



COMMONWEALTH OF PENNSYLVANIA

January 6, 2015

E-MAIL AND FIRST-CLASS MAIL

Hon. Dennis J. Buckley
Administrative Law Judge
Pa. Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

Hon. Katrina Dunderdale
Administrative Law Judge
Pa. Public Utility Commission
301 Fifth Avenue - #220
Pittsburgh, PA 15222


**Re: Pennsylvania Public Utility Commission v.
Metropolitan Edison Company, R-2014-2428745,
Pennsylvania Power Company, R-2014-2428744,
Pennsylvania Electric Company, R-2014-2428743,
West Penn Power Company, R-2014-2428742**

Dear Judges Buckley and Dunderdale:

Enclosed for filing are two copies of the Surrebuttal Testimony and Exhibits of Robert D. Knecht, addressing the filings by Pennsylvania Power Company and West Penn Power Company; and the Surrebuttal Testimony of Brian Kalcic, addressing the filings by Metropolitan Edison Company and Pennsylvania Power Company on behalf of the Office of Small Business Advocate, at the dockets listed above.

As evidenced by the enclosed certificate of service, all parties have been served as indicated.

Sincerely,


Daniel G. Asmus
Assistant Small Business Advocate
Attorney ID No. 83789

Enclosure

cc: Parties of Record
Robert D. Knecht
Brian Kalcic

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	Docket Nos. R-2014-2428745
	:	R-2014-2428743
METROPOLITAN EDISON COMPANY	:	R-2014-2428744
PENNSYLVANIA ELECTRIC COMPANY	:	R-2014-2428742
PENNSYLVANIA POWER COMPANY	:	
WEST PENN POWER COMPANY	:	

Surrebuttal Testimony of

BRIAN KALCIC

On Behalf of the

Pennsylvania Office of Small Business Advocate

Companies:

METROPOLITAN EDISON COMPANY
PENNSYLVANIA ELECTRIC COMPANY

Topics:

Revenue Allocation

Date Served: January 6, 2015

Date Submitted for the Record: _____

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1 **Surrebuttal Testimony of Brian Kalcic**

2
3
4 **Q. Please state your name and business address.**

5 A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

6
7 **Q. Have you previously submitted testimony in these proceedings?**

8 A. Yes, I have.

9
10 **Q. What is the subject of your surrebuttal testimony?**

11 A. My surrebuttal testimony responds to the rebuttal testimony of the following
12 witnesses: a) Kevin M. Siedt on behalf of the Companies; and b) Clarence L.
13 Johnson on behalf of the OCA.

14
15 **Q. Do you have any preliminary comments?**

16 A. Yes. Met-Ed updated its filed cost-of-service study (“COSS”) to correct two
17 formula errors.¹ However, those corrections produce little (or no) impact on class
18 cost-of-service outcomes. As a result, I have not updated the OSBA’s
19 recommended Met-Ed class revenue allocation shown in Schedule BK-5 (attached
20 to OSBA Statement No. 1B).

21
22 **Q. Did Penelec make any corrections or changes to its filed COSS?**

23 A. No, it did not.

24
25 **Met-Ed/Penelec Witness Siedt**

26
27 **Q. Does Mr. Siedt comment on the OSBA’s revenue allocation proposals?**

28 A. Yes. Mr. Siedt states (correctly) that the OSBA’s revenue allocation proposals are
29 designed to move all classes to full cost of service (based on the Companies’ filed
30 COSSs), subject to the conditions that no class receive an increase (i) greater than
31 1.50 times the system average increase or (ii) less than 0.25 times the system
32 average increase. While acknowledging that the OSBA’s proposals “are not

¹ See Met-Ed Exhibit HES-1R, attached to Met-Ed Statement No. 5-R.

1 necessarily outside the range of reasonableness,” Mr. Siedt nevertheless concludes
2 that the Companies’ filed revenue allocation approach (with one modification) is
3 preferable, based on the premise that a more gradual movement toward cost of
4 service should be adopted in these proceedings.

5
6 **Q. How do the Companies propose to modify their revenue allocation proposals?**

7 A. Mr. Siedt states that the Companies will develop “final” class increases based on a
8 50%/50% weighting of current revenues and class cost of service, but will no longer
9 seek to constrain class increases to no more than 20% of total class revenues.

10
11 **Q. Has Mr. Siedt illustrated the results of the Companies’ modified revenue
12 allocation approach, at the Companies’ filed revenue requirement levels?**

13 A. No, he has not.

14
15 **Q. Would the Companies’ modified approach result in more classes moving
16 toward cost of service than under the Companies’ filed revenue allocation
17 proposals?**

18 A. I can’t say. It is not possible to evaluate the degree of movement toward cost of
19 service without seeing the Companies’ modified class increases.

20
21 **Q. Would the Companies’ modified revenue allocation approach limit class
22 increases to no more than 150% of the system average, as proposed by the
23 OSBA, OCA, MEIUG and PICA?**

24 A. It doesn’t appear so. For example, if Met-Ed’s GSS customers were to be assigned
25 an additional increase of \$2.8 million (per page 18 of Met-Ed Statement No. 4-R),
26 that class would receive an increase of 91.2%, or 1.59 times Met-Ed’s filed system
27 average increase of 57.3%. Similarly, if Penelec’s GSS customers were to be
28 assigned an additional increase of \$4.8 million (per page 16 of Penelec Statement
29 No. 4-R), that class would receive an increase of 104.4%, or 2.69 times Penelec’s
30 filed system average increase of 38.8%.

31
32 **Q. Should the Commission adopt the Companies’ modified approach to deriving
33 final class increases in these proceedings?**

1 A. No. The Companies have not provided any evidence that their modified approach
2 would be successful with respect to (i) moving rate classes toward cost of service,
3 or (ii) limiting class rate impacts to a reasonable level.
4

5 **OCA Witness Johnson**
6

7 **Q. On pages 8-11 of his rebuttal testimony, Mr. Johnson indicates his**
8 **disagreement with the OSBA's revenue allocation proposals, since such**
9 **proposals are based on the results of the Companies' allegedly deficient**
10 **COSSs. What is your response?**

11 A. The Companies indicate that their COSSs were prepared "in a manner consistent
12 with principles and methods that were approved in the 2012 PPL base rate case and
13 used in the past without objection."² In contrast, Mr. Johnson's revenue allocation
14 proposals are based upon the results of the OCA's preferred COSS methodology,
15 with the Commission previously rejected (at least with respect to the classification
16 of Accounts 364-368) in PPL Docket No. R-2012-2290597.³ Unless and until the
17 Commission formally adopts the OCA's preferred COSS methodology, Mr.
18 Johnson's criticism is without merit.
19

20 **Q. On pages 12-13 of his rebuttal testimony, Mr. Johnson suggests that the**
21 **OSBA's recommended residential classes increases are unreasonable, even if**
22 **one were to accept the Companies' COSS methodology and filed COSS results.**
23 **How do you respond?**

24 A. In essence, Mr. Johnson is arguing that the Companies' filed revenue allocation
25 approach is acceptable, while the OSBA's recommended approach places too much
26 emphasis on transitioning classes toward cost of service.

27 As I discussed in my direct testimony, the Companies' revenue allocation
28 proposals would move a significant number of rate classes away from cost of
29 service. Consistent with the *Lloyd* decision, the OSBA's revenue allocation
30 proposals first seek to move *all* classes (not just Rate RS) toward cost of service,
31 subject to a *uniformly applied* gradualism constraint. Of particular note is the fact

² See Met-Ed Statement No. 4-R at page 17.

³ See OSBA Statement No. 2B at page 2.

1 that the OSBA's gradualism constraint (which limits class increases to no more than
2 150% of the system average) is the same as that advocated by Mr. Johnson.

3 In his rebuttal, Mr. Johnson appears to suggest that a 150% of system
4 average gradualism constraint may or may not be appropriate, depending upon the
5 COSS methodology and results to which it would be applied. I disagree. The
6 OSBA's revenue allocation approach appropriately balances class cost of service
7 and gradualism considerations. The Commission should adopt it.

8

9 **Q. Does this conclude your surrebuttal testimony?**

10 A. Yes.

11

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY
COMMISSION

v.

METROPOLITAN EDISON COMPANY
PENNSYLVANIA ELECTRIC COMPANY
PENNSYLVANIA POWER COMPANY
WEST PENN POWER COMPANY

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Docket Nos. R-2014-2428745
R-2014-2428743
R-2014-2428744
R-2014-2428742

Surrebuttal Testimony and Exhibits of

ROBERT D. KNECHT

On Behalf of the

Pennsylvania Office of Small Business Advocate

Companies:

PENNSYLVANIA POWER COMPANY
WEST PENN POWER COMPANY

Topics:

Cost Allocation
Revenue Allocation

Date Served: January 6, 2015

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SURREBUTTAL TESTIMONY OF ROBERT D. KNECHT

1 **1. Introduction**

2 **Q. Please state your name and briefly describe your qualifications.**

3 A. My name is Robert D. Knecht. I submitted direct testimony, rebuttal testimony
4 and associated exhibits earlier in this proceeding, and my qualifications were
5 presented therein.

6 **Q. What is the purpose of this surrebuttal testimony?**

7 A. The Pennsylvania Office of Small Business Advocate (“OSBA”) requested that I
8 review and evaluate the cost allocation, revenue allocation and rate design rebuttal
9 testimony submitted by the following witnesses regarding the base rates filings of
10 West Penn Power Company (“West Penn”) and the Pennsylvania Power
11 Company (“Penn Power”) (collectively, “the Companies”):

12 Richard A Baudino, AK Steel Corporation (“AKS”)

13 Hillary E. Stewart, the Companies

14 Kevin M. Siedt, the Companies

15 The testimony of Mr. Baudino applies only to West Penn, while the testimony of
16 the other witnesses applies to both West Penn and Penn Power. Mr. Brian Kalcic
17 is addressing issues related to Metropolitan Edison Company (“Met-Ed”) and the
18 Pennsylvania Electric Company (“Penelec”) for OSBA.

19 In addition, this testimony updates my revenue allocation recommendations to
20 reflect modified cost allocation analyses.

21 **2. Cost Allocation**

22 **Q. Let’s start with the West Penn cost allocation study. At pages 14 and 15 of**
23 **your direct testimony, you identified certain programming and data entry**
24 **errors in the Companies’ filing. Have those errors been corrected?**

1 A. The errors that I identified which the Companies had previously admitted have
2 been corrected. In addition, the Companies corrected the load factor error for the
3 general service classes identified at page 12 of my direct testimony, as well as
4 certain errors identified by other intervenors. However, the inconsistency
5 between current and proposed revenues for the lighting classes identified at page
6 22 of my direct testimony has not been addressed.¹ Also, the programming error
7 identified at footnote 14 on page 14 of my direct testimony has not been
8 corrected, but the impact is *de minimis*.

9 Unfortunately, the Companies' West Penn rebuttal cost allocation study contains
10 at least one new programming error, with respect to the allocation of income taxes
11 at proposed rates. As shown in Ms. Stewart's Exhibit HES 1-R, page 2, the
12 income tax allocation for the GSL, POL, PSU, PP44, PP46, AGS and STLT
13 classes produce income tax costs that are inconsistent with the reported class pre-
14 tax income. For example, the exhibit implies that the STLT class has income tax
15 costs of \$1.7 million on pre-tax income of \$163,000. This inconsistency results
16 from a programming error in the "Revenue Worksheet" tab in the electronic
17 model. To clarify the record in this proceeding, I corrected this error, and I have
18 attached a revised version of the West Penn summary cost allocation model
19 results at proposed rates as Exhibit IEc-S1.

20 **Q. Has Ms. Stewart made any other substantive changes to the West Penn cost**
21 **allocation study?**

22 A. Yes. Ms. Stewart made certain modifications to the revenue requirement pursuant
23 to Mr. D'Angelo's testimony. In addition, she now proposes to segregate sub-
24 transmission plant costs from other distribution plant, and allocate those costs
25 separately.

¹ Ms. Stewart's rebuttal cost allocation study indicates that the Rate POL revenues will increase from \$3.945 million to \$6.076 million (up 54 percent), while the Rate STLT revenues will decrease from \$6.031 million to \$4.179 million (down 31 percent). Neither of these revenue changes is consistent with the results of the Companies' cost allocation analysis, which would generally suggest that little or no increase be applied to Rate POL (class return of 18.5%) and a significant increase should apply to Rate STLT (class return of 3.7%).

1 **Q. Is the segregation of sub-transmission costs a reasonable approach?**

2 A. In theory, it could be. As detailed in my direct testimony, the Companies' filed
3 methodology involved identifying and costing out the primary system plant that
4 serves primary voltage customers. Given that the Company uses this
5 methodology for primary system plant, it would be logical for the Companies to
6 take the same approach with sub-transmission plant. For cost allocation purposes,
7 sub-transmission plant is simply a higher voltage component of the primary
8 voltage system. Also, as I indicated at page 8 in my direct testimony, the costs so
9 identified can and should then be directly assigned to the customer classes served.
10 Since Ms. Stewart has determined the cost to serve each primary voltage
11 customer, there is no reason why those costs cannot be directly assigned to the
12 appropriate customer classes.

13 Unfortunately, the Companies do not follow this approach. First, Ms. Stewart
14 does not use the same approach for sub-transmission plant as she uses for primary
15 voltage distribution plant. Rather than directly determine the cost to serve sub-
16 transmission customers (as she does for other primary system customers), Ms.
17 Stewart simply estimates the total sub-transmission system costs (based,
18 curiously, on 2011 data), and then allocates those costs to all customers using the
19 minimum system method. Second, Ms. Stewart declines to directly assign the
20 primary voltage system costs based on the customer-by-customer analysis.

21 As a result, Ms. Stewart's approach has the following problems:

- 22 • Sub-functionalization of sub-transmission costs is inconsistent with sub-
23 functionalization of primary voltage distribution system costs;
- 24 • Sub-transmission costs are allocated to all classes, including primary
25 voltage customers who are not served by sub-transmission assets but are
26 served by the sub-functionalized primary system costs;
- 27 • Use of the minimum system classification parameters for sub-transmission
28 costs will likely overstate the customer component of those costs. In

1 general, the customer component of costs declines as system voltage
2 increases, with low-voltage assets closest to the customers having a
3 relatively high customer component, and transmission system costs
4 typically having a zero customer component.² Using the same
5 classification parameters for sub-transmission costs as for secondary
6 distribution costs is inaccurate.

- 7 • Primary voltage system costs continue to be allocated, which is less
8 accurate than the use of a direct assignment method.

9 **Q. Does Ms. Stewart explain why she used a different method for sub-**
10 **transmission than for primary voltage distribution costs?**

11 A. No.

12 **Q. Does Ms. Stewart respond to your direct testimony and explain why she does**
13 **not or cannot directly assign primary system costs based on the customer-by-**
14 **customer primary system analysis?**

15 A. No.

16 **Q. At page 11 of your direct testimony, you noted that the Companies have not**
17 **followed the dictates of the NARUC Manual with respect to cost**
18 **classification, and you provided two specific examples regarding**
19 **classification of conductors. Does Ms. Stewart disagree with this conclusion**
20 **in her rebuttal testimony?**

21 A. In her response to Pennsylvania Office of Consumer Advocate (“OCA”) witness
22 Mr. Clarence Johnson, Ms. Stewart asserts that she has followed the dictates of
23 the NARUC Manual. However, Ms. Stewart offers no explanation for the two
24 specific variations from the NARUC Manual identified in my direct testimony,
25 nor does she offer any explanation for why the customer cost percentages for the

² Note that Ms. Stewart’s cost allocation study for Penn Power classifies transmission costs as 100 percent demand-related.

1 Companies are considerably higher than those in the Commission-approved PPL
2 Electric cost allocation study.

3 **Q. At page 12 of your direct testimony, you indicated that the meters cost**
4 **weighting factor for the West Penn GS Small customers was overstated. Do**
5 **the Companies' agree?**

6 A. Yes. Ms. Stewart acknowledges that the weighting factor for GS Small meters
7 and meter-reading costs should be lower, and she prepares a sensitivity analysis to
8 assess the impact of such a change. However, she asserts that the Companies do
9 not have sufficient information to develop a reasonable weighting factor and
10 therefore does not modify her revised cost allocation study to correct this error.

11 **Q. At page 13 of your direct testimony, you conclude that services costs are**
12 **over-allocated to small customers because West Penn uses an unweighted**
13 **customer allocation factor. Do the Companies' agree?**

14 A. Yes. Ms. Stewart acknowledges that larger customers likely require more costly
15 services, and that the NARUC Manual stipulates that this should be reflected in
16 the cost allocation. However, she concludes that the Companies do not have
17 sufficient information to develop class-specific factors, and she therefore retains
18 the error in the rebuttal cost allocation study.

