



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

October 6, 2014

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v. West Penn Power Company
Docket No. R-2014-2428742
Pennsylvania Public Utility Commission v. Pennsylvania Electric Company
Docket No. R-2014-2428743
Pennsylvania Public Utility Commission v. Pennsylvania Power Company
Docket No. R-2014-2428744
Pennsylvania Public Utility Commission v. Metropolitan Edison Company
Docket No. R-2014-2428745

Dear Secretary Chiavetta:

Enclosed please find a copy of the Bureau of Investigation and Enforcement's (I&E) **Prehearing Memorandum** in the above-captioned proceedings

Copies are being served on all active parties of record. If you have any questions, please contact me at (717) 783-7998.

Sincerely,

Allison C. Kaster
Prosecutor
Bureau of Investigation and Enforcement
PA Attorney I.D. No. 93176

ACK/sea
Enclosure

cc: Parties of Record
ALJ Katrina L. Dunderdale
ALJ Dennis J. Buckley

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :
v. : Docket No. R-2014-2428742
West Penn Power Company :

Pennsylvania Public Utility Commission :
v. : Docket No. R-2014-2428743
Pennsylvania Electric Company :

Pennsylvania Public Utility Commission :
v. : Docket No. R-2014-2428744
Pennsylvania Power Company :

Pennsylvania Public Utility Commission :
v. : Docket No. R-2014-2428745
Metropolitan Edison Company :

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Prehearing Memorandum** dated October 6, 2014, in the manner and upon the persons listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party):

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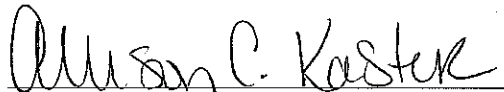
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Bureau of Investigation and Enforcement
PA Attorney I.D. No. 93176

The Bureau of Investigation and Enforcement Prosecutors in these proceedings are Allison C. Kaster, Carrie B. Wright and Scott B. Granger. Contact information is as follows:

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I. INTRODUCTION

On August 4, 2014, the First Energy Companies (“First Energy” or the “Companies”) consisting of: the West Penn Power Company (“West Penn”); the Pennsylvania Electric Company (“Penelec”); the Pennsylvania Power Company (“Penn Power”); and the Metropolitan Edison Company (“Met-Ed”) filed with the Pennsylvania Public Utility Commission (“Commission”) a request for approval of proposed distribution base rate increases for each of the First Energy companies as referenced by docket number in the caption above.

The Companies are proposing increases in their distribution base rates that constitute general rate increases under Section 1308(d) of the Public Utility Code. Specifically, West Penn is seeking a \$115.5 million increase, Penelec a \$119.8 million increase, Penn Power a \$28.5 million increase and Met-Ed a \$151.9 million increase.

In addition, the Companies are proposing to adopt new riders and to change several existing riders that set forth reconcilable adjustment clauses established or proposed to be

established under Section 1307 of the Public Utility Code. Certain of these proposed riders and changes in existing riders affect distribution base rate revenue.

The Commission instituted an investigation to determine the lawfulness, justness and reasonableness of the Company's existing and proposed rates, rules and regulations. Pursuant to 66 Pa. C.S. §1308(d), the filings will be suspended by operation of law on October 3, 2014, until May 3, 2015, unless permitted by Commission Order to become effective at an earlier date.

I&E filed its Notice of Appearance regarding these proceedings at the above referenced dockets on September 9, 2014. The Office of Consumer Advocate ("OCA") filed a Notice of Appearance, Complaint and Public Statement on September 5, 2014, in all four proceedings. The Office of Small Business Advocate ("OSBA") filed a Notice of Appearance, Complaint and Public Statement on August 22, 2014, in the West Penn and Penn Power Proceedings. OSBA filed a Notice of Appearance, Complaint and Public Statement on August 25, 2014, in the Penelec and Met-Ed proceedings.

A Prehearing Conference is scheduled for Wednesday, October 8, 2014, with Administrative Law Judge Dennis J. Buckley presiding.

