-	(52,147)	(52,147)		(52,147)
2012 50%	(389,556)	0%	35%	-	(136,345)	(136,345)		(136,345)
2013	(4,771)	0%	35%	-	(1,670)	(1,670)		(1,670)
2013 50%	(82,700)	0%	35%	-	(28,945)	(28,945)		(28,945)
2014	(9,540)	0%	35%	-	(3,339)	(3,339)		(3,339)
2015	(84,964)	0%	35%	-	(29,737)	(29,737)		(29,737)
2016	24,580	0%	35%	-	8,603	8,603		8,603
<b>Reversal Non-TMI</b>	<b>(13,255,033)</b>			<b>\$ -</b>	<b>\$ (4,711,393)</b>	<b>\$ (4,711,393)</b>		<b>(4,711,393)</b>
<b>Total Net Provision - Non-TMI</b>				<b>\$ -</b>	<b>\$ 3,376,599</b>	<b>\$ 3,376,599</b>		<b>3,376,599</b>

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - Non - TMI  
 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	\$ 78,324	\$ 77,845	\$ 479	0%	35%	\$ -	\$ 168	\$ 168	
1988	77,892	77,383	508	0%	35%	-	178	178	
1989	76,771	76,464	307	0%	35%	-	107	107	
1990	79,905	79,369	536	0%	35%	-	188	188	
1991	92,047	92,021	26	0%	35%	-	9	9	
1992	97,522	96,901	621	0%	35%	-	217	217	
1993	110,283	107,107	3,176	0%	35%	-	1,112	1,112	
1994	89,294	86,481	2,814	0%	35%	-	985	985	
1995	111,617	109,956	1,661	0%	35%	-	581	581	
1996	89,936	86,087	3,849	0%	35%	-	1,347	1,347	
1997	109,962	97,850	12,112	0%	35%	-	4,239	4,239	
1998	166,529	145,672	20,857	0%	35%	-	7,300	7,300	
1999	61,391	51,242	10,148	0%	35%	-	3,552	3,552	
2000	107,836	86,362	21,474	0%	35%	-	7,516	7,516	
2001	97,445	73,000	24,445	0%	35%	-	8,556	8,556	
2001 30%	4,396	3,291	1,105	0%	35%	-	387	387	
2002	12,825	10,566	2,259	0%	35%	-	791	791	
2002 30%	33,627	23,643	9,983	0%	35%	-	3,494	3,494	
2003	4,983	2,841	2,141	0%	35%	-	749	749	
2003 30%	18,637	16,043	2,594	0%	35%	-	908	908	
2003 50%	18,605	12,276	6,329	0%	35%	-	2,215	2,215	
2004	1,673	1,898	(225)	0%	35%	-	(79)	(79)	
2004 30%	30,351	19,100	11,251	0%	35%	-	3,938	3,938	
2004 50%	21,683	13,399	8,284	0%	35%	-	2,899	2,899	
2005	152,916	85,782	67,134	0%	35%	-	23,497	23,497	
2006	164,644	86,408	78,236	0%	35%	-	27,382	27,382	
2007	149,667	80,191	69,476	0%	35%	-	24,317	24,317	
2008	19,492	8,768	10,725	0%	35%	-	3,754	3,754	
2008 50%	80,085	35,217	44,868	0%	35%	-	15,704	15,704	
2009	33,731	11,575	22,157	0%	35%	-	7,755	7,755	
2009 50%	122,050	49,808	72,243	0%	35%	-	25,285	25,285	
2010	4,084	1,560	2,524	0%	35%	-	883	883	
2010 100%	-	-	-	0%	35%	-	-	-	
2010 50%	64,252	23,871	40,381	0%	35%	-	14,134	14,134	
2011	19,853	5,829	14,024	0%	35%	-	4,909	4,909	
2011 100%	-	-	-	0%	35%	-	-	-	
2011 50%	9,482	4,685	4,797	0%	35%	-	1,679	1,679	
2012	10,899	2,526	8,374	0%	35%	-	2,931	2,931	
2012 50%	77,302	14,905	62,397	0%	35%	-	21,839	21,839	
2013	49,331	7,145	42,186	0%	35%	-	14,765	14,765	
2013 50%	93,000	17,579	75,421	0%	35%	-	26,397	26,397	
2014	237,886	22,885	215,001	0%	35%	-	75,250	75,250	
2015	66,987	6,347	60,640	0%	35%	-	21,224	21,224	
Provision - Non-TMI (gains/losses)							\$	363,062	\$ 363,062