19 **Q. At page 13 of your direct testimony, you indicate that the West Penn cost**
20 **allocation study fails to reflect the fact that residential customers have longer**
21 **payment lags than non-residential customers, implying that residential**
22 **customers disproportionately contribute to the need for working capital.**
23 **Does Ms. Stewart agree?**

24 A. No. Ms. Stewart simply asserts that “. . . working capital expenditures are made
25 to support the operation and maintenance of the distribution system and,
26 therefore, should be allocated to all classes based on their use of the distribution
27 system, not their payment lag.”

28 **Q. Is this a reasonable assessment of cost causation?**

1 A. No, it is not. Businesses require working capital to finance the lag between the
2 time when the business must make cash payments for the costs that they incur and
3 the time when they receive cash payments for their services. That is why utility
4 regulators, including the Pennsylvania Public Utility Commission, determine
5 working capital requirements using lead-lag studies. Since the Companies use a
6 lead-lag study to determine the overall working capital requirement, it should be
7 clear that differences in payment lags among the various customer classes affect
8 each class' contribution to the overall working capital requirement. Moreover,
9 working capital requirements are related to the payment lag for revenues and
10 expenses, and are unrelated to capital expenditures. There is therefore no causal
11 relationship between a utility's working capital requirements and utility plant.

12 **Q. At page 13 of your direct testimony, you indicate that uncollectibles costs**
13 **should reflect historical uncollectibles rates for each class. Does Ms. Stewart**
14 **agree?**

15 A. She does not appear to. In her response to Mr. C. Johnson, Ms. Stewart indicates
16 that she agrees that such costs should be allocated based on revenues. However,
17 as I indicated in my rebuttal testimony, this approach fails to recognize that the
18 uncollectibles rate is generally higher for residential customers than for non-
19 residential customers. Moreover, as I also indicated in direct testimony, the
20 Commission has generally agreed that class-specific uncollectibles rates should be
21 recognized in utility cost allocation and rate design. Ms. Stewart addresses
22 neither of these points.

23 **Q. At page 13 and footnote 13 of your direct testimony, you express a concern**
24 **that the Companies claim to have no information regarding actual historical**
25 **uncollectibles costs and forfeited discount revenues by rate class, despite the**
26 **fact that the Companies presumably know which customers are not paying**
27 **their bills and which customers are being charged late payment fees. Does**
28 **Ms. Stewart explain why such information which must be available to the**
29 **Companies on a customer-by-customer basis is not available for cost**
30 **allocation?**

1 A. No, she does not.

2 **Q. Have you attempted to correct the West Penn cost allocation analysis for all**
3 **of these problems?**

4 A. To the extent possible, I have. Exhibit IEc-S2 contains a version of the West
5 Penn cost allocation study. To develop this exhibit, I first modified the West
6 Penn cost allocation study presented in Exhibit IEc-4 of my direct testimony to be
7 consistent with the updated version of Ms. Stewart's rebuttal cost allocation study
8 (as corrected for the tax allocation error). While my replication was not perfect,
9 the differences were very small.

10 To adjust for the errors in the West Penn rebuttal cost allocation study, I made the
11 following changes to the replication:

- 12 • To address the general issue of an excessive customer component for
13 mains cost and the specific issue of the allocation of sub-transmission
14 costs, I classified sub-transmission costs as 100 percent demand-related
15 and allocated them based on NCP demand, excluding primary customer
16 demands. This approach is conceptually very similar to the approach that
17 Penn Power uses for transmission costs. However, I was unable to
18 directly assign either sub-transmission or primary system costs to the
19 appropriate classes, as the information to do so is not available.
- 20 • I adjusted the meters and meter reading weighting factors for the Rate 20
21 GS Small class to be consistent with those used at the other First Energy
22 companies.
- 23 • I developed a weighted customer allocation factor for services based on
24 the demand/customer classification split for services in the PPL Electric
25 cost allocation study, to reflect the higher services costs for larger
26 customers.

- 1 • I developed an alternative allocation factor for working capital that reflects
- 2 class revenues and the relative payment lag for residential and non-
- 3 residential customers.
- 4 • I was unable to correct the errors in the allocation of uncollectibles costs
- 5 and forfeited discount revenues because the Companies did not provide
- 6 the necessary information, and I therefore retained the Companies'
- 7 methods.

8 **Q. How do the results of your cost allocation study compare to those in the West**
 9 **Penn rebuttal cost allocation study?**

10 A. In general, the results from Exhibit IEc-S1 are directionally consistent with those
 11 in the West Penn rebuttal. A comparison of class rates of return at present rates is
 12 shown in Table IEc-S1 below.

Table IEc-S1 Comparison of West Penn Power Cost Allocation Results Class Rate of Return at Present Rates		
	West Penn Rebuttal	Exhibit IEc-S2
Residential	3.3%	3.6%
GSS Rate 20	-3.9%	-3.1%
GSM Rate 30	15.8%	13.5%
GSL Rate 35	11.5%	9.3%
Rate 40	2.2%	-0.8%
Rate 46	4.0%	0.2%
Penn State	12.3%	13.1%
Lighting	7.1%	7.2%
Total	4.5%	4.5%
Note: Certain smaller rate classes are excluded from this table (GS10, PP44, AGS), and the POL and Street Lighting classes are combined.		

13 **Q. Let's now turn to the Penn Power cost allocation study. Did Ms. Stewart**
 14 **modify the filed cost allocation study?**

15 A. Yes, Ms. Stewart corrected a relatively minor programming error.

1 **Q. At page 9 of your direct testimony, you expressed concern about unusually**
2 **high primary system conductors costs that resulted from the Companies'**
3 **sub-functionalization analysis. Did Ms. Stewart address your concern?**

4 A. No. This parameter contributes significantly to the extremely low rate of return
5 for the GP class, and remains unexplained.

6 **Q. Of your concerns regarding the West Penn cost allocation study, which apply**
7 **also to Penn Power?**

8 A. The following concerns apply to both cost allocation studies:

- 9 • The customer classification factors for joint use distribution plant are very
10 high relative to the Commission-approved PPL Electric study.
- 11 • Uncollectibles cost allocation fails to reflect class revenues and actual
12 class uncollectibles rates.
- 13 • Forfeited discount revenues fail to reflect actual class revenues and are
14 arbitrarily allocated.
- 15 • Working capital cost allocation fails to reflect the longer payment lag for
16 residential customers.
- 17 • Services costs fail to reflect a higher cost per customer for larger services.

18 **Q. Have you developed a cost allocation study which corrects for these errors?**

19 A. In part. Exhibit IEC-S3 provides an alternative version of the Companies' rebuttal
20 cost allocation study. This exhibit was developed by first replicating the
21 Companies' rebuttal cost allocation study.³ Because I had no basis for making
22 corrections, I retained the Companies' sub-functionalization of conductors costs,
23 the Companies' classification factors for joint-use distribution plant, and the

³ While my replication was not exact, the differences were minimal. One area of difference is that the Companies allocate accumulated depreciation reserve for poles differently than they allocate gross plant costs, whereas I apply the same classification and allocation factors to both.

1 Companies' allocation methods for uncollectibles and forfeited discount revenues.
2 I did incorporate the following adjustments:

- 3 • The working capital allocation method is adjusted to be based on O&M
4 and A&G expenses rather than plant, and to explicitly reflect the
5 difference in payment lag between residential and non-residential
6 customers.
- 7 • Services costs are allocated using a weighted customer allocator based on
8 the PPL Electric classification split.

9 **Q. What are the impacts of these changes?**

10 A. These changes have only a minimal impact on the allocated cost results. Table
11 IEC-S2 below compares the class rates of return from the Penn Power rebuttal cost
12 allocation study and Exhibit IEC-S3:

	Penn Power Rebuttal	Exhibit IEC-S3
RS/GSR	3.4%	3.4%
GSS	0.9%	0.8%
GSM/OH	10.9%	11.2%
GSL	10.9%	11.2%
GP	-5.0%	-5.2%
PNP	7.0%	7.1%
POL	-0.8%	-1.1%
STLT	6.9%	7.4%
GT	25.0%	23.4%
Total	4.0%	4.0%

13 **Q. In your direct testimony, you presented comparisons of the Companies' sub-**
14 **functionalization and classification methods with those in the PPL Electric**
15 **2012 cost allocation study approved by the Commission. Please update those**
16 **tables based on your surrebuttal analyses.**

1 A. Table IEc-3 in my direct testimony compared the Companies' sub-
 2 functionalization analysis with the PPL Electric results. An updated version of
 3 that table is shown as Table IEc-S3 below. My surrebuttal analysis does not
 4 affect the Penn Power results, but moves the results for West Penn much closer to
 5 the results for the other Companies.

Table IEc-S3					
Primary/Secondary Sub-Functionalization Summary					
	Met-Ed	Penelec	Penn Power	West Penn	2012 PPL
Number of Primary Customers	519	476	110	509	1179
NCP kW/Primary Customer	1496	1631	686	2,683	968
Primary Share of NCP Demand	23.0%	24.5%	7.7%	28.0%	16.0%
Primary System Share of Distribution Plant					
364 Poles	6.5%	6.0%	3.2%	4.7%	5.4%
365 OH Conductors	11.0%	9.9%	12.8%	11.5%	5.3%
366 UG Conduit	8.9%	11.0%	2.2%	5.0%	2.5%
367 UG Conductors	22.7%	4.5%	4.7%	3.2%	2.5%
Total	11.7%	8.3%	7.9%	7.1%	3.9%
Note: The reported values for West Penn primary include those for the sub-transmission and primary distribution systems.					

6 Table IEc-4 in my direct testimony compared classification factors. Table IEc-S4
 7 below updates that comparison for the changes to the West Penn cost allocation
 8 analysis in Exhibit IEc-S2, showing that the overall classification results in my
 9 cost allocation analysis are somewhat closer to the PPL Electric results albeit still
 10 materially higher. I did not modify the Penn Power classification results due to
 11 lack of information, although I retain my concerns about the Companies'
 12 methods.

Table IEc-S4					
Distribution Plant Classification Factors: Customer Component					
	Met-Ed	Penelec	Penn Power	West Penn	2012 PPL
Poles	78.0%	79.0%	84.5%	74.9%	51%/75%
OH Conductors	84.1%	85.6%	91.1%	79.3%	57%/64%
UG Conductors	88.4%	79.7%	82.3%	83.3%	82%/55%
Line Transformers	56.7%	68.2%	66.6%	77.1%	54%
Note: The results for PPL Electric represent the customer components of the primary/secondary systems.					
Sources: Exhibit HES-2, Supporting Study No. 7, RDK records from Docket No. R-2012-2290597.					

1 **3. Revenue Allocation**

2 **Q. In your direct testimony, you expressed several concerns about the**
3 **Companies' revenue allocation method, one of which was that the 50/50**
4 **weighting of current rates and cost of service would limit progress toward**
5 **cost-based rates to no more than halfway, and would never achieve cost-**
6 **based rates. Do the Companies agree with that assessment?**

7 A. Mr. Siedt does not directly rebut those points in my testimony. He simply
8 reiterates the Companies' position that their approach to rate gradualism is
9 appropriate for this proceeding.

10 **Q. You also expressed a concern that the Companies' method of applying a 20**
11 **percent maximum increase constraint on a total bill basis was inconsistent**
12 **with the nature of a distribution rate proceeding, and it was the type of**
13 **arbitrary constraint that the Commonwealth Court rejected in the *Lloyd***
14 **matter. Have the Companies' responded?**

15 A. Mr. Siedt indicates that the 20 percent restriction will be dropped in the
16 Companies' "final revenue allocation after all adjustments have been
17 determined," and the gradualism constraint will be limited to the 50/50 revenue
18 allocation weighting scheme.

19 **Q. Has Mr. Siedt presented the results of such a revenue allocation, updated for**
20 **changes to the cost allocation studies?**

21 A. No he has not.

1 **Q. At what point in this proceeding do the Companies' intend to present their**
2 **"final revenue allocation after all adjustments have been determined?"**

3 A. I do not know. I am advised by counsel that the OSBA reserves its rights to
4 contest any supplemental filing of evidence to which it has no reasonable
5 opportunity to respond.

6 **Q. Will the Companies' revenue allocation proposal reasonably reflect the**
7 **principles of rate gradualism?**

8 A. It is very likely that the Companies' proposal will violate the rules of thumb
9 offered by various experts in this proceeding. A number of experts proposed to
10 limit average rate increases for any particular rate class to no more than 1.5 times
11 the system average (including experts for OSBA, WPPII, AK Steel, and OCA).
12 However, the Companies' approach without its total bill constraint may very well
13 result in percentage rate increases for some classes that exceed those levels. For
14 example, I estimate that the rate increase for the Penn Power GP class would
15 exceed 160 percent under the Companies' proposed method without a total bill
16 constraint, more than four times the system average increase. Similarly, albeit to
17 a lesser extent, the rate increases for the GS Small/Rate 20 classes for both West
18 Penn and Penn Power would likely exceed 1.5 times the system average result
19 under the Companies' proposal.

20 Since the Companies have not provided any demonstration of the impact of their
21 newly proposed methodology (or even the implications of the revised cost
22 allocation analyses), it is not clear how the Commission can reasonably approve a
23 method whose rate increase implications are "sight unseen."

24 **Q. Have you updated your revenue allocation analysis for the revised cost**
25 **allocation studies?**

26 A. Yes. The last page of Exhibit IEC-S2 shows the details of my revenue allocation
27 analysis for West Penn, based on my updated cost allocation study in that exhibit.
28 Similarly, the last page of Exhibit IEC-S3 shows the details of my revenue
29 allocation analysis for Penn Power, which changes only slightly from my direct

1 testimony. A summary of my proposed revenue allocation for each company is
 2 shown in Tables IEC-S5 and IEC-S6 below. Each table also compares the
 3 proposed revenue allocation to the increase necessary to bring each class'
 4 revenues into line with fully allocated costs.

Table IEC-S5				
RDK Revenue Allocation Proposal for West Penn Power				
Updated for Surrebuttal (\$000)				
	Base Rates	USC	Total	Increase to Cost of Service
Residential	67,633	29,106	96,739	98,980
GSS Rate 20	5,893		5,893	15,977
GSM Rate 30	0		0	(15,073)
GSL Rate 35	0		0	(1,480)
Rate 40	3,507		3,507	6,968
Rate 46	1,232		1,232	2,249
Penn State	0		0	(268)
Lighting	348		348	457
Total Increase	78,623	29,106	107,729	107,729

Note: Certain smaller rate classes are excluded from this table (GS10, PP44, AGS), and the POL and Street Lighting classes are combined.

Table IEC-S6		
RDK Revenue Allocation Proposal for Penn Power		
Updated for Surrebuttal (\$000)		
	Recommended Increase	Increase to Cost of Service
RS/GSR	26,422	24,511
GSS	1,953	2,814
GSM/OH	0	(1,940)
GSL	0	(470)
GP	900	4,755
PNP	9	7
POL	154	382
STLT	118	82
GT	0	(530)
Total	29,556	29,556

1 **Q. In his rebuttal testimony involving West Penn, Mr. Baudino concludes that**
2 **your revenue allocation proposal for the Rate 46 class was not consistent with**
3 **your cost allocation results. Is his assessment correct?**

4 A. No, it is not. As Mr. Baudino notes, the class rate of return for Rate 46 at current
5 rates in my direct testimony cost allocation analysis was 3.2 percent. However, in
6 order to bring that class into line with allocated costs at the Companies' proposed
7 rate of return of 8.14 percent, it would be necessary to assign a rate increase of
8 \$1.362 million, an increase of 56.8 percent. As I indicated in my direct
9 testimony, I limited the increases to no more than 1.5 times system average,
10 which moderately reduced the Rate 46 class increase to \$1.232 million. As
11 shown in Exhibit IEC-S2, a similar constraint is applied in my updated analysis.