II. ISSUES

The following list represents I&E's preliminary determination of the potential issues in these proceedings. The listing is as complete as can be made at this time. I&E specifically reserves the right to address other issues, as it deems appropriate if any such relevant issues arise. The issues are as follows:

- Cash Working Capital
- Income Taxes
- Universal Service
- Rate Case Expense
- Uncollectibles
- Payroll, Benefits, and Related Taxes
- Affiliated Charges (Payroll and Other Than Payroll)
- Accelerated (3-day) Switching-related Expenses
- Annual Depreciation Expense
- Adjustments to Budgeted Revenues
- Rate Structure/Rate Design
 - Cost of Service
 - Customer Charges and Customer Cost Analysis
 - Scale Back
 - Customer/Usage Projections
- Rate of Return
 - Capital Structure
 - Cost of Debt
 - Cost of Common Equity
 - Overall Rate of Return
- Rate Base
 - Plant Additions/Retirements
 - CWIP
 - Adjustments to Budgeted Rate Base Data
 - Roll-in of Smart Meter Investment to Rate Base
 - Depreciation Reserve
 - Materials & Supplies
 - Amortization of the Unrecovered Investment in Legacy Meters
- Riders:
 - Rider B- Storm Damage Charge Rider
 - Rider G- Smart Meter Technologies Charge Rider
 - Rider K- Time of Use Rider
 - Rider L- Partial Service Rider
 - Rider M- Qualifying Facility Service Rider
 - Rider P- Non-Utility Generation Charge Rider

III. WITNESSES

It is currently expected that I&E may call the following expert witnesses without being limited thereto:

Kokou Apetoh, Fixed Utility Valuation Engineer: Rate Structure/Rate Design

Lisa Boyd, Fixed Utility Valuation Engineer: Storm Damage

Jeremy Hubert, Fixed Utility Valuation Engineer: Rate Base

Rachel Maurer, Fixed Utility Financial Analyst: Rate of Return

Emily Sears, Fixed Utility Financial Analyst: Rate of Return

Christine Wilson, Fixed Utility Financial Analyst, Supervisor: O&M Expenses

The I&E witnesses may be contacted through the information listed above for Prosecutors Kaster, Wright or Granger. The witness list is provided without the benefit of complete discovery or analysis of the positions of potential other parties to this proceeding. Accordingly, I&E reserves the right to call additional witnesses or withdraw the name of the witnesses listed above.

IV. EVIDENCE

I&E expects to present all written direct, rebuttal and surrebuttal testimony and accompanying exhibits at the evidentiary hearing. Moreover, I&E intends to rely on the Company's filing, answers to data requests and interrogatories, annual reports and other documents submitted to the Commission, other relevant Commission filings, any other relevant Commonwealth agency letters or reports, general financial market information sources and other public documents and reports.

V. DISCOVERY

Pursuant to 52 Pa. Code §§5.322 and 5.331(b), discovery has begun and is ongoing. I&E does not recommend any modifications to the Commission's discovery rules.

VI. SCHEDULE

I&E is in agreement with the litigation schedule proposed by ALJ Buckley in the First Prehearing Order dated September 30, 2014. I&E's only proposed modification to the ALJ's recommended schedule is that Reply Briefs be moved to January 20, 2015 because the Commission will be closed on January 19, 2015 to observe Martin Luther King, Jr. Day.

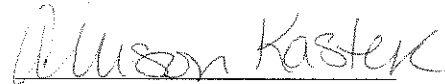
VII. SERVICE OF DOCUMENTS

For purposes of satisfying in-hand requirements for discovery responses, prepared testimony and briefs, I&E will accept electronic delivery of documents with a follow-up hard copy provided by regular first class mail.

VIII. SETTLEMENT

I&E is willing to make good faith efforts to successfully resolve this matter through settlement. In the event settlement discussions fail to result in a full and complete resolution of the matter, I&E is prepared to fully or partially litigate this proceeding.

Respectfully Submitted,



Allison Kaster

Prosecutor

PA Attorney I.D. # 93176

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Pennsylvania Public Utility Commission
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Dated: October 6, 2014