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October 6, 2014

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

**VIA ELECTRONIC FILING**

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

**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**

Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission the Prehearing Memorandum of the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), and the Penn Power Users Group ("PPUG") in the above-referenced proceedings.

As evidenced by the attached Certificate of Service, all parties to the proceedings are being duly served with a copy of this document. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By   
Charis Mincavage

Counsel to the Met-Ed Industrial Users Group,  
the Penelec Industrial Customer Alliance, and  
the Penn Power Users Group

Enclosures

c: Administrative Law Judge Dennis J. Buckley (via E-mail and First Class Mail)  
Certificate of Service

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## CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Certificate of Service

Docket Nos. R-2014-2428745, R-2014-2428743, and R-2014-2428744

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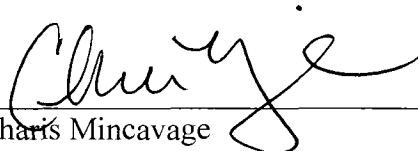
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the Penn Power Users Group, and  
the West Penn Power Industrial Intervenors

Dated this 6<sup>th</sup> day of October, 2014, at Harrisburg, Pennsylvania

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**PREHEARING MEMORANDUM OF  
THE MET-ED INDUSTRIAL USERS GROUP,  
THE PENELEC INDUSTRIAL CUSTOMER ALLIANCE, AND  
THE PENNSYLVANIA POWER USERS GROUP**

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Pursuant to Administrative Law Judge ("ALJ") Dennis J. Buckley's September 30, 2014, First Prehearing Order, the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), and the Penn Power Users Group ("PPUG") (collectively, the "Industrials") hereby submit this Prehearing Memorandum in the above-captioned proceeding.

**I. HISTORY OF THE PROCEEDING**

On August 4, 2014, Metropolitan Edison Company ("Met-Ed") filed with the Pennsylvania Public Utility Commission ("Commission" or "PUC") Tariff Electric-Pa. PUC No. 52, and Supplements thereto, proposed to become effective on October 3, 2014. Through this filing, Met-Ed requested a distribution rate increase of \$151.9 million and a proposed Return on Equity ("ROE") of 10.9%. In addition, Met-Ed proposed to modify the rate design for Large

Commercial and Industrial ("C&I") customers in its service territory, by, among other things, adopting a Reactive Billing Demand charge and modifying the Minimum Charge assessed to Large C&I customers. Moreover, Met-Ed proposed to implement a number of changes to its rules and riders, in particular, a proposed Storm Damage Charge Rider through which Met-Ed would recover from ratepayers any storm damage expenses beyond those recovered in base rates.

On August 4, 2014, Pennsylvania Electric Company ("Penelec") filed with the Commission Tariff Electric-Pa. PUC No. 81, and Supplements thereto, proposed to become effective on October 3, 2014. Through this filing, Penelec requested a distribution rate increase of \$119.8 million and a proposed ROE of 10.9%. In addition, Penelec proposed to modify the rate design for Large C&I customers in its service territory, by, among other things, modifying the definition for customers' Reactive Billing Demand charge and modifying the Minimum Charge assessed to Large C&I customers. Moreover, Penelec proposed to implement a number of changes to its rules and riders, in particular, a proposed Storm Damage Charge Rider through which Penelec would recover from ratepayers any storm damage expenses beyond those recovered in base rates.

On August 4, 2014, Pennsylvania Power Company ("Penn Power") filed with the Commission Tariff Electric-Pa. PUC No. 36, and Supplements thereto, proposed to become effective on October 3, 2014. Through this filing, Penn Power requested a distribution rate increase of \$28.48 million and a proposed ROE of 10.9%. In addition, Penn Power proposed to modify the rate design for Large C&I customers in its service territory, by, among other things, eliminating and adding rate schedules, changing the definition for customers' billing charges and demands, and modifying the Minimum Charge assessed to Large C&I customers. Moreover, Penn Power proposed to implement a number of changes to its rules and riders, in particular, a

proposed Storm Damage Charge Rider through which Penn Power would recover from ratepayers any storm damage expenses beyond those recovered in base rates.

On September 12, 2014, the Industrials filed a Complaint to the Companies' filings. A description of the Industrials is set forth in Paragraphs 8-10 of the Complaint.

A Prehearing Conference has been scheduled in these proceedings for October 8, 2014.

## **II. SERVICE LIST**

For purposes of service in the above-captioned proceedings, please direct all communications to:

Charis Mincavage (Pa. I.D. No. 82039)  
Vasiliki Karandrikas (Pa. I.D. No. 89711)  
Teresa K. Schmittberger (Pa. I.D. No. 311082)  
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## **III. ANTICIPATED ISSUES AND SUB-ISSUES**

The Industrials' preliminary review of the Companies' filings indicates the need for Commission investigation into at least the following issues:

- a. whether the size of the requested rate increases for the Companies is appropriate;
- b. whether the expenses claimed by the Companies were prudently incurred;
- c. whether the allocation of the proposed distribution rate increases between and among the Companies' customer classes is just, reasonable, and non-discriminatory;
- d. whether each of the Companies' proposed rate structures and rate designs is appropriate;

- e. whether the 10.9% ROE proposed by the Companies results in a fair rate of return;
- f. whether the Companies' claimed costs of service are accurate, legitimate, and appropriately allocated;
- g. whether the Companies' proposed implementation of Storm Damage Charge Riders is just, reasonable, and appropriate;
- h. whether implementation of the proposed changes to the Companies' current rules and riders is appropriate and lawful; and
- i. whether the Companies' proposed tariff changes result in unjust and unreasonable service for customers.

The Industrials anticipate pursuing these issues during this proceeding and also reserve the right to raise further issues and to respond to all matters raised by other parties.

#### **IV. PROPOSED WITNESS**

The Industrials expect to sponsor testimony regarding the aforementioned issues by the following witness:

Mr. Jeffry Pollock  
J. Pollock, Inc.  
12647 Olive Blvd, Suite 585  
St. Louis, MO 63141  
Phone: (314) 878-5814  
JCP@jpollockinc.com

The Industrials reserve the right to modify or supplement this witness list during the course of this proceeding. In the event that the Industrials decide to modify or supplement the witness list, they will inform the parties and the ALJ as soon as possible of the intended witnesses. The Industrials also intend to participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses, and the submission of briefs, exceptions, and reply exceptions, if necessary.

**V. PROPOSED SCHEDULE AND DISCOVERY RULES**

The Industrials will cooperate with the ALJ and the parties at the Prehearing Conference to develop an appropriate procedural schedule and discovery rules in accordance with the Commission's regulations and any directives issued by the ALJ.

**VI. STATEMENT OF EVIDENCE**

The Industrials' witness plans to submit Direct Testimony, as well as Rebuttal and Surrebuttal Testimony, as necessary, in addition to providing evidence, in the form of cross-examination and exhibits, at the Hearing related to the issues and sub-issues as mentioned above.

**VII. PROTECTIVE ORDER**

The Industrials will cooperate with the ALJ and the parties at the Prehearing Conference to develop a protective order in accordance with the Commission's regulations and any directives issued by the ALJ.


**VIII. POSSIBILITY OF SETTLEMENT**

The Industrials are willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By

  
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Dated: October 6, 2014