12 **Q. Does this conclude your surrebuttal testimony?**

13 A. Yes, it does.

EXHIBIT IEc-S1

CORRECTION TO COMPANIES' EXHIBIT HES 1-R

**WEST PENNSYLVANIA POWER COMPANY
COST OF SERVICE STUDY - TOTAL SUMMARY
FULLY FUTURE TEST YEAR**

**COMPANY PREFERRED ALLOCATION METHOD: Corrected for Tax Allocation Programming Errors
PROPOSED RATES, \$1,000s**

	TOTAL												
	RETAIL	RS	GS10	GSS	GSM	PP40	GSL	POL	PSU	PP44	PP46	AGS	STLT
<u>RATE BASE</u>													
Plant in Service	2,189,896	1,537,314	2,067	154,485	239,581	64,999	92,462	13,174	5,653	37	22,799	177	57,149
Depreciation Reserve	801,162	543,228	770	52,791	93,327	31,434	36,773	3,940	2,474	4	11,364	58	24,998
Net Plant	1,388,734	994,086	1,296	101,694	146,254	33,565	55,689	9,234	3,179	32	11,435	118	32,151
Rate Base Additions	199,934	140,752	189	14,030	22,111	6,009	8,519	1,192	525	2	2,123	16	4,466
Rate Base Deductions	301,371	207,356	297	25,481	33,507	9,960	11,943	1,704	729	5	2,951	22	7,416
Rate Base Other Total	(101,437)	(66,604)	(107)	(11,451)	(11,396)	(3,951)	(3,425)	(512)	(205)	(2)	(828)	(6)	(2,950)
Rate Base Total	1,287,297	927,482	1,189	90,243	134,858	29,614	52,264	8,722	2,974	30	10,608	112	29,201
<u>INCOME STATEMENT</u>													
Revenue													
Tariff Revenue Total	393,274	264,834	631	16,019	62,749	12,976	19,841	6,076	1,485	127	4,320	38	4,179
Other Revenue Total	14,431	10,745	13	1,256	1,196	345	403	68	26	1	117	1	259
Retail Total	407,705	275,579	644	17,275	63,946	13,321	20,243	6,145	1,511	127	4,437	39	4,439
Expenses													
Total Operation & Maintenance Expense	119,098	87,226	106	10,265	10,645	2,834	4,225	612	242	4	914	13	2,012
Depreciation Expense	74,089	52,305	78	6,000	7,820	2,013	3,060	390	142	13	542	5	1,721
Other Expenses Amortization Expense Total	11,896	8,081	16	1,204	1,326	432	587	31	14	7	60	0	136
Taxes Other than Income Taxes Excl GRT	6,234	4,350	6	493	652	202	255	29	16	0	70	1	161
Gross Receipts Tax	23,203	15,625	37	945	3,702	766	1,171	359	88	7	255	2	247
Total Operating Expense	234,519	167,588	243	18,907	24,144	6,246	9,298	1,419	503	32	1,841	21	4,276
Income Before Taxes	173,186	107,991	401	(1,632)	39,802	7,074	10,945	4,725	1,008	95	2,596	18	163
Income taxes													
Current State Income Tax	16,506	10,159	39	(208)	3,901	710	1,064	463	100	9	260	2	8
Current Federal Income Tax	52,053	32,036	124	(656)	12,301	2,239	3,356	1,460	314	30	819	5	24
Provision for Deferred Income Taxes	3,724	2,614	4	263	407	111	157	22	10	0	39	0	97
Investment Tax Credit Adjustments	(659)	(462)	(1)	(46)	(73)	(20)	(28)	(4)	(2)	(0)	(7)	(0)	(17)
Total Income Tax	71,624	44,347	167	(647)	16,536	3,040	4,550	1,941	422	39	1,111	7	111
Net Income After Tax	101,561	63,644	234	(985)	23,265	4,034	6,395	2,784	586	56	1,485	11	52
Rate of Return	7.89%	6.86%	19.72%	-1.09%	17.25%	13.62%	12.24%	31.92%	19.71%	183.77%	14.00%	9.52%	0.18%

Total - Summary

EXHIBIT IEc-S2

RDK SURREBUTTAL TESTIMONY

COST ALLOCATION STUDY

AND REVENUE ALLOCATION ANALYSIS

WEST PENN POWER COMPANY

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-52

Account	Description	Allocator	Total	Summary											
				RS	G510	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
Current Tariff Revenues			314,652	204,009	494	11,475	59,237	19,108	6,829	28	2,399	1,084	15	3,945	6,031
Less GRT			-18,564	-12,037	-29	-677	-3,495	-1,127	-403	-2	-142	-64	-1	-233	-356
Other Revenues			14,431	10,604	13	1,152	1,293	443	424	1	148	26	1	66	260
Total Revenues			310,518	202,576	478	11,950	57,036	18,423	6,850	27	2,405	1,045	15	3,778	5,935
O&M Expense			119,097	84,648	111	9,245	12,047	4,816	4,003	4	1,366	236	13	576	2,032
Depreciation/Amortization			85,985	59,084	98	6,444	9,959	3,998	3,102	21	851	152	5	401	1,870
Other Taxes			6,234	4,231	6	443	719	283	257	0	91	16	1	27	162
Income Taxes			40,926	22,165	110	-1,706	14,304	3,888	-139	0	64	270	-2	1,140	831
Total Expenses			252,242	170,128	325	14,426	37,029	12,985	7,223	26	2,371	673	17	2,143	4,895
Net Income			58,276	32,448	153	-2,477	20,007	5,439	-373	1	34	372	-2	1,635	1,040
Rate Base			1,287,297	898,864	1,221	80,098	148,400	58,606	43,897	34	16,124	2,843	110	8,304	28,797
Return on Rate Base			4.53%	3.6%	12.6%	-3.1%	13.5%	9.3%	-0.8%	2.7%	0.2%	13.1%	-2.0%	19.7%	3.6%
			4.53%	3.25%	13.39%	-3.81%	15.79%	11.46%	2.23%	4.20%	4.06%	12.28%	-1.87%	18.39%	3.65%
Rate Increase			78,623	67,633	0	5,893	0	0	3,507	3	1,232	0	7	0	348
Less: GRT/Income Tax			-35,338	-30,398	0	-2,649	0	0	-1,576	-1	-554	0	-3	0	-156
Income at Proposed Rates			101,562	69,683	153	768	20,007	5,439	1,558	2	712	372	2	1,635	1,231
Rate of Return			7.8896%	7.75%	12.57%	0.96%	13.48%	9.28%	3.55%	7.39%	4.42%	13.08%	1.74%	19.70%	4.28%
Adj. to Levelized RoR Present Rates			0	14,975	-178	11,085	-24,137	-5,060	4,287	1	1,264	-442	13	-2,288	479
Adj. to Levelized RoR Proposed Rates			0	2,241	-104	10,084	-15,073	-1,480	3,461	0	1,017	-268	12	-1,781	1,890
Progress Toward Cost-Based Rates				85%	42%	9%	38%	71%	19%	72%	20%	39%	6%	22%	-294%
Percent Increase			25.0%	33.2%	0.0%	51.4%	0.0%	0.0%	51.4%	10.2%	51.4%	0.0%	51.4%	0.0%	5.8%

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-52

Account	Description	Allocator	Total	RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	Gross Plant						
									PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
301	Organization	JP6	157	108	0	11	19	7	6	0	2	0	0	1	4
302	Franchises and Consents		0												
303	Intangible Plant	X1	61,480	44,396	55	4,843	5,987	2,402	1,868	2	630	108	7	331	851
	Sub-Total Intangible Plant		61,637	44,504	56	4,854	6,005	2,409	1,874	2	632	109	7	332	855
			90%												
360	Land	JP1	17,022	11,694	17	1,123	2,116	822	691	0	253	44	1	93	167
361	Structures	D1N	20,587	8,246	28	373	4,672	2,273	3,388	0	1,262	222	0	44	76
362	Station	D1N	298,241	119,457	410	5,401	67,685	32,935	49,089	0	18,287	3,222	6	643	1,106
	Poles SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	Poles SubT Demand	D1ST	64,096	26,908	92	1,216	15,106	5,603	10,656	0	4,119	0	1	145	249
364PC	Poles Primary Customer	C2	8,131	0	0	1,053	3,052	3,816	158	0	0	26	26	0	0
364PD	Poles Primary Demand	D1NP	1,368	0	0	0	62	805	178	0	0	322	0	0	0
364SC	Poles Secondary Customer	C3	376,079	322,796	273	34,226	15,510	172	1	0	0	0	2	2,808	292
364SD	Poles Secondary Demand	D1NS	63,266	35,176	121	1,589	19,686	6,017	159	0	0	0	2	189	326
364SL	Poles Streetlight	Direct	14,776												14,776
	OH Cond. SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	OH Cond. SubT Demand	D1ST	62,279	26,146	90	1,181	14,677	5,444	10,354	0	4,002	0	1	141	242
365PC	OH Cond. Primary Customer	C2	31,309	0	0	4,053	11,754	14,692	608	0	0	101	101	0	0
365PD	OH Cond. Primary Demand	D1NP	2,320	0	0	1	106	1,366	302	0	0	546	0	0	0
365SC	OH Cond. Secondary Customer	C3	302,073	259,275	219	27,491	12,458	138	0	0	0	0	1	2,256	235
365SD	OH Cond. Secondary Demand	D1NS	22,388	12,448	43	562	6,966	2,129	56	0	0	0	1	67	115
	UG Conduit SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	UG Conduit SubT Demand	D1ST	430	181	1	8	101	38	71	0	28	0	0	1	2
366PC	UG Conduit Primary Customer	C2	0	0	0	0	0	0	0	0	0	0	0	0	0
366PD	UG Conduit Primary Demand	D1NP	1,425	0	0	0	65	839	185	0	0	335	0	0	0
366SC	UG Conduit Secondary Customer	C3	0	0	0	0	0	0	0	0	0	0	0	0	0
366SD	UG Conduit Secondary Demand	D1NS	28,459	15,823	54	715	8,855	2,707	72	0	0	0	1	85	147
	UG Conductor SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	UG Conductor SubT Demand	D1ST	3,443	1,445	5	65	811	301	572	0	221	0	0	8	13
367PC	UG Cond. Primary Customer	C2	2,837	0	0	367	1,065	1,331	55	0	0	9	9	0	0
367PD	UG Cond. Primary Demand	D1NP	477	0	0	0	22	281	62	0	0	112	0	0	0
367SC	UG Cond. Secondary Customer	C3	103,344	88,702	75	9,405	4,262	47	0	0	0	0	0	772	80

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, 5000

Scenario: Exhibit IEc-S2

Account	Description	Allocator	Total	RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	Gross Plant						
									PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
367SD	UG Cond. Secondary Demand	D1NS	17,385	9,666	33	437	5,410	1,654	44	0	0	0	0	52	90
368C	Line Transformers Customer	CS	275,565	236,523	200	25,078	11,365	126	0	0	0	0	2	2,058	214
368D	Line Transformers Demand	D1NS	81,848	45,507	156	2,056	25,468	7,785	206	0	0	0	2	245	421
369	Services	C9D	95,999	81,962	71	8,642	4,348	180	4	0	0	0	0	710	81
370	Meters	CS	30,591	20,838	54	3,090	3,534	1,717	1,292	33	28	5	0	0	0
371	Customer Premises	Direct	583											583	
372	Leased Property Customer	Direct	297											297	
373	Streetlight	Direct	33,600												33,600
Sub-Total Distribution Plant			1,960,219	1,322,794	1,943	128,133	239,157	93,218	78,206	33	28,201	4,945	158	11,197	52,233
General Plant - Labor			0	0	0	0	0	0	0	0	0	0	0	0	0
General Plant - Plant			168,040	113,397	167	10,984	20,502	7,991	6,704	3	2,418	424	14	960	4,478
Sub-Total General Plant			168,040	113,397	167	10,984	20,502	7,991	6,704	3	2,418	424	14	960	4,478
Total Distribution Plant			2,189,896	1,480,694	2,165	143,971	265,664	103,618	86,784	38	31,250	5,478	178	12,489	57,566

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	Accumulated Depreciation											
				RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
301	Organization	JP6	0	0	0	0	0	0	0	0	0	0	0	0	0
302	Franchises and Consents	0	0												
303	Intangible Plant	X1	23,348	16,860	21	1,839	2,274	912	710	1	239	41	3	126	323
	Sub-Total Intangible Plant		23,348	16,860	21	1,839	2,274	912	710	1	239	41	3	126	323
360	Land	JP1	3,727	2,560	4	246	463	180	151	0	55	10	0	20	37
361	Structures	D1N	9,370	3,753	13	170	2,126	1,035	1,542	0	575	101	0	20	35
362	Station	D1N	156,648	62,744	216	2,837	35,551	17,299	25,783	0	9,605	1,692	3	338	581
	Poles SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	Poles SubT Demand	D1ST	15,686	6,585	23	298	3,697	1,371	2,608	0	1,008	0	0	35	61
364PC	Poles Primary Customer	C2	1,990	0	0	258	747	934	39	0	0	6	6	0	0
364PD	Poles Primary Demand	D1NP	335	0	0	0	15	197	44	0	0	79	0	0	0
364SC	Poles Secondary Customer	C3	92,039	78,999	67	8,376	3,796	42	0	0	0	0	0	687	72
364SD	Poles Secondary Demand	D1NS	15,483	8,609	30	389	4,818	1,473	39	0	0	0	0	46	80
364SL	Poles Streetlight	Direct	3,616												3,616
	OH Cond. SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	OH Cond. SubT Demand	D1ST	19,995	8,394	29	379	4,712	1,748	3,324	0	1,285	0	0	45	78
365PC	OH Cond. Primary Customer	C2	10,052	0	0	1,301	3,774	4,717	195	0	0	33	33	0	0
365PD	OH Cond. Primary Demand	D1NP	745	0	0	0	34	439	97	0	0	175	0	0	0
365SC	OH Cond. Secondary Customer	C3	96,982	83,242	70	8,826	4,000	44	0	0	0	0	0	724	75
365SD	OH Cond. Secondary Demand	D1NS	7,188	3,996	14	181	2,237	684	18	0	0	0	0	22	37
	UG Conduit SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	UG Conduit SubT Demand	D1ST	71	30	0	1	17	6	12	0	5	0	0	0	0
366PC	UG Conduit Primary Customer	C2	0	0	0	0	0	0	0	0	0	0	0	0	0
366PD	UG Conduit Primary Demand	D1NP	237	0	0	0	11	139	31	0	0	56	0	0	0
366SC	UG Conduit Secondary Customer	C3	0	0	0	0	0	0	0	0	0	0	0	0	0
366SD	UG Conduit Secondary Demand	D1NS	4,726	2,628	9	119	1,471	450	12	0	0	0	0	14	24
	UG Conductor SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	UG Conductor SubT Demand	D1ST	1,333	560	2	25	314	117	222	0	86	0	0	3	5
367PC	UG Cond. Primary Customer	C2	1,099	0	0	142	412	515	21	0	0	4	4	0	0
367PD	UG Cond. Primary Demand	D1NP	185	0	0	0	8	109	24	0	0	43	0	0	0
367SC	UG Cond. Secondary Customer	C3	40,011	34,342	29	3,641	1,650	18	0	0	0	0	0	299	31

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit 1E-C52

Account	Description	Allocator	Total	Accumulated Depreciation											
				RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
367SD	UG Cond. Secondary Demand	D1NS	6,731	3,742	13	169	2,094	640	17	0	0	0	0	20	35
368C	Line Transformers Customer	C3	118,097	101,365	86	10,748	4,871	54	0	0	0	0	0	882	92
368D	Line Transformers Demand	D1NS	35,077	19,503	67	881	10,915	3,336	88	0	0	0	1	105	181
369	Services	C9D	44,926	38,357	33	4,044	2,035	84	2	0	0	0	0	332	38
370	Meters	C5	2,429	1,655	4	245	281	136	103	3	2	0	0	0	0
371	Customer Premises	Direct	-632											-632	
372	Leased Property Customer	Direct	239											239	
373	Streetlight	Direct	17,831												17,831
RWIP		JP2	-11,185	-7,548	-11	-731	-1,365	-532	-446	0	-161	-28	-1	-64	-298
Sub-Total Distribution Plant			695,030	453,515	696	42,545	88,683	35,235	33,926	2	12,460	2,171	50	3,137	22,610
General Plant - Labor			0	0	0	0	0	0	0	0	0	0	0	0	0
General Plant - Plant			82,784	55,864	82	5,411	10,100	3,937	3,303	1	1,191	209	7	473	2,206
Sub-Total General Plant			82,784	55,864	82	5,411	10,100	3,937	3,303	1	1,191	209	7	473	2,206
Total Distribution Plant			801,162	526,240	799	49,796	101,056	40,084	37,938	5	13,890	2,421	59	3,735	25,139