PENNSYLVANIA ELECTRIC COMPANY  
 Computation of Deferred Income Taxes - TMI #2  
Based upon Electric Plant in Service May, 2015 - April, 2016

Vintage Year	Accelerate Tax Depreciation less Straight Line Depreciation	Deferral of Taxes		
		State	Federal	Total
Reversal				
1978	\$ 9,970	\$ -	\$ 4,786	\$ 4,786
1979	12,051	-	5,543	5,543
1980	24,121	-	11,096	11,096
1981	-	-	232	232
1982	-	-	232	232
1983	-	-	13	13
1984	-	-	41	41
1985	-	-	186	186
1986	-	-	127	127
1987	-	-	463	463
1988	-	-	(0)	(0)
1989	-	-	(0)	(0)
1992	-	-	(67)	(67)
	<u>\$ 46,142</u>	<u>\$ -</u>	<u>\$ 22,650</u>	<u>\$ 22,650</u>

PENNSYLVANIA ELECTRIC COMPANY  
 (\$000)

**POST 1969 VINTAGES**

	Pro Forma Under Present Rates		
	Per Power Tax	Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Budget 3/31/14	\$ (569,932)		\$ (569,932)
Balance per Budget 3/31/13	(550,142)		(550,142)
Liberalized Depreciation Activity - April, 2013 to March, 2014	<u>\$ (19,790)</u>		<u>\$ (19,790)</u>
Net Federal and State Provision	\$ 19,790		\$ 19,790
Less: Net State Provision (negative)	(894)		(894)
Net Federal Provision per Budget	\$ 20,684		\$ 20,684
Add: Federal Benefit (increase) of State	(313)		(313)
Net Federal - April, 2013 to March, 2014 Provision for Rates	<u>\$ 20,371</u>		<u>\$ 20,371</u>

**POST 1969 VINTAGES**

	Pro Forma Under Present Rates		
	Per Power Tax	Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Budget 4/30/15	\$ (578,988)		\$ (578,988)
Balance per Budget 3/31/14	(569,932)		(569,932)
Liberalized Depreciation Activity - April, 2014 to April, 2015	<u>\$ (9,056)</u>		<u>\$ (9,056)</u>
Net Federal and State Provision	\$ 9,056		\$ 9,056
Less: Net State Provision (negative)	(596)		(596)
Net Federal Provision per Budget	\$ 9,652		\$ 9,652
Add: Federal Benefit (increase) of State	(209)		(209)
Net Federal - April, 2014 to April, 2015 Provision for Rates	<u>\$ 9,443</u>		<u>\$ 9,443</u>

**POST 1969 VINTAGES**

	Pro Forma Under Present Rates		
	Per Power Tax	Normalization Adjustment	Total
Liberalized Depreciation Deferred Taxes			
Balance per Budget 4/30/16	\$ (582,307)		\$ (582,307)
Balance per Budget 4/30/15	(578,988)		(578,988)
Liberalized Depreciation Activity - May, 2015 to April, 2016	<u>\$ (3,319)</u>		<u>\$ (3,319)</u>
Net Federal and State Provision	\$ 3,319		\$ 3,319
Less: Net State Provision (negative)	(124)		(124)
Net Federal Provision per Budget	\$ 3,443		\$ 3,443
Add: Federal Benefit (increase) of State	(44)		(44)
Net Federal - May, 2015 to April, 2016 Provision for Rates	<u>\$ 3,399</u>		<u>\$ 3,399</u>

**Pennsylvania Electric Company**  
**RECONCILIATION OF CUMULATIVE APB11 DEFERRED TAX BALANCE ON ROLLFORWARD SCHEDULE vs.**  
**CUMULATIVE DEFERRED TAX BALANCE ON THE BALANCE SHEET**  
 (In Thousands)

Line No.	Description	Amount
1	Balance Sheet (RAD-54) @ 3/31/13	\$ 653,384
2	Total APB11 Deferreds on Rollforward Schedule @ 3/31/13	<u>563,608</u>
3	Difference	\$ 89,776
	<b>Reconciling Items:</b>	
4	State Deferreds	\$ -
5	3/31/13 Rollforward Schedule didn't tie to SAP	-
6	FAS 109 Gross-Up	-
7	FAS 109	<u>89,776</u>
8	Total Reconciling Items	\$ 89,776
<hr/>		
9	Balance Sheet (RAD-54) @ 3/31/14	\$ 670,128
10	Adjustments needed for RAD-35	<u>1,468</u>
11	<b>Adjusted Balance Sheet (RAD-35) @3/31/14</b>	<u>\$ 671,596</u>
12	Total APB11 Deferreds on Rollforward Schedule @ 3/31/14	<u>579,893</u>
13	Difference	\$ 91,703
	<b>Reconciling Items:</b>	
14	State Deferreds	\$ -
15	State Offset Deferreds	-
16	FAS 109 Gross-Up	-
17	FAS 109	90,235
18	Smart Meters per RAD-35	442
19	Vegetation Management FERC Reclasses	<u>1,026</u>
20		
21	Total Reconciling Items	\$ 91,703
<hr/>		
22	Balance Sheet (RAD-54) @ 3/31/15	\$ 667,851
23	Adjustments needed for RAD-35	<u>14,228</u>
24	<b>Adjusted Balance Sheet (RAD-35) @3/31/15</b>	<u>\$ 682,079</u>
25	Total APB11 Deferreds on Rollforward Schedule @ 4/30/15	<u>587,788</u>
26	Difference	\$ 94,291
	<b>Reconciling Items:</b>	
27	State Deferreds	\$ -
28	State Offset Deferreds	-
29	B/S one month behind Rollforward Schedule	(826)
30	Smart Meters per RAD-35	1,374
31	Deferred Tax Pro-Ration on Rollforward Schedule	822
32	FAS 109 Gross-Up	-
33	FAS 109	<u>92,921</u>
34	Total Reconciling Items	\$ 94,291
<hr/>		
35	Balance Sheet (RAD-54) @ 4/30/16	\$ 667,280
36	Adjustments needed for RAD-35	<u>32,875</u>
37	<b>Adjusted Balance Sheet (RAD-35) @4/30/16</b>	<u>\$ 700,155</u>
38	Total APB11 Deferreds on Rollforward Schedule @ 4/30/16	<u>590,533</u>
39	Difference	\$ 109,622
	<b>Reconciling Items:</b>	
40	State Deferreds	\$ -
41	State Offset Deferreds	-
42	B/S one month behind Rollforward Schedule	826
43	Smart Meters per RAD-35	2,712
44	Deferred Tax Pro-Ration on Rollforward Schedule	5,946
45	FAS 109 Gross-Up	-
46	FAS 109	<u>100,138</u>
47	Total Reconciling Items	\$ 109,622

PENNSYLVANIA ELECTRIC 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 Penelec 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 Penelec Exhibit RAD-41 Attachment A. Tax depreciation for the 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 Penelec Exhibit RAD-41 Attachment B.

PENNSYLVANIA ELECTRIC 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	\$ 4,601
12 Months ended 3/31/14 Amortization	<u>(460)</u>
Balance 3/31/14	\$ 4,141
12 Months ending 3/31/15 Amortization	<u>(398)</u>
Balance 3/31/15	<u>\$ 3,743</u>
Amortization 1 month ending 4/30/15	(33)
Balance 4/30/15	\$ 3,710
12 Months ending 4/30/16 Amortization	<u>(398)</u>
Balance 4/30/16	<u>\$ 3,312</u>

Investment Tax Credit

Penelec is amortizing the deferred credit previously created by a ratable flow-through to income over the useful life of the property. On March 9, 1972, General Public Utilities Corporation (former parent company of respondent) filed with the District Director of Internal Revenue, Manhattan District, on behalf of its affiliated companies (Penelec being one of the affiliates), an election under 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 allowed by Section 38 of the Code. Such an election provides (a) to reduce the cost of service for ratemaking purposes or 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.

PENNSYLVANIA ELECTRIC 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 Penelec Exhibit RAD-2 and the testimony and exhibits of the Company's witnesses.

PENNSYLVANIA ELECTRIC 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 by Penelec Witness Hillary E. Stewart, Penelec Statement No. 5 through the cost of service study.