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	Rate Base											
				RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
Net Plant															
	Gross Distribution Plant		2,189,896	1,480,694	2,165	143,971	265,664	103,618	86,784	38	31,250	5,478	178	12,489	57,566
	Accumulated Depreciation		-801,162	-526,240	-799	-49,796	-101,056	-40,084	-37,938	-5	-13,890	-2,421	-59	-3,735	-25,139
	Net Distribution Plant		1,388,734	954,454	1,366	94,175	164,608	63,535	48,846	33	17,361	3,057	120	8,753	32,427
Additions															
	RB Adj. M&S	JP2	18,406	12,421	18	1,203	2,246	875	734	0	265	46	1	105	490
	CWC	X2A	117,080	88,003	82	4,639	10,408	4,464	4,453	5	1,578	280	6	707	2,455
	RB Adj. Storm Damage	JP2	15,465	10,436	15	1,011	1,887	735	617	0	222	39	1	88	412
	RB Adj. Legacy Meters	JP1	48,983	33,651	49	3,232	6,090	2,365	1,988	0	728	128	4	267	482
	Total Additions		199,934	144,511	164	10,085	20,631	8,440	7,792	5	2,793	493	13	1,168	3,839
Deductions															
	Customer Deposits	C7	19,821	9,645	30	5,850	2,661	47	1,565	0	0	0	0	17	5
	Customer Advances	C8	1,420	1,419	1	0	0	0	0	0	0	0	0	0	0
	Deferred Tax Lib Dep'n	JP2	277,807	187,470	275	18,159	33,894	13,211	11,084	5	3,997	701	22	1,587	7,403
	Operating Reserves	JP2	2,323	1,568	2	152	283	110	93	0	33	6	0	13	62
	Total Deductions		301,371	200,101	309	24,162	36,839	13,369	12,742	5	4,030	707	23	1,617	7,469
	RATE BASE		1,287,297	898,864	1,221	80,098	148,400	58,606	43,897	34	16,124	2,843	110	8,304	28,797

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	RS	GS10	O&M Expense									
						GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
580	Op. S&E	X2	102	65	0	6	14	6	6	0	2	0	0	0	2
581	Op. Dispatching	D1N	1,235	495	2	22	280	136	203	0	76	13	0	3	5
582	Op. Station	D1N	1,197	479	2	22	272	132	197	0	73	13	0	3	4
583	Op. Overhead Lines	JP3	1,364	967	1	108	149	77	37	0	13	2	0	8	2
584	Op. Underground Lines	JP4	974	763	1	78	88	28	6	0	2	1	0	6	1
586	Op. Meters	CS	641	437	1	65	74	36	27	1	1	0	0	0	0
588	Op. Miscellaneous	JP2	8,150	5,500	8	533	994	388	325	0	117	21	1	47	217
589	Mn. Rents	JP2	0	0	0	0	0	0	0	0	0	0	0	0	0
590	Mn. S&E	X3	413	274	0	30	49	25	17	0	6	1	0	2	9
591	Mn. Structures	JP2	0	0	0	0	0	0	0	0	0	0	0	0	0
592	Mn. Station	D1N	4,123	1,651	6	75	936	455	679	0	253	45	0	9	15
593	Mn. OH Conductors	JP3	33,312	23,604	28	2,638	3,642	1,884	897	0	317	51	8	195	47
594	Mn. UG Conductors	JP4	667	522	1	54	61	19	4	0	1	1	0	4	1
595	Mn. Transformers	CS	0	0	0	0	0	0	0	0	0	0	0	0	0
596	Mn. Streetlights	Direct	819												819
597	Mn. Meters	CS	1,544	1,052	3	156	178	87	65	2	1	0	0	0	0
598	Mn. Misc.	JP2	1,069	721	1	70	130	51	43	0	15	3	0	6	28
	Adj. Payroll	X4	359	216	0	22	50	24	23	0	8	1	0	2	14
	Adj. Reacq. Debt	JP2	97	65	0	6	12	5	4	0	1	0	0	1	3
	Other	JP2	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sub-Total Distribution		56,066	36,811	53	3,884	6,930	3,351	2,532	3	887	152	10	285	1,167
902	Meter Reading	C6	11,080	9,074	12	1,249	724	18	3	0	0	0	0	0	0
903	CA Records & Collections	C9	9,116	7,814	7	828	382	7	2	0	0	0	0	67	9
904	CA Uncoll.	C9A	3,725	3,193	3	339	156	3	1	0	0	0	0	27	4
905	CA Accounts	C9B	134	115	0	12	6	0	0	0	0	0	0	1	0
	Adj. Payroll	X5	206	170	0	23	13	0	0	0	0	0	0	0	0
	Adj. Deposits	C7	1,189	579	2	351	160	3	94	0	0	0	0	1	0
	Adj. Uncoll.	C9A	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. Accts.	C1	14	12	0	1	1	0	0	0	0	0	0	0	0
	Sub-Total Customer Accounts		25,464	20,956	24	2,803	1,441	31	99	0	0	0	0	97	14

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	RS	O&M Expense											
					GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.	
907	CI Supervision	CSC	574	561	0	6	3	0	0	0	0	0	0	0	4	1
908	CI Assistance Dist'n	Direct	-7,526	-7,526												
909	CI Advertising	C3	53	45	0	5	2	0	0	0	0	0	0	0	0	0
910	CI Misc.	CSC	-93	-91	0	-1	0	0	0	0	0	0	0	0	-1	0
	Adj. Payroll	X6	12,053	11,773	1	124	57	1	0	0	0	0	0	0	80	17
	Sub-Total Customer Information		5,061	4,762	1	134	62	1	0	0	0	0	0	84	17	
920	A&G Salaries	X7	-206	-140	0	-15	-23	-9	-9	0	-3	-1	0	-1	-5	
921	A&G Office Supplies	X7	1,906	1,297	2	143	211	84	81	0	28	5	0	6	49	
922	A&G Admin	X7	-2,808	-1,911	-3	-210	-311	-123	-119	0	-41	-7	0	-9	-72	
923	A&G Outside Services	X7	14,521	9,882	15	1,087	1,610	638	614	1	214	37	1	48	372	
924	A&G Insurance	JP6	296	203	0	20	35	14	10	0	4	1	0	2	7	
925	A&G Injury/Damages	X7	1,203	819	1	90	133	53	51	0	18	3	0	4	31	
926	A&G Pensions/Benefits	X7	5,596	3,808	6	419	620	246	237	0	83	14	0	18	143	
928	Regulatory Commission Expense	X7	2,467	1,679	3	185	274	108	104	0	36	6	0	8	63	
930	General Advertising	X7	1	1	0	0	0	0	0	0	0	0	0	0	0	
930	A&G Misc.	X7	-881	-600	-1	-66	-98	-39	-37	0	-13	-2	0	-3	-23	
931	A&G Misc. Rent	X7	2,512	1,710	3	188	279	110	106	0	37	6	0	8	64	
935	A&G Maint. Gen. Plant	JP7	771	520	1	50	94	37	31	0	11	2	0	4	21	
	Adj. Cash Pension	X7	7,149	4,865	7	535	793	314	303	0	106	18	1	24	183	
	Adj. Other Emp. Benefits	X7	912	621	1	68	101	40	39	0	13	2	0	3	23	
	Adj. A&G Non-Juris	X7	-1,527	-1,039	-2	-114	-169	-67	-65	0	-23	-4	0	-5	-39	
	Adj. A&G Rate Case	X7	192	131	0	14	21	8	8	0	3	0	0	1	5	
	Adj. A&G Legacy Meters		0													
	Adj. Accel. Switching	X8	402	274	0	30	45	18	17	0	6	1	0	1	10	
	Sub-Total A&G		32,506	22,119	33	2,424	3,615	1,433	1,371	2	479	83	3	110	833	
	Total O&M Expense		119,097	84,648	111	9,245	12,047	4,816	4,003	4	1,366	236	13	576	2,032	

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-52

Account	Description	Allocator	Total	Accumulated Depreciation											
				RS	G510	G55 Rate 20	G5M Rate 30	G5L Rate 35	PP40	PP44	PP46	Penn State	AGS	POI	Street Ltg.
301	Organization	JP6	0	0	0	0	0	0	0	0	0	0	0	0	0
302	Franchises and Consents	0	0												
303	Intangible	X1	7,740	5,589	7	610	754	302	235	0	79	14	1	42	107
	Sub-Total Intangible		7,740	5,589	7	610	754	302	235	0	79	14	1	42	107
360	Land	JP1	183	126	0	12	23	9	7	0	3	0	0	1	2
361	Structures	D1N	239	96	0	4	54	26	39	0	15	3	0	1	1
362	Station	D1N	3,639	1,458	5	66	826	402	599	0	223	39	0	8	13
	Poles SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	Poles SubT Demand	D1ST	981	412	1	19	231	86	163	0	63	0	0	2	4
364PC	Poles Primary Customer	C2	124	0	0	16	47	58	2	0	0	0	0	0	0
364PD	Poles Primary Demand	D1NP	21	0	0	0	1	12	3	0	0	5	0	0	0
3645C	Poles Secondary Customer	C3	5,754	4,939	4	524	237	3	0	0	0	0	0	43	4
3645D	Poles Secondary Demand	D1NS	968	538	2	24	301	92	2	0	0	0	0	3	5
3645L	Poles Streetlight	Direct	226												226
	OH Cond. SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	OH Cond. SubT Demand	D1ST	857	360	1	16	202	75	142	0	55	0	0	2	3
365PC	OH Cond. Primary Customer	C2	431	0	0	56	162	202	8	0	0	1	1	0	0
365PD	OH Cond. Primary Demand	D1NP	32	0	0	0	1	19	4	0	0	8	0	0	0
3655C	OH Cond. Secondary Customer	C3	4,157	3,568	3	378	171	2	0	0	0	0	0	31	3
3655D	OH Cond. Secondary Demand	D1NS	308	171	1	8	96	29	1	0	0	0	0	1	2
	UG Conduit SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	UG Conduit SubT Demand	D1ST	10	4	0	0	2	1	2	0	1	0	0	0	0
366PC	UG Conduit Primary Customer	C2	0	0	0	0	0	0	0	0	0	0	0	0	0
366PD	UG Conduit Primary Demand	D1NP	32	0	0	0	1	19	4	0	0	7	0	0	0
3665C	UG Conduit Secondary Customer	C3	0	0	0	0	0	0	0	0	0	0	0	0	0
3665D	UG Conduit Secondary Demand	D1NS	635	353	1	16	197	60	2	0	0	0	0	2	3
	UG Conductor SubT Customer	C4A	0	0	0	0	0	0	0	0	0	0	0	0	0
	UG Conductor SubT Demand	D1ST	86	36	0	2	20	8	14	0	6	0	0	0	0
367PC	UG Cond. Primary Customer	C2	71	0	0	9	27	33	1	0	0	0	0	0	0
367PD	UG Cond. Primary Demand	D1NP	12	0	0	0	1	7	2	0	0	3	0	0	0
3675C	UG Cond. Secondary Customer	C3	2,583	2,217	2	235	107	1	0	0	0	0	0	19	2

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	Accumulated Depreciation											
				RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
367SD	UG Cond. Secondary Demand	D1NS	435	242	1	11	135	41	1	0	0	0	0	1	2
368C	Line Transformers Customer	CS	6,145	5,274	4	559	253	3	0	0	0	0	0	46	5
368D	Line Transformers Demand	D1NS	1,825	1,015	3	46	568	174	5	0	0	0	0	5	9
369	Services	C9D	2,026	1,730	2	182	92	4	0	0	0	0	0	15	2
370	Meters	CS	2,040	1,390	4	206	236	115	86	2	2	0	0	0	0
371	Customer Premises	Direct	19											19	
372	Leased Property Customer	Direct	5											5	
373	Streetlight	Direct	756												756
Sub-Total Distribution			34,599	23,927	35	2,390	3,992	1,480	1,089	2	367	67	2	204	1,043
General Plant - Labor			0	0	0	0	0	0	0	0	0	0	0	0	0
General Plant - Plant			8,975	6,057	9	587	1,095	427	358	0	129	23	1	51	239
Sub-Total General			8,975	6,057	9	587	1,095	427	358	0	129	23	1	51	239
Amortization/Depletion			7,125	4,818	7	468	864	337	282	0	102	18	1	41	187
Adj. Removal/Salvage			-7,125	-4,808	-7	-466	-869	-339	-284	0	-103	-18	-1	-41	-190
Adj. Average Net Salvage			12,978	8,758	13	848	1,583	617	518	0	187	33	1	74	346
Legacy Meters			9,797	6,673	17	990	1,132	550	414	11	9	1	0	0	0
Amort Smart Meter			6,741	4,592	12	681	779	378	285	7	6	1	0	0	0
IS Adj. Amort Exps			5,155	3,479	5	337	629	245	206	0	74	13	0	29	137
Sub-Total Other Dep'n/Amort			34,671	23,511	47	2,858	4,118	1,789	1,420	18	275	48	1	104	481
Total Distribution/Amortization Expense			85,985	59,084	98	6,444	9,959	3,998	3,102	21	851	152	5	401	1,870

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	Revenue and Taxes											
				RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
Pa. Gross Receipts Tax		5.9%	18,564	12,037	29	677	3,495	1,127	403	2	142	64	1	233	356
Property Tax		JP8	2,553	1,726	3	168	310	121	101	0	36	6	0	15	67
Payroll Tax		X7	4,487	3,054	5	336	498	197	190	0	66	11	0	15	115
Capital Stock Tax		JP8	74	50	0	5	9	4	3	0	1	0	0	0	2
Misc. Tax		JP8	0	0	0	0	0	0	0	0	0	0	0	0	0
Adj. Payroll Tax		X7	-366	-249	0	-27	-41	-16	-15	0	-5	-1	0	-1	-9
Adj. Other Tax		X7	-514	-350	-1	-38	-57	-23	-22	0	-8	-1	0	-2	-13
Sub-Total Other Taxes			24,798	16,267	35	1,120	4,214	1,410	660	2	232	80	1	260	517
Current Base Rate Revenue			314,652	204,009	494	11,475	59,237	19,108	6,829	28	2,399	1,084	15	3,945	6,031
Forfeited Discounts		C1	3,000	2,573	2	273	124	2	1	0	0	0	0	22	2
Misc. Service Revenue		C3	1,898	1,629	1	173	78	1	0	0	0	0	0	14	1
Pole Rent			0												
Lease Rent		X7	10,019	6,818	10	750	1,111	440	424	1	148	26	1	33	257
Adj. Late Payment		C1	-485	-417	0	-44	-20	0	0	0	0	0	0	-4	0
Current Revenues			329,083	214,612	508	12,627	60,531	19,551	7,253	28	2,546	1,109	15	4,011	6,291
O&M			119,097	84,648	111	9,245	12,047	4,816	4,003	4	1,366	236	13	576	2,032
Dep'n/Amortization			85,985	59,084	98	6,444	9,959	3,998	3,102	21	851	152	5	401	1,870
Other Taxes			24,798	16,267	35	1,120	4,214	1,410	660	2	232	80	1	260	517
Deductions			229,880	160,000	245	16,809	26,220	10,224	7,765	27	2,449	467	19	1,236	4,420
Interest		RB	34,538	24,116	33	2,149	3,982	1,572	1,178	1	433	76	3	223	773
Net Income			64,664	30,497	230	-6,332	30,329	7,754	-1,690	0	-335	566	-7	2,552	1,099
Book Average Net Salvage		JP2	12,978	8,758	13	848	1,583	617	518	0	187	33	1	74	346
Adj. Book to Tax Dep'n		JP2	11,392	7,688	11	745	1,390	542	455	0	164	29	1	65	304
Tax Cost Removal/Salvage		JP2	-4,938	-3,332	-5	-323	-602	-235	-197	0	-71	-12	0	-28	-132
Adjust Cas Pension		JP2	7,149	4,824	7	467	872	340	285	0	103	18	1	41	190
Sub-Total Adjustments			26,581	17,937	26	1,738	3,243	1,264	1,060	0	382	67	2	152	708

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	Revenue and Taxes											
				RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
	Adjusted Net Taxable Income		91,245	48,434	257	-4,594	33,572	9,018	-629	1	47	633	-5	2,704	1,807
	State Income Tax	9.99%	9,115	4,839	26	-459	3,354	901	-63	0	5	63	0	270	181
	Federal Income Tax	35.00%	28,745	15,258	81	-1,447	10,576	2,841	-198	0	15	199	-1	852	569
	Deferred Income Tax	JP2	3,724	2,513	4	243	454	177	149	0	54	9	0	21	99
	Tax Cost Removal/Salvage	JP2	-659	-445	-1	-43	-80	-31	-26	0	-9	-2	0	-4	-18
	Proposed Tariff Revenues		393,275	271,642	494	17,368	59,237	19,108	10,336	31	3,630	1,084	22	3,945	6,378
	Increase		78,623	67,633	0	5,893	0	0	3,507	3	1,232	0	7	0	348
	Percent		19.99%	24.90%	0.00%	33.93%	0.00%	0.00%	33.93%	9.25%	33.93%	0.00%	33.93%	0.00%	5.45%
	Incremental Income Tax/GRT		35,338	30,398	0	2,649	0	0	1,576	1	554	0	3	0	156
	Net Income		134,531	85,669	257	-1,350	33,572	9,018	1,302	2	725	633	-1	2,704	1,998

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-52

Sub-Functionalization and Classification of Joint-Use Distribution Plant

Engineering Inputs	Sub-Trans %	Primary %	Secondary %	S/L %	Sub-Trans C%	Primary Cust %	Secndry Cust %
Poles	12.15%	1.80%	83.25%	2.80%	0.00%	85.60%	85.60%
OH Conductors	14.82%	8.00%	77.18%	0.00%	0.00%	93.10%	93.10%
UG Conduit	1.42%	4.70%	93.88%	0.00%	0.00%	0.00%	0.00%
UG Conductors	2.70%	2.60%	94.70%	0.00%	0.00%	85.60%	85.60%
Transformers	0.00%	0.00%	100.00%	0.00%			77.10%
100.0%							

Account	Description	Allocator	Total	Sub-Transmission		Primary		Secondary		Street Lighting
				Customer	Demand	Customer	Demand	Customer	Demand	
Gross Plant										
364	Poles		527,716	0	64,096	8,131	1,368	376,079	63,266	14,776
365	OH Conductors		420,369	0	62,279	31,309	2,320	302,073	22,388	0
366	UG Conduit		30,314	0	430	0	1,425	0	28,459	0
367	UG Conductors		127,487	0	3,443	2,837	477	103,344	17,385	0
368	Transformers		357,413	0	0	0	0	275,565	81,848	0
Accumulated Depreciation										
364	Poles	24%	129,149	0	15,686	1,990	335	92,039	15,483	3,616
365	OH Conductors	32%	134,962	0	19,995	10,052	745	96,982	7,188	0
366	UG Conduit	17%	5,034	0	71	0	237	0	4,726	0
367	UG Conductors	39%	49,358	0	1,333	1,099	185	40,011	6,731	0
368	Transformers	43%	153,174	0	0	0	0	118,097	35,077	0
Depreciation Expense										
364	Poles	1.5%	8,074	0	981	124	21	5,754	968	226
365	OH Conductors	1.4%	5,785	0	857	431	32	4,157	308	0
366	UG Conduit	2.2%	676	0	10	0	32	0	635	0
367	UG Conductors	2.5%	3,187	0	86	71	12	2,583	435	0
368	Transformers	2.2%	7,970	0	0	0	0	6,145	1,825	0

West Penn Power Company
 Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000
 Scenario: Exhibit IEC-52

Account	Description	Allocator	Total	Allocation Factors											
				RS	G510	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
Exogenous Allocation Factors															
Customer Allocators															
Unweighted Customers			719,951	617,508	522	65,515	29,807	529	131	1	2	1	4	5,372	559
Percent	C1	100.00%	100.00%	85.77%	0.07%	9.10%	4.14%	0.07%	0.02%	0.00%	0.00%	0.00%	0.00%	0.75%	0.08%
Primary Customers			309	27,407	116	145	5	1	1	1	1	1	1	1	1
Percent	C2	100.00%	0.00%	0.00%	12.94%	37.54%	46.93%	1.94%	0.00%	0.00%	0.32%	0.32%	0.00%	0.00%	0.00%
Secondary Customers			719,439	617,508	522	65,474	29,671	329	1	0	0	0	0	5,372	559
Percent	C3	100.00%	100.00%	85.83%	0.07%	9.10%	4.12%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.75%	0.08%
Sub/Transmission Customers			200	0	0	0	20	55	123	0	0	0	0	0	0
Percent	C4	100.00%	0.00%	0.00%	0.00%	10.00%	27.50%	61.50%	0.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Secondary/ST Customers			719,639	617,508	522	65,474	29,691	384	124	0	2	0	3	5,372	559
Percent	CAA	100.00%	100.00%	85.81%	0.07%	9.10%	4.13%	0.05%	0.02%	0.00%	0.00%	0.00%	0.00%	0.75%	0.08%
Meters Plant			906,546	617,508	1,591	91,568	104,742	50,883	38,797	960	844	133	0	0	0
Percent	C5	100.00%	86.12%	0.18%	10.10%	11.55%	5.61%	4.22%	0.11%	0.09%	0.01%	0.00%	0.00%	0.00%	0.00%
Meter Reading			8,144,504	6,751,780	9,020	929,442	538,616	13,256	2,319	18	36	18	0	0	0
Percent	C6	100.00%	81.89%	0.11%	11.27%	6.53%	0.16%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Deposits			18,444,511	8,975,209	28,192	5,444,096	2,476,644	43,954	1,456,609	0	0	0	0	15,503	4,304
Percent	C7	100.00%	48.66%	0.15%	29.52%	13.43%	0.24%	7.90%	0.00%	0.00%	0.00%	0.00%	0.00%	0.08%	0.02%
Customer Advances			618,030	617,508	522	0	0	0	0	0	0	0	0	0	0
Percent	C8	100.00%	99.92%	0.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Records/Collectors			8,936,097	7,659,902	6,500	812,052	374,463	6,752	1,406	12	25	12	50	65,549	9,174
Percent	C9	100.00%	85.72%	0.07%	9.09%	4.19%	0.08%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.73%	0.10%
Uncollectibles			9,779,424	8,382,791	7,113	888,688	409,802	7,390	1,757	14	27	14	54	71,735	10,040
Percent	C9A	100.00%	85.72%	0.07%	9.09%	4.19%	0.08%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.73%	0.10%
Customer Misc 905			126,593	108,513	92	11,504	5,305	96	23	0	0	0	0	929	130
Percent	C9B	100.00%	85.72%	0.07%	9.09%	4.19%	0.08%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.73%	0.10%
Customer Info 910			446,592	436,209	37	4,598	2,119	38	9	0	0	0	0	2,964	618
Percent	C9C	100.00%	97.68%	0.01%	1.03%	0.47%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.66%	0.14%
Services			1	0.838	0.007	0.0900	0.0453	0.0019	0.0000	0.0000	0.0000	0.0000	0.0000	0.0074	0.0008
Percent	C9D	100.00%	85.38%	0.07%	9.00%	4.53%	0.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.74%	0.08%
Demand Allocators															
NCP Demand			4,884,469	1,956,422	6,722	88,452	1,108,510	539,388	803,955	0	299,493	52,768	102	10,537	18,120
Percent	D1N	100.00%	40.05%	0.14%	1.81%	22.69%	11.04%	16.46%	0.00%	6.13%	1.08%	0.00%	0.22%	0.37%	
Primary NCP Demand			274,267	0	0	49	10,232	132,025	29,178	0	0	52,768	14	0	0
Percent	D1NP	100.00%	0.00%	0.00%	0.02%	4.56%	58.87%	13.01%	0.00%	0.00%	23.53%	0.01%	0.00%	0.00%	
Secondary NCP Demand			3,518,733	1,956,422	6,722	88,402	1,098,278	344,682	8,671	0	0	0	88	10,537	18,120
Percent	D1NS	100.00%	55.60%	0.19%	2.51%	31.12%	9.51%	0.25%	0.00%	0.00%	0.00%	0.00%	0.30%	0.51%	
Sub/Transmission NCP Demand			1,141,470	0	0	0	3,388	72,682	765,907	0	299,493	0	0	0	0
Percent	D1NT	100.00%	0.00%	0.00%	0.00%	0.30%	6.37%	67.10%	0.00%	26.24%	0.00%	0.00%	0.00%	0.00%	
Secondary/ST NCP Demand			4,660,203	1,956,422	6,722	88,402	1,098,278	407,363	774,777	0	299,493	0	88	10,537	18,120
Percent	D1ST	100.00%	41.98%	0.14%	1.90%	23.57%	8.74%	16.63%	0.00%	6.43%	0.00%	0.00%	0.23%	0.39%	
0															

West Penn Power Company
 Cost of Service Study: Forecast Test Year Ending April 30, 2016, 5000
 Scenario: Exhibit IEC-52

Account	Description	Allocator	Total	Allocation Factors											
				RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP4D	PP4E	PP4F	Penn State	AGS	POL	Street Ltg.
			#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI	#DIV/DI
			0												
Internally Generated Allocators															
Distribution Plant 361-369			1,878,126	1,290,262	1,873	123,920	233,506	90,679	76,223	0	27,920	4,897	156	10,225	18,466
	JP1	100.00%		68.70%	0.10%	6.60%	12.43%	4.83%	4.06%	0.00%	1.49%	0.26%	0.01%	0.54%	0.98%
Distribution Plant			1,960,219	1,322,794	1,943	128,133	239,157	93,218	78,206	33	28,201	4,945	158	11,197	52,233
	JP2	100.00%		67.48%	0.10%	6.54%	12.20%	4.76%	3.99%	0.00%	1.44%	0.25%	0.01%	0.57%	2.66%
Poles/OH Conductors			470,369	297,868	352	33,288	45,961	23,770	11,321	0	4,002	647	104	2,463	592
	JP3	100.00%		70.86%	0.05%	7.92%	10.93%	5.65%	2.69%	0.00%	0.95%	0.15%	0.07%	0.59%	0.14%
UG Conductors/Conduit			177,487	99,814	113	10,275	13,570	3,614	734	0	221	121	10	832	183
	JP4	100.00%		78.29%	0.09%	8.06%	9.08%	2.83%	0.58%	0.00%	0.17%	0.10%	0.01%	0.65%	0.14%
Distribution Net Plant			1,265,189	869,278	1,247	85,588	150,474	57,983	44,280	31	15,742	2,774	108	8,060	29,624
	JP5	100.00%		68.71%	0.10%	6.76%	11.89%	4.58%	3.50%	0.00%	1.24%	0.22%	0.01%	0.64%	2.34%
Distribution/General Net Plant			1,350,445	926,811	1,331	91,161	160,876	62,038	47,681	32	16,968	2,889	115	8,547	31,895
	JP6	100.00%		68.63%	0.10%	6.75%	11.91%	4.59%	3.53%	0.00%	1.26%	0.22%	0.01%	0.63%	2.36%
Gross General Plant			168,040	113,397	167	10,984	20,502	7,991	6,704	3	2,418	424	14	960	4,478
	JP7	100.00%		67.48%	0.10%	6.54%	12.20%	4.76%	3.99%	0.00%	1.44%	0.25%	0.01%	0.57%	2.66%
Gross Dist'n/General Plant			2,189,896	1,480,694	2,165	143,971	265,664	103,618	86,784	38	31,250	5,478	178	12,489	57,566
	JP8	100.00%		67.61%	0.10%	6.57%	12.13%	4.73%	3.96%	0.00%	1.43%	0.25%	0.01%	0.57%	2.63%
Rate Base			1,287,297	898,864	1,221	80,098	148,400	58,606	43,897	34	16,124	2,843	110	8,304	28,797
	RB	100.00%		69.83%	0.09%	6.22%	11.53%	4.55%	3.41%	0.00%	1.25%	0.22%	0.01%	0.65%	2.24%
O&M Excluding A&G			86,591	62,529	78	6,821	8,432	3,383	2,632	3	887	152	10	466	1,199
	X1	100.00%		72.21%	0.09%	7.88%	9.74%	3.91%	3.04%	0.00%	1.02%	0.18%	0.01%	0.54%	1.38%
Operating Exps			13,561	8,640	15	828	1,858	797	795	1	282	50	1	66	230
	X2	100.00%		63.71%	0.11%	6.11%	13.70%	5.88%	5.86%	0.01%	2.08%	0.37%	0.01%	0.49%	1.69%
Working Capital			11,494	8,640	8	455	1,022	438	437	0	155	27	1	69	241
	X2A	100.00%		75.16%	0.07%	3.96%	8.89%	3.81%	3.80%	0.00%	1.35%	0.24%	0.01%	0.60%	2.10%
Maintenance Expense			41,534	27,551	38	2,992	4,947	2,495	1,687	2	588	99	9	215	911
	X3	100.00%		66.33%	0.09%	7.20%	11.91%	6.01%	4.06%	0.00%	1.42%	0.24%	0.02%	0.52%	2.19%
Labor Distribution			17,997	10,809	19	1,084	2,488	1,189	1,155	2	404	70	2	77	699
	X4	100.00%		60.06%	0.10%	6.02%	13.82%	6.61%	6.42%	0.01%	2.24%	0.39%	0.01%	0.43%	3.88%
Labor Accounts			8,734	7,201	9	957	541	13	2	0	0	0	0	9	1
	X5	100.00%		82.45%	0.10%	10.95%	6.19%	0.15%	0.03%	0.00%	0.00%	0.00%	0.00%	0.11%	0.01%
Labor Information			611	597	0	6	3	0	0	0	0	0	0	4	1
	X6	100.00%		97.68%	0.01%	1.03%	0.47%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.66%	0.14%
Labor Excl. A&G			27,342	18,607	28	2,047	3,032	1,202	1,157	2	404	70	2	90	701
	X7	100.00%		68.05%	0.10%	7.49%	11.09%	4.40%	4.23%	0.01%	1.48%	0.26%	0.01%	0.33%	2.56%
A&G O&M excl. adj.			25,378	17,268	26	1,891	2,825	1,119	1,070	1	374	65	2	87	651
	X8	100.00%		68.04%	0.10%	7.45%	11.13%	4.41%	4.22%	0.01%	1.47%	0.26%	0.01%	0.34%	2.56%

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	RS	Labor Expense										
					GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	POL	Street Ltg.
580	Op. S&E	X2	72	46	0	4	10	4	4	0	1	0	0	0	1
581	Op. Dispatching	D1N	881	353	1	16	200	97	145	0	54	10	0	2	3
582	Op. Station	D1N	799	320	1	14	181	88	132	0	49	9	0	2	3
583	Op. Overhead Lines	JP3	187	133	0	15	20	11	5	0	2	0	0	1	0
584	Op. Underground Lines	JP4	0	0	0	0	0	0	0	0	0	0	0	0	0
586	Op. Meters	C5	305	208	1	31	35	17	13	0	0	0	0	0	0
588	Op. Miscellaneous	JP2	3,907	2,637	4	255	477	186	156	0	56	10	0	22	104
589	Mn. Rents	JP2	0	0	0	0	0	0	0	0	0	0	0	0	0
590	Mn. S&E	X3	255	169	0	18	30	15	10	0	4	1	0	1	6
591	Mn. Structures	JP2	0	0	0	0	0	0	0	0	0	0	0	0	0
592	Mn. Station	D1N	2,733	1,095	4	49	620	302	450	0	168	30	0	6	10
593	Mn. OH Conductors	JP3	7,222	5,117	6	572	790	408	194	0	69	11	2	42	10
594	Mn. UG Conductors	JP4	0	0	0	0	0	0	0	0	0	0	0	0	0
595	Mx. Transformers	C5	0	0	0	0	0	0	0	0	0	0	0	0	0
596	Mn. Streetlights	Direct	561												561
597	Mn. Meters	C5	1,075	732	2	109	124	60	45	1	1	0	0	0	0
598	Mn. Misc.	JP2	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. Payroll		0												
	Adj. Reacc. Debt	JP2	0	0	0	0	0	0	0	0	0	0	0	0	0
	Other	JP2	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sub-Total Distribution		17,997	10,809	19	1,084	2,488	1,189	1,155	2	404	70	2	77	699
902	CA Supervision	C6	7,460	6,109	8	841	487	12	2	0	0	0	0	0	0
903	CA Collections	C9	1,181	1,012	1	107	49	1	0	0	0	0	0	9	1
904	CA Uncoll.	C9A	0	0	0	0	0	0	0	0	0	0	0	0	0
905	CA Accounts	C9B	93	80	0	8	4	0	0	0	0	0	0	1	0
	Adj. Payroll		0												
	Adj. Deposits		0												
	Adj. Uncoll.		0												
	Adj. Accts.		0												
	Sub-Total Customer Accounts		8,734	7,201	9	957	541	13	2	0	0	0	0	9	1

West Penn Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S2

Account	Description	Allocator	Total	Labor Expense												
				RS	GS10	GSS Rate 20	GSM Rate 30	GSL Rate 35	PP40	PP44	PP46	Penn State	AGS	PDL	Street Ltg.	
907	CI Supervision	C9C	498	486	0	5	2	0	0	0	0	0	0	0	3	1
908	CI Assistance Dist'n	Direct	0	0												
909	CI Advertising	C3	0	0	0	0	0	0	0	0	0	0	0	0	0	0
910	CI Misc.	C9C	113	110	0	1	1	0	0	0	0	0	0	0	1	0
	Adj. Payroll		0													
	Sub-Total Customer Information		611	597	0	6	3	0	0	0	0	0	0	4	1	
920	A&G Salaries	X7	15	10	0	1	2	1	1	0	0	0	0	0	0	0
921	A&G Office Supplies	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
922	A&G Admin	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
923	A&G Outside Services	X7	6,952	4,731	7	521	771	306	294	0	103	18	1	23	178	
924	A&G Insurance	JP6	0	0	0	0	0	0	0	0	0	0	0	0	0	0
925	A&G Injury/Damages	X7	139	95	0	10	15	6	6	0	2	0	0	0	4	
926	A&G Pensions/Benefits	X7	-414	-282	0	-31	-46	-18	-18	0	-6	-1	0	-1	-11	
928	Regulatory Commission Expense	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
930	General Advertising	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
930	A&G Misc.	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
931	A&G Misc. Rent	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
935	A&G Maint. Gen. Plant	JP7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. Cash Pension	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. Other Emp. Benefits	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. A&G Non-Juris	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. A&G Rate Case	X7	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. A&G Legacy Meters	0	0	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Adj. Accel. Switching	X8	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sub-Total A&G		6,692	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
	Total O&M Labor Expense		34,034	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A

Exhibit IEC-S2

RDK Proposed Revenue Allocation for West Penn Power: Surrebuttal Update (\$000)

	Current Rate Revenues	Fully Alloc. Cost -- Prop. Rates (Step 1)	Max Increase Restriction (Step 2)	Rate Decrease Adjustment (Step 3)	Cost Allocator for Adjustments	Allocate Adjustments (Steps 4,5)	RDK Proposed Revenue Alloc. (Step 6)	Percent Increase
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RS	204,009	302,988	0	0	204,009	-2,241	300,748	47.4%
GS10	494	390	0	104	0	0	494	0.0%
GSS Rate 20	11,475	27,452	-10,084	0	0	0	17,368	51.4%
GSM Rate 30	59,237	44,164	0	15,073	0	0	59,237	0.0%
GSL Rate 35	19,108	17,627	0	1,480	0	0	19,108	0.0%
PP40	6,829	13,797	-3,461	0	0	0	10,336	51.4%
PP44	28	31	0	0	28	0	31	10.2%
PP46	2,399	4,648	-1,017	0	0	0	3,630	51.4%
Penn State	1,084	816	0	268	0	0	1,084	0.0%
AGS	15	34	-12	0	0	0	22	51.4%
POL/Street Lighting	9,976	10,433	0	0	9,976	-110	10,323	3.5%
Total	314,652	422,381	-14,575	16,925	214,012	-2,350	422,381	34.2%
System Avg. Percent Increase ==>		34.2%						

Sources:

- (1) Exhibit IEC-S1
- (2) Exhibit IEC-S1, adjusted for Residential USC costs ==> 29,106
- (3) MIN ((1+1.5*AvgIncr)*(1)-(2),0)
- (4) MAX ((1) - (2),0)
- (5) Equal (1) where (3) and (4) are zero.
- (6) Allocate totals of (3) and (4) on (5).
- (7) Sum (2), (3), (4), (6)

Summary of Revenue Allocation Impact on Cross Subsidies

	Current Revenues	Fully Allocated Cost*	Cross-Subsidies	RDK Proposed Revenues	Revenues at Levelized RoR	Cross Subsidies	Reduction in Cross-Subsidy	RDK Dollar Increase
RS	204,009	218,983	-14,975	300,748	302,988	-2,241	12,734	96,739
GS10	494	316	178	494	390	104	75	0
GSS Rate 20	11,475	22,560	-11,085	17,368	27,452	-10,084	1,001	5,893
GSM Rate 30	59,237	35,100	24,137	59,237	44,164	15,073	9,064	0
GSL Rate 35	19,108	14,048	5,060	19,108	17,627	1,480	3,579	0
PP40	6,829	11,116	-4,287	10,336	13,797	-3,461	826	3,507
PP44	28	29	-1	31	31	0	1	3
PP46	2,399	3,663	-1,264	3,630	4,648	-1,017	247	1,232
Penn State	1,084	642	442	1,084	816	268	174	0
AGS	15	28	-13	22	34	-12	1	7
POL/Street Lighting	9,976	8,167	1,809	10,323	10,433	-110	1,699	348
Total	314,652	314,652	0	422,381	422,381	0	29,400	107,729

* Excludes effect of USC adjustment. See Exhibit IEC-4.

EXHIBIT IEc-S3

RDK SURREBUTTAL TESTIMONY

COST ALLOCATION STUDY

AND REVENUE ALLOCATION ANALYSIS

PENNSYLVANIA POWER COMPANY

Pennsylvania Power Company
Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000
Scenario: Exhibit 1E-E3

Account	Description	Allocator	Total	Summary										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
Current Tariff Revenues			79,049	56,756	50	3,483	11,445	2,588	1,605	420	69	274	1,073	1,286
Less GRT			-4,664	-3,349	-3	-205	-675	-153	-95	-25	-4	-16	-63	-76
Other Revenues			2,923	2,346	1	196	200	34	76	11	2	22	31	6
Total Revenues			77,308	55,753	48	3,473	10,970	2,469	1,586	406	67	279	1,041	1,216
O&M Expense			32,732	25,999	14	1,838	1,912	303	2,242	91	18	116	86	112
Depreciation/Amortization			19,550	14,034	9	1,276	1,854	393	952	101	17	179	411	324
Other Taxes			1,714	1,321	1	105	121	22	111	6	1	8	11	9
Income Taxes			9,034	5,574	10	86	2,796	676	-732	78	12	-4	226	313
Total Expenses			63,030	46,928	34	3,304	6,683	1,394	2,573	275	48	299	734	757
Net Income			14,278	8,826	14	169	4,287	1,075	-987	131	19	-20	306	459
Rate Base			358,928	262,236	166	20,186	37,305	9,587	19,160	2,051	263	1,885	4,130	1,959
Return on Rate Base			4.0%	3.4%	8.6%	0.8%	11.5%	11.2%	-5.2%	6.4%	7.1%	-1.1%	7.4%	23.4%
			4.53%	3.25%	13.39%	-3.81%	15.79%	11.46%	2.73%	4.20%	4.06%	12.28%	-1.87%	3.65%
Rate Increase			29,556	26,366	55	1,953	223	0	900	-223	9	154	118	0
Less: GRT/Income Tax			-13,284	-11,851	-25	-878	-100	0	-405	100	-4	-69	-53	0
Income at Proposed Rates			30,550	23,342	45	1,244	4,410	1,075	-491	8	24	64	371	459
Rate of Return			8.5116%	8.90%	26.98%	6.16%	11.82%	11.21%	-2.56%	0.39%	9.00%	3.42%	8.99%	23.40%
Adj. to Levelized RoR Present Rates			0	2,918	-14	1,152	-5,091	-1,260	3,177	-90	-15	173	-258	-691
Adj. to Levelized RoR Proposed Rates			0	-1,855	-56	861	-2,243	-470	3,855	302	-2	174	-36	-530
Progress Toward Cost-Based Rates				164%	-298%	25%	56%	63%	-21%	437%	84%	-1%	86%	23%
Percent Increase			37.4%	46.5%	111.9%	56.1%	2.0%	0.0%	56.1%	-53.1%	13.2%	56.1%	11.0%	0.0%
			108,605	81,268	49	6,297	9,426	2,117	6,360	499	76	602	1,156	756
			79,049	59,674	36	4,635	6,354	1,328	4,782	330	54	446	816	594
			108,605	81,268	49	6,297	9,426	2,117	6,360	499	76	602	1,156	756

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-53

Account	Description	Allocator	Total	Gross Plant										
				R5	GSR	G55	G5M	G5L	GP	OH	PNP	POL	STLT	GT
301	Organization	JP6	23	17	0	1	2	1	1	0	0	0	0	0
302	Franchises and Consents	JP6	69	50	0	4	7	2	4	0	0	0	1	0
303	Intangible Plant	X1	13,934	11,129	5	752	793	129	959	39	7	49	34	36
	Sub-Total Intangible Plant		14,026	11,196	5	758	802	132	964	39	7	50	36	37
360	Land	JP1	6,401	4,750	3	375	648	163	333	35	4	25	64	0
361	Structures	D1N	1,595	831	1	45	420	145	123	23	2	2	4	0
362	Station	D1N	46,263	24,102	29	1,315	12,175	4,200	3,555	668	47	54	119	0
364PC	Poles Primary Customer	C2	2,566	0	0	0	0	0	2,566	0	0	0	0	0
364PD	Poles Primary Demand	D1NP	471	0	0	0	0	0	471	0	0	0	0	0
364SC	Poles Secondary Customer	C3	73,784	64,511	31	5,474	3,094	53	0	162	42	378	39	0
364SD	Poles Secondary Demand	D1NS	13,534	7,638	9	417	3,858	1,331	0	212	15	17	38	0
364SL	Poles Streetlight	Direct	4,556										4,556	
365PC	OH Cond. Primary Customer	C2	15,779	0	0	0	0	0	15,779	0	0	0	0	0
365PD	OH Cond. Primary Demand	D1NP	1,542	0	0	0	0	0	1,542	0	0	0	0	0
365SC	OH Cond. Secondary Customer	C3	107,496	93,987	46	7,975	4,508	77	0	236	61	551	57	0
365SD	OH Cond. Secondary Demand	D1NS	10,502	5,927	7	323	2,994	1,033	0	164	12	13	29	0
366PC	UG Conduit Primary Customer	C2	0	0	0	0	0	0	0	0	0	0	0	0
366PD	UG Conduit Primary Demand	D1NP	154	0	0	0	0	0	154	0	0	0	0	0
366SC	UG Conduit Secondary Customer	C3	0	0	0	0	0	0	0	0	0	0	0	0
366SD	UG Conduit Secondary Demand	D1NS	6,859	3,871	5	211	1,955	674	0	107	8	9	19	0
367PC	UG Cond. Primary Customer	C2	2,141	0	0	0	0	0	2,141	0	0	0	0	0
367PD	UG Cond. Primary Demand	D1NP	461	0	0	0	0	0	461	0	0	0	0	0
367SC	UG Cond. Secondary Customer	C3	43,421	37,965	18	3,221	1,821	31	0	95	25	222	23	0
367SD	UG Cond. Secondary Demand	D1NS	9,339	5,270	6	288	2,662	918	0	146	10	12	26	0
368C	Line Transformers Customer	C3	91,986	80,426	39	6,824	3,857	66	0	202	52	471	49	0
368D	Line Transformers Demand	D1NS	46,131	26,033	31	1,421	13,151	4,536	0	722	51	58	128	0
369	Services	C9D	36,086	31,383	16	2,654	1,645	79	0	86	21	183	20	0
370	Meters	C5	23,746	15,721	15	2,468	2,197	100	932	126	47	0	0	2,140
371	Customer Premises	Direct	3,745									3,745		
372	Leased Property Customer	Direct	0											

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-53

Account	Description	Allocator	Total	RS	GSR	GSS	GSM	Gross Plant						
								GSL	GP	OH	PNP	POL	STLT	GT
373	Streetlight	Direct	7,320										7,320	
	Sub-Total Distribution Plant		555,878	402,414	256	33,011	54,986	13,406	28,057	2,983	395	5,739	12,490	2,140
	Sub-Total Transmission Plant	DIN	23,361	12,170	14	664	6,148	2,121	1,795	337	24	27	60	0
	General Plant - Labor	JP2	0	0	0	0	0	0	0	0	0	0	0	0
	General Plant - Plant	JP2	19,065	13,802	9	1,132	1,886	460	962	102	14	197	428	73
	Sub-Total General Plant		19,065	13,802	9	1,132	1,886	460	962	102	14	197	428	73
	Total Plant		612,330	439,582	285	35,565	63,822	16,119	31,778	3,462	439	6,014	13,014	2,250

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEc-S3

Account	Description	Allocator	Total	Accumulated Depreciation										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
301	Organization	JP6	0	0	0	0	0	0	0	0	0	0	0	0
302	Franchises and Consents	JP6	1	1	0	0	0	0	0	0	0	0	0	0
303	Intangible Plant	X1	9,298	7,426	4	502	529	86	640	26	5	33	23	24
	Sub-Total Intangible Plant		9,299	7,427	4	502	529	86	640	26	5	33	23	24
0			34,028	25,867	15	2,112	2,493	496	1,089	134	20	142	1,661	0
360	Land	JP1	-2	-1	0	0	0	0	0	0	0	0	0	0
361	Structures	D1N	755	393	0	21	199	69	58	11	1	1	2	0
362	Station	D1N	13,689	7,132	8	389	3,603	1,243	1,052	198	14	16	35	0
364PC	Poles Primary Customer	C2	920	0	0	0	0	0	920	0	0	0	0	0
364PD	Poles Primary Demand	D1NP	169	0	0	0	0	0	169	0	0	0	0	0
364SC	Poles Secondary Customer	C3	26,453	23,129	11	1,962	1,109	19	0	58	15	136	14	0
364SD	Poles Secondary Demand	D1NS	4,852	2,738	3	149	1,383	477	0	76	5	6	13	0
364SL	Poles Streetlight	Direct	1,633										1,633	
365PC	OH Cond. Primary Customer	C2	3,728	0	0	0	0	0	3,728	0	0	0	0	0
365PD	OH Cond. Primary Demand	D1NP	364	0	0	0	0	0	364	0	0	0	0	0
365SC	OH Cond. Secondary Customer	C3	25,395	22,204	11	1,884	1,065	18	0	56	14	130	13	0
365SD	OH Cond. Secondary Demand	D1NS	2,481	1,400	2	76	707	244	0	39	3	3	7	0
366PC	UG Conduit Primary Customer	C2	0	0	0	0	0	0	0	0	0	0	0	0
366PD	UG Conduit Primary Demand	D1NP	51	0	0	0	0	0	51	0	0	0	0	0
366SC	UG Conduit Secondary Customer	C3	0	0	0	0	0	0	0	0	0	0	0	0
366SD	UG Conduit Secondary Demand	D1NS	2,256	1,273	2	69	643	222	0	35	2	3	6	0
367PC	UG Cond. Primary Customer	C2	824	0	0	0	0	0	824	0	0	0	0	0
367PD	UG Cond. Primary Demand	D1NP	177	0	0	0	0	0	177	0	0	0	0	0
367SC	UG Cond. Secondary Customer	C3	16,703	14,604	7	1,239	700	12	0	37	9	86	9	0
367SD	UG Cond. Secondary Demand	D1NS	3,592	2,027	2	111	1,024	353	0	56	4	5	10	0
368C	Line Transformers Customer	C3	21,575	18,864	9	1,601	905	15	0	47	12	111	11	0
368D	Line Transformers Demand	D1NS	10,820	6,106	7	333	3,085	1,064	0	169	12	14	30	0
369	Services	C9D	19,829	17,245	9	1,458	904	43	0	47	11	100	11	0
370	Meters	C5	865	-573	-1	-90	-80	-4	-34	-5	-2	0	0	-78
371	Customer Premises	Direct	2,529									2,529		
372	Leased Property Customer	Direct	0											

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-S3

Account	Description	Allocator	Total	Accumulated Depreciation										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
373	Streetlight	Direct	4,948										4,948	
	RWIP	JP2	3,490	2,526	2	207	345	84	176	19	2	36	78	13
	Sub-Total Distribution Plant		166,367	119,067	73	9,411	15,592	3,860	7,484	843	104	3,174	6,822	-65
	Sub-Total Transmission Plant	DIN	6,947	3,619	4	198	1,828	631	534	100	7	8	18	0
	General Plant - Labor	JP2	0	0	0	0	0	0	0	0	0	0	0	0
	General Plant - Plant	JP2	9,612	6,958	4	571	951	232	485	52	7	99	216	37
	Sub-Total General Plant		9,612	6,958	4	571	951	232	485	52	7	99	216	37
	Total Plant		192,225	137,072	85	10,682	18,900	4,809	9,143	1,021	123	3,315	7,079	-3

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-53

Account	Description	Allocator	Total	Rate Base										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
Net Plant														
	Gross Distribution Plant		612,330	439,582	285	35,565	63,822	16,119	31,778	3,462	439	6,014	13,014	2,250
	Accumulated Depreciation		-192,225	-137,072	-85	-10,682	-18,900	-4,809	-9,143	-1,021	-123	-3,315	-7,079	3
	Net Distribution Plant		420,105	302,511	200	24,883	44,922	11,310	22,635	2,441	316	2,699	5,935	2,254
Additions														
	RB Adj. M&S	JP2	3,193	2,311	1	190	316	77	161	17	2	33	72	12
	CWC	X2A	27,636	23,074	8	1,083	1,583	354	834	86	13	131	236	234
	RB Adj. Storm Damage	JP2	0	0	0	0	0	0	0	0	0	0	0	0
	RB Adj. Legacy Meters	JP1	10,797	8,013	5	633	1,094	276	562	59	7	41	107	0
	Total Additions		41,626	33,399	14	1,905	2,993	706	1,557	162	22	206	415	246
Deductions														
	Customer Deposits	C7	3,992	2,132	3	737	839	47	47	22	6	0	0	160
	Customer Advances	C8	33	33	0	0	0	0	0	0	0	0	0	0
	Deferred Tax Lib Dep'n	JP2	97,338	70,465	45	5,780	9,628	2,348	4,913	522	69	1,005	2,187	375
	Operating Reserves	JP2	1,440	1,042	1	86	142	35	73	8	1	15	32	6
	Total Deductions		102,803	73,673	48	6,603	10,609	2,429	5,033	552	76	1,020	2,219	541
	RATE BASE		358,928	262,236	166	20,186	37,305	9,587	19,160	2,051	263	1,885	4,130	1,959

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-53

		O&M Expense												
Account	Description	Allocator	Total	RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
580	Op. S&E	X2	0	0	0	0	0	0	0	0	0	0	0	0
581	Op. Dispatching	D1N	0	0	0	0	0	0	0	0	0	0	0	0
582	Op. Station	D1N	0	0	0	0	0	0	0	0	0	0	0	0
583	Op. Overhead Lines	JP3	0	0	0	0	0	0	0	0	0	0	0	0
584	Op. Underground Lines	JP4	555	433	0	35	45	10	26	2	0	2	0	0
586	Op. Meters	C5	86	57	0	9	8	0	3	0	0	0	0	8
588	Op. Miscellaneous	JP2	958	694	0	57	95	23	48	5	1	10	22	4
589	Mn. Rents	JP2	321	232	0	19	32	8	16	2	0	3	7	1
590	Mn. S&E	X3	95	69	0	6	6	1	11	0	0	0	0	0
591	Mn. Structures	JP2	0	0	0	0	0	0	0	0	0	0	0	0
592	Mn. Station	D1N	514	268	0	15	135	47	39	7	1	1	1	0
593	Mn. OH Conductors	JP3	11,004	8,125	4	675	610	90	1,409	33	6	46	7	0
594	Mn. UG Conductors	JP4	-15	-12	0	-1	-1	0	-1	0	0	0	0	0
595	Mn. Transformers	C5	0	0	0	0	0	0	0	0	0	0	0	0
596	Mn. Streetlights	Direct	1										1	
597	Mn. Meters	C5	379	251	0	39	35	2	15	2	1	0	0	34
598	Mn. Misc.	JP2	345	250	0	20	34	8	17	2	0	4	8	1
	Adj. Payroll	X4	29	21	0	2	2	0	3	0	0	0	0	0
	Adj. Reacq. Debt	JP2	412	298	0	24	41	10	21	2	0	4	9	2
	Other	D1N	-1,932	-1,007	-1	-55	-509	-175	-148	-28	-2	-2	-5	0
	Sub-Total Trnsms/Distr		14,845	10,770	6	905	1,084	213	1,621	58	9	70	56	50
902	Meter Reading	C6	1,547	1,304	1	134	101	2	2	0	1	0	0	1
903	CA Records & Collections	C9	1,626	1,420	1	120	68	1	1	4	1	8	1	0
904	CA Uncoll.	C9A	579	506	0	43	24	0	0	1	0	3	0	0
905	CA Accounts	C9B	39	34	0	3	2	0	0	0	0	0	0	0
	Adj. Payroll	X5	32	27	0	3	2	0	0	0	0	0	0	0
	Adj. Deposits	C7	240	128	0	44	50	3	3	1	0	0	0	10
	Adj. Uncoll.	C9A	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. Accts.	C1	2	2	0	0	0	0	0	0	0	0	0	0
	Sub-Total Customer Accounts		4,065	3,422	2	347	248	6	7	6	3	12	1	11

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit 1Ec-S3

Account	Description	Allocator	Total	O&M Expense										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
907	CI Supervision	C9C	0	0	0	0	0	0	0	0	0	0	0	0
908	CI Assistance Dist'n	Direct	3,176	3,176										
909	CI Advertising	C3	129	113	0	10	5	0	0	0	0	1	0	0
910	CI Misc.	C9C	1,443	1,415	1	15	9	0	0	0	0	1	1	0
	Adj. Payroll	X6	0	0	0	0	0	0	0	0	0	0	0	0
	Sub-Total Customer Information		4,748	4,704	1	25	14	0	0	1	0	2	1	0
913	Sales	C1	7	6	0	1	0	0	0	0	0	0	0	0
920	A&G Salaries	X7	101	79	0	6	6	1	7	0	0	0	0	1
921	A&G Office Supplies	X7	489	384	0	30	30	4	33	1	0	2	1	3
922	A&G Admin	X7	-900	-707	0	-56	-55	-8	-62	-2	-1	-3	-2	-5
923	A&G Outside Services	X7	3,726	2,926	2	230	227	32	255	10	2	12	9	21
924	A&G Insurance	JP6	26	19	0	2	3	1	1	0	0	0	0	0
925	A&G Injury/Damages	X7	186	146	0	12	11	2	13	1	0	1	0	1
926	A&G Pensions/Benefits	X7	94	74	0	6	6	1	6	0	0	0	0	1
928	Regulatory Commission Expense	X7	583	458	0	36	36	5	40	2	0	2	1	3
930	General Advertising	X7	1	1	0	0	0	0	0	0	0	0	0	0
930	A&G Misc.	X7	191	150	0	12	12	2	13	1	0	1	0	1
931	A&G Misc. Rent	X7	347	272	0	21	21	3	24	1	0	1	1	2
935	A&G Maint. Gen. Plant	JP7	331	240	0	20	33	8	17	2	0	3	7	1
	Adj. Cash Pension	X7	3,624	2,846	2	224	221	31	248	10	2	12	8	20
	Adj. Other Emp. Benefits	X7	856	672	0	53	52	7	59	2	1	3	2	5
	Adj. A&G Non-Juris	X7	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. A&G Rate Case	X7	-678	-532	0	-42	-41	-6	-46	-2	0	-2	-2	-4
	Adj. A&G Legacy Meters		0											
	Adj. Accel. Switching	X8	90	70	0	6	6	1	6	0	0	0	0	0
	Sub-Total A&G		9,067	7,098	4	560	566	84	613	25	6	32	28	50
	Total O&M Expense		32,731.79	25,999	14	1,838	1,912	303	2,242	91	18	116	86	112

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEc-S3

Account	Description	Allocator	Total	Accumulated Depreciation										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
301	Organization	JP6	0	0	0	0	0	0	0	0	0	0	0	0
302	Franchises and Consents	JP6	0											
303	Intangible	X1	1,585	1,266	1	86	90	15	109	4	1	6	4	4
	Sub-Total Intangible		1,585	1,266	1	86	90	15	109	4	1	6	4	4
360	Land	JP1	0	0	0	0	0	0	0	0	0	0	0	0
361	Structures	D1N	33	17	0	1	9	3	3	0	0	0	0	0
362	Station	D1N	907	473	1	26	239	82	70	13	1	1	2	0
364PC	Poles Primary Customer	C2	48	0	0	0	0	0	48	0	0	0	0	0
364PD	Poles Primary Demand	D1NP	9	0	0	0	0	0	9	0	0	0	0	0
364SC	Poles Secondary Customer	C3	1,380	1,206	1	102	58	1	0	3	1	7	1	0
364SD	Poles Secondary Demand	D1NS	253	143	0	8	72	25	0	4	0	0	1	0
364SL	Poles Streetlight	Direct	85										85	
365PC	OH Cond. Primary Customer	C2	271	0	0	0	0	0	271	0	0	0	0	0
365PD	OH Cond. Primary Demand	D1NP	27	0	0	0	0	0	27	0	0	0	0	0
365SC	OH Cond. Secondary Customer	C3	1,849	1,616	1	137	78	1	0	4	1	9	1	0
365SD	OH Cond. Secondary Demand	D1NS	181	102	0	6	51	18	0	3	0	0	1	0
366PC	UG Conduit Primary Customer	C2	0	0	0	0	0	0	0	0	0	0	0	0
366PD	UG Conduit Primary Demand	D1NP	3	0	0	0	0	0	3	0	0	0	0	0
366SC	UG Conduit Secondary Customer	C3	0	0	0	0	0	0	0	0	0	0	0	0
366SD	UG Conduit Secondary Demand	D1NS	119	67	0	4	34	12	0	2	0	0	0	0
367PC	UG Cond. Primary Customer	C2	51	0	0	0	0	0	51	0	0	0	0	0
367PD	UG Cond. Primary Demand	D1NP	11	0	0	0	0	0	11	0	0	0	0	0
367SC	UG Cond. Secondary Customer	C3	1,042	911	0	77	44	1	0	2	1	5	1	0
367SD	UG Cond. Secondary Demand	D1NS	224	127	0	7	64	22	0	4	0	0	1	0
368C	Line Transformers Customer	C3	1,839	1,608	1	136	77	1	0	4	1	9	1	0
368D	Line Transformers Demand	D1NS	923	521	1	28	263	91	0	14	1	1	3	0
369	Services	C9D	729	634	0	54	33	2	0	2	0	4	0	0
370	Meters	C5	1,584	1,049	1	165	147	7	62	8	3	0	0	143
371	Customer Premises	Direct	91									91		
372	Leased Property Customer	Direct	0											

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Scenario: Exhibit IEc-53

Account	Description	Allocator	Total	Accumulated Depreciation										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
373	Streetlight	Direct	215										215	
	Sub-Total Distribution		11,874	8,474	6	751	1,168	265	554	64	10	129	311	143
	Sub-Total Transmission Plant	D1N	0	0	0	0	0	0	0	0	0	0	0	0
	General Plant - Labor	JP2	0	0	0	0	0	0	0	0	0	0	0	0
	General Plant - Plant	JP2	1,522	1,102	1	90	151	37	77	8	1	16	34	6
	Sub-Total General		1,522	1,102	1	90	151	37	77	8	1	16	34	6
	Amortization/Depletion	JP8	841	604	0	49	88	22	44	5	1	8	18	3
	Adj. Removal/Salvage	JP2	-692	-501	0	-41	-68	-17	-35	-4	0	-7	-16	-3
	Adj. Average Net Salvage	JP2	2,642	1,913	1	157	261	64	133	14	2	27	59	10
	Legacy Meters	CS	2,159	1,430	1	224	200	9	85	11	4	0	0	195
	Amort Smart Meter	CS	-382	-253	0	-40	-35	-2	-15	-2	-1	0	0	-34
	Accretion Expense	JP2	18	13	0	1	2	0	1	0	0	0	0	0
	IS Adj. Amort Exps	JP2	-18	-13	0	-1	-2	0	-1	0	0	0	0	0
	Sub-Total Other Dep'n/Amort		4,569	3,192	2	349	445	77	212	25	5	28	62	171
	Total Distribution/Amortization Expense		19,550	14,034	9	1,276	1,854	393	952	101	17	179	411	324

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	Revenue and Taxes												
Pa. Gross Receipts Tax	5.9%	4,664	3,349	3	205	675	153	95	25	4	16	63	76
Property Tax	JP8	345	248	0	20	36	9	18	2	0	3	7	1
Payroll Tax	X7	1,329	1,044	1	82	81	11	91	4	1	4	3	7
Capital Stock Tax	JP8	37	27	0	2	4	1	2	0	0	0	1	0
Misc. Tax	JP8	0	0	0	0	0	0	0	0	0	0	0	0
Adj. Payroll Tax	X7	3	2	0	0	0	0	0	0	0	0	0	0
Adj. Other Tax	X7	0	0	0	0	0	0	0	0	0	0	0	0
Sub-Total Other Taxes		6,378	4,669	4	310	796	174	206	31	5	24	75	85
Current Base Rate Revenue		79,049	56,756	50	3,483	11,445	2,588	1,605	420	69	274	1,073	1,286
Forfeited Discounts	C1	1,291	1,128	1	96	54	1	1	3	1	7	1	0
Misc. Service Revenue	C3	194	170	0	14	8	0	0	0	0	1	0	0
Pole Rent		0											
Lease Rent	X7	122	96	0	8	7	1	8	0	0	0	0	1
Misc. Revenue	JP2	1,316	953	1	78	130	32	66	7	1	14	30	5
Current Revenues		81,971.7	59,102	51	3,679	11,645	2,622	1,681	431	71	295	1,104	1,292
O&M		32,731.8	25,999	14	1,838	1,912	303	2,242	91	18	116	86	112
Dep'n/Amortization		19,549.6	14,034	9	1,276	1,854	393	952	101	17	179	411	324
Other Taxes		6,378.3	4,669	4	310	796	174	206	31	5	24	75	85
Deductions		58,659.6	44,702	27	3,424	4,562	871	3,399	222	40	320	572	520
Interest	RB	10,961	8,008	5	616	1,139	293	585	63	8	58	126	60
Net Income		12,351	6,391	19	-362	5,943	1,458	-2,304	146	23	-82	406	712
Book Average Net Salvage	JP2	2,642	1,912	1	157	261	64	133	14	2	27	59	10
Adj. Book to Tax Dep'n	JP2	-685	-496	0	-41	-68	-17	-35	-4	0	-7	-15	-3
Tax Cost Removal/Salvage	JP2	-527	-381	0	-31	-52	-13	-27	-3	0	-5	-12	-2

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Scenario: Exhibit IEc-S3

		Revenue and Taxes											
Adjust Cash Pension	X7	3,624	2,846	2	224	221	31	248	10	2	12	8	20
Sub-Total Adjustments		5,054	3,881	2	309	362	66	320	17	3	27	40	26
Adjusted Net Taxable Income		17,405	10,272	21	-53	6,305	1,524	-1,984	163	26	-55	447	738
State Income Tax	9.99%	1,739	1,026	2	-5	630	152	-198	16	3	-5	45	74
Federal Income Tax	35.00%	5,483	3,236	7	-17	1,986	480	-625	51	8	-17	141	232
Deferred Income Tax	JP2	1,841	1,333	1	109	182	44	93	10	1	19	41	7
Tax Cost Removal/Salvage	JP2	-29	-21	0	-2	-3	-1	-1	0	0	0	-1	0
Proposed Tariff Revenues		108,605	83,122	105	5,436	11,668	2,588	2,505	197	78	427	1,192	1,286
Increase		29,556	26,366	55	1,953	223	0	900	-223	9	154	118	0
Percent		27.21%	31.72%	52.80%	35.93%	1.91%	0.00%	35.93%	-113.43%	11.65%	35.93%	9.93%	0.00%
Incremental Income Tax/GRT		13,284	11,851	25	878	100	0	405	-100	4	69	53	0
Net Income		33,677	24,788	52	1,023	6,428	1,524	-1,488	40	31	30	512	738

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Scenario: Exhibit IEC-S3

Sub-Functionalization and Classification of Joint-Use Distribution Plant

Engineering Inputs	Primary %	Secondary %	S/L %	Primary Cust %	Secndry Cust %
Poles	3.20%	92.00%	4.80%	84.50%	84.50%
OH Conductors	12.80%	87.20%	0.00%	91.10%	91.10%
UG Conduit	2.20%	97.80%	0.00%	0.00%	0.00%
UG Conductors	4.70%	95.30%	0.00%	82.30%	82.30%
Transformers	0.00%	100.00%	0.00%		66.60%

Account	Description	Allocator	Total	Primary		Secondary		Street Lighting
				Customer	Demand	Customer	Demand	
Gross Plant								
364	Poles		94,911	2,566	471	73,784	13,534	4,556
365	OH Conductors		135,319	15,779	1,542	107,496	10,502	0
366	UG Conduit		7,013	0	154	0	6,859	0
367	UG Conductors		55,362	2,141	461	43,421	9,339	0
368	Transformers		138,117	0	0	91,986	46,131	0
Accumulated Depreciation								
364	Poles	36%	34,028	920	169	26,453	4,852	1,633
365	OH Conductors	24%	31,968	3,728	364	25,395	2,481	0
366	UG Conduit	33%	2,307	0	51	0	2,256	0
367	UG Conductors	38%	21,296	824	177	16,703	3,592	0
368	Transformers	23%	32,395	0	0	21,575	10,820	0
Depreciation Expense								
364	Poles	1.9%	1,775	48	9	1,380	253	85
365	OH Conductors	1.7%	2,327	271	27	1,849	181	0
366	UG Conduit	1.7%	122	0	3	0	119	0
367	UG Conductors	2.4%	1,329	51	11	1,042	224	0
368	Transformers	2.0%	2,762	0	0	1,839	923	0

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 Scenario: Exhibit IEC-53

Account	Description	Allocator	Total	Allocation Factors										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
Exogenous Allocation Factors														
Customer Allocators														
Unweighed Customers			162,165	141,654	69	12,019	6,794	116	110	355	92	830	86	40
Percent	C1	100.00%		87.35%	0.04%	7.41%	4.19%	0.07%	0.07%	0.22%	0.06%	0.51%	0.05%	0.02%
Primary Customers			110						110					
Percent	C2	100.00%		0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Secondary Customers			162,015	141,654	69	12,019	6,794	116	0	355	92	830	86	0
Percent	C3	100.00%		87.43%	0.04%	7.42%	4.19%	0.07%	0.00%	0.22%	0.06%	0.51%	0.05%	0.00%
Meters Plant			213,964	141,654	140	22,240	19,793	898	8,400	1,132	421	0	0	19,286
Percent	C5	100.00%		66.20%	0.07%	10.39%	9.25%	0.42%	3.93%	0.53%	0.20%	0.00%	0.00%	9.01%
Meter Reading			1,292,969	1,090,178	923	112,278	84,545	1,474	2,018	0	865	0	0	688
Percent	C6	100.00%		84.32%	0.07%	8.68%	6.54%	0.11%	0.16%	0.00%	0.07%	0.00%	0.00%	0.05%
Customer Deposits			3,432,495	1,833,267	2,195	633,402	721,066	40,481	40,365	18,819	4,906	0	0	137,994
Percent	C7	100.00%		53.41%	0.06%	18.45%	21.01%	1.18%	1.18%	0.55%	0.14%	0.00%	0.00%	4.02%
Customer Advances			1	1										
Percent	C8	100.00%		100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Customer Records/Collections			1,851,812	1,617,499	792	136,997	77,816	1,356	1,262	4,055	1,055	9,534	987	459
Percent	C9	100.00%		87.35%	0.04%	7.40%	4.20%	0.07%	0.07%	0.22%	0.06%	0.51%	0.05%	0.02%
Uncollectibles			1,692,920	1,478,711	724	125,242	71,139	1,240	1,154	3,707	965	8,716	902	420
Percent	C9A	100.00%		87.35%	0.04%	7.40%	4.20%	0.07%	0.07%	0.22%	0.06%	0.51%	0.05%	0.02%
Customer Misc 905			42,534	37,152	18	3,147	1,787	31	29	93	24	219	23	11
Percent	C9B	100.00%		87.35%	0.04%	7.40%	4.20%	0.07%	0.07%	0.22%	0.06%	0.51%	0.05%	0.03%
Customer Info 910			1,484,404	1,455,838	712	15,742	8,941	156	145	466	121	1,095	1,135	53
Percent	C9C	100.00%		98.08%	0.05%	1.06%	0.60%	0.01%	0.01%	0.03%	0.01%	0.07%	0.08%	0.00%
Services			1	0.8697	0.0004	0.0735	0.0456	0.0022	0.0000	0.0024	0.0006	0.0051	0.0006	0.0000
Percent	C9D	100.00%		86.97%	0.04%	7.35%	4.56%	0.22%	0.00%	0.24%	0.06%	0.51%	0.06%	0.00%
Demand Allocators														
NCP Demand			981,558	511,367	607	27,906	258,322	89,109	75,420	14,173	994	1,144	2,516	0
Percent	D1N	100.00%		52.10%	0.06%	2.84%	26.32%	9.08%	7.68%	1.44%	0.10%	0.12%	0.26%	0.00%
Primary NCP Demand			75,420						75,420					
Percent	D1NP	100.00%		0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Secondary NCP Demand			906,138	511,367	607	27,906	258,322	89,109	0	14,173	994	1,144	2,516	0
Percent	D1NS	100.00%		56.43%	0.07%	3.08%	28.51%	9.83%	0.00%	1.56%	0.11%	0.13%	0.28%	0.00%
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Account	Description	Allocator	Total	Allocation Factors										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
Internally Generated Allocators														
Distribution Plant 361-369			514,666	381,943	238	30,167	52,141	13,143	26,792	2,822	344	1,970	5,107	0
		JP1	100.00%	74.21%	0.05%	5.86%	10.13%	2.55%	5.21%	0.55%	0.07%	0.38%	0.99%	0.00%
Dist + Trans Plant			555,878	402,414	256	33,011	54,986	13,406	28,057	2,983	395	5,739	12,490	2,140
		JP2	100.00%	72.39%	0.05%	5.94%	9.89%	2.41%	5.05%	0.54%	0.07%	1.03%	2.25%	0.39%
Poles/OH Conductors			135,319	99,913	53	8,298	7,502	1,110	17,321	400	73	564	86	0
		JP3	100.00%	73.84%	0.04%	6.13%	5.54%	0.82%	12.80%	0.30%	0.05%	0.42%	0.06%	0.00%
UG Conductors/Conduit			55,362	43,235	25	3,509	4,483	949	2,602	241	35	234	49	0
		JP4	100.00%	78.09%	0.04%	6.34%	8.10%	1.71%	4.70%	0.44%	0.06%	0.42%	0.09%	0.00%
Distribution Net Plant			389,511	283,347	183	23,599	39,394	9,546	20,573	2,140	291	2,565	5,668	2,205
		JP5	100.00%	72.74%	0.05%	6.06%	10.11%	2.45%	5.28%	0.55%	0.07%	0.66%	1.46%	0.57%
Distribution/General Net Plant			398,964	290,190	188	24,161	40,329	9,774	21,050	2,191	297	2,663	5,880	2,241
		JP6	100.00%	72.74%	0.05%	6.06%	10.11%	2.45%	5.28%	0.55%	0.07%	0.67%	1.47%	0.56%
Gross General Plant:			19,065	13,802	9	1,132	1,886	460	962	102	14	197	428	73
		JP7	100.00%	72.39%	0.05%	5.94%	9.89%	2.41%	5.05%	0.54%	0.07%	1.03%	2.25%	0.39%
Gross Dist'n/General Plant			612,330	439,582	285	35,565	63,822	16,119	31,778	3,462	439	6,014	13,014	2,250
		JP8	100.00%	71.79%	0.05%	5.81%	10.42%	2.63%	5.19%	0.57%	0.07%	0.98%	2.13%	0.37%
Rate Base			358,928	262,236	166	20,186	37,305	9,587	19,160	2,051	263	1,885	4,130	1,959
		RB	100.00%	73.06%	0.05%	5.62%	10.39%	2.67%	5.34%	0.57%	0.07%	0.53%	1.15%	0.55%
O&M Excluding A&G			23,665	18,902	9	1,278	1,346	220	1,628	65	12	84	59	61
		X1	100.00%	79.87%	0.04%	5.40%	5.69%	0.93%	6.88%	0.28%	0.05%	0.35%	0.25%	0.26%
Operating Exps			1,599	1,184	1	101	148	33	78	8	1	12	22	11
		X2	100.00%	74.04%	0.05%	6.32%	9.23%	2.06%	4.87%	0.50%	0.08%	0.77%	1.38%	0.72%
Working Capital			1,418	1,184	0	56	81	18	43	4	1	7	12	12
		X2A	100.00%	83.49%	0.03%	3.92%	5.73%	1.28%	3.02%	0.31%	0.05%	0.47%	0.85%	0.85%
Maintenance Expense			12,228	8,882	5	748	813	147	1,480	44	7	50	17	35
		X3	100.00%	72.63%	0.04%	6.12%	6.65%	1.20%	12.10%	0.36%	0.06%	0.41%	0.14%	0.29%
Labor Distribution			4,396	3,168	2	280	320	58	475	17	3	20	15	38
		X4	100.00%	72.07%	0.04%	6.36%	7.28%	1.32%	10.80%	0.39%	0.07%	0.44%	0.34%	0.87%
Labor Accounts			1,729	1,475	1	143	100	2	2	1	1	3	0	1
		X5	100.00%	85.32%	0.06%	8.26%	5.76%	0.10%	0.13%	0.07%	0.06%	0.17%	0.02%	0.04%
Labor Information			852	836	0	9	5	0	0	0	0	1	1	0
		X6	100.00%	98.08%	0.05%	1.06%	0.60%	0.01%	0.01%	0.03%	0.01%	0.07%	0.08%	0.00%
Labor Excl. A&G			6,977	5,479	3	432	425	60	477	19	4	23	16	39
		X7	100.00%	78.53%	0.05%	6.19%	6.09%	0.86%	6.84%	0.27%	0.06%	0.33%	0.23%	0.56%
A&G O&M excl. adj.			5,175	4,042	2	319	329	50	347	15	3	20	19	29
		X8	100.00%	78.11%	0.05%	6.17%	6.35%	0.97%	6.71%	0.29%	0.06%	0.38%	0.36%	0.55%

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Account	Description	Allocator	Total	Labor Expense										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
580	Op. S&E	X2	0	0	0	0	0	0	0	0	0	0	0	0
581	Op. Dispatching	D1N	0	0	0	0	0	0	0	0	0	0	0	0
582	Op. Station	D1N	0	0	0	0	0	0	0	0	0	0	0	0
583	Op. Overhead Lines	JP3	0	0	0	0	0	0	0	0	0	0	0	0
584	Op. Underground Lines	JP4	0	0	0	0	0	0	0	0	0	0	0	0
586	Op. Meters	C5	58	38	0	6	5	0	2	0	0	0	0	5
588	Op. Miscellaneous	JP2	554	401	0	33	55	13	28	3	0	6	12	2
589	Mn. Rents	JP2	0	0	0	0	0	0	0	0	0	0	0	0
590	Mn. S&E	X3	61	44	0	4	4	1	7	0	0	0	0	0
591	Mn. Structures	JP2	0	0	0	0	0	0	0	0	0	0	0	0
592	Mn. Station	D1N	177	92	0	5	47	16	14	3	0	0	0	0
593	Mn. OH Conductors	JP3	3,203	2,365	1	196	178	26	410	9	2	13	2	0
594	Mn. UG Conductors	JP4	0	0	0	0	0	0	0	0	0	0	0	0
595	Mx. Transformers	C5	0	0	0	0	0	0	0	0	0	0	0	0
596	Mn. Streetlights	Direct	0											0
597	Mn. Meters	C5	343	227	0	36	32	1	13	2	1	0	0	31
598	Mn. Misc.	JP2	0	0	0	0	0	0	0	0	0	0	0	0
	Adj. Payroll		0											
	Adj. Reacc. Debt	JP2	0	0	0	0	0	0	0	0	0	0	0	0
	Other	D1N	0	0	0	0	0	0	0	0	0	0	0	0
	Sub-Total Distribution		4,396	3,168	2	280	320	58	475	17	3	20	15	38
902	CA Supervision	C6	1,155	974	1	100	76	1	2	0	1	0	0	1
903	CA Collections	C9	548	479	0	41	23	0	0	1	0	3	0	0
904	CA Uncoll.	C9A	0	0	0	0	0	0	0	0	0	0	0	0
905	CA Accounts	C9B	26	23	0	2	1	0	0	0	0	0	0	0
	Adj. Payroll		0											
	Adj. Deposits		0											
	Adj. Uncoll.		0											
	Adj. Accts.		0											
	Sub-Total Customer Accounts		1,729	1,475	1	143	100	2	2	1	1	3	0	1

Pennsylvania Power Company

Cost of Service Study: Forecast Test Year Ending April 30, 2016, \$000

Scenario: Exhibit IEC-53

Account	Description	Allocator	Total	Labor Expense										
				RS	GSR	GSS	GSM	GSL	GP	OH	PNP	POL	STLT	GT
907	CI Supervision	C9C	151	148	0	2	1	0	0	0	0	0	0	0
908	CI Assistance Dist'n	Direct	0	0										
909	CI Advertising	C3	0	0	0	0	0	0	0	0	0	0	0	
910	CI Misc.	C9C	701	688	0	7	4	0	0	0	0	1	1	
	Adj. Payroll		0											
	Sub-Total Customer Information		852	836	0	9	5	0	0	0	0	1	1	
920	A&G Salaries	X7	96	75	0	6	6	1	7	0	0	0	0	
921	A&G Office Supplies	X7	0	0	0	0	0	0	0	0	0	0	0	
922	A&G Admin	X7	0	0	0	0	0	0	0	0	0	0	0	
923	A&G Outside Services	X7	1,458	1,145	1	90	89	13	100	4	1	5	3	
924	A&G Insurance	JP6	0	0	0	0	0	0	0	0	0	0	0	
925	A&G Injury/Damages	X7	0	0	0	0	0	0	0	0	0	0	0	
926	A&G Pensions/Benefits	X7	5	4	0	0	0	0	0	0	0	0	0	
928	Regulatory Commission Expense	X7	0	0	0	0	0	0	0	0	0	0	0	
930	General Advertising	X7	0	0	0	0	0	0	0	0	0	0	0	
930	A&G Misc.	X7	0	0	0	0	0	0	0	0	0	0	0	
931	A&G Misc. Rent	X7	0	0	0	0	0	0	0	0	0	0	0	
935	A&G Maint. Gen. Plant	JP7	75	54	0	4	7	2	4	0	0	1	2	
	Adj. Cash Pension	X7	0	0	0	0	0	0	0	0	0	0	0	
	Adj. Other Emp. Benefits	X7	0	0	0	0	0	0	0	0	0	0	0	
	Adj. A&G Non-Juris	X7	0	0	0	0	0	0	0	0	0	0	0	
	Adj. A&G Rate Case	X7	0	0	0	0	0	0	0	0	0	0	0	
	Adj. A&G Legacy Meters	X7	0	0	0	0	0	0	0	0	0	0	0	
	Adj. Accel. Switching	X8	0	0	0	0	0	0	0	0	0	0	0	
	Sub-Total A&G		1,634	1,279	1	101	102	15	110	5	1	6	5	
	Total O&M Labor Expense		8,611	6,757	4	532	527	75	587	23	5	29	21	

Exhibit IEC-53

RDK Proposed Revenue Allocation for West Penn Power: Surrebuttal Update (\$000)

	Current Rate Revenues	Fully Alloc. Cost -- Prop. Rates (Step 1)	Max Increase Restriction (Step 2)	Rate Decrease Adjustment (Step 3)	Cost Allocator for Adjustments	Allocate Adjustments (Steps 4,5)	RDK Proposed Revenue Alloc. (Step 6)	Percent Increase
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RS/GSR	56,805	81,317	0	0	56,805	1,910	83,227	46.5%
GSS	3,483	6,297	-861	0	0	0	5,436	56.1%
GSM/OH	11,865	9,925	0	1,940	0	0	11,865	0.0%
GSL	2,588	2,117	0	470	0	0	2,588	0.0%
GP	1,605	6,360	-3,855	0	0	0	2,505	56.1%
PNP	69	76	0	0	69	2	78	13.2%
POL	274	602	-174	0	0	0	427	56.1%
STLT	1,073	1,156	0	0	1,073	36	1,192	11.0%
GT	1,286	756	0	530	0	0	1,286	0.0%
Total	79,049	108,605	-4,889	2,941	57,948	1,949	108,605	37.4%
System Avg. Percent Increase ==>		37.390%						

Sources:

(1) Exhibit IEC-53

(2) Exhibit IEC-53

(3) MIN ((1+1.5*AvgIncr)*(1)-(2),0)

(4) MAX ((1) - (2),0)

(5) Equal (1) where (3) and (4) are zero.

(6) Allocate totals of (3) and (4) on (5).

(7) Sum (2), (3), (4), (6)

Summary of Revenue Allocation Impact on Cross Subsidies

	Current Revenues	Fully Allocated Cost*	Cross-Subsidies	RDK Proposed Revenues	Revenues at Levelized RoR	Cross Subsidies	Reduction in Cross-Subsidy	RDK Dollar Increase
RS/GSR	56,805	59,674	-2,868	83,227	81,317	1,910	958	26,422
GSS	3,483	4,635	-1,152	5,436	6,297	-861	291	1,953
GSM/OH	11,865	6,684	5,181	11,865	9,925	1,940	3,241	0
GSL	2,588	1,328	1,260	2,588	2,117	470	789	0
GP	1,605	4,782	-3,177	2,505	6,360	-3,855	-678	900
PNP	69	54	15	78	76	2	13	9
POL	274	446	-173	427	602	-174	-2	154
STLT	1,073	816	258	1,192	1,156	36	222	118
GT	1,286	594	691	1,286	756	530	161	0
Total	79,049	79,013	36	108,605	108,605	0	4,996	29,556

* Excludes effect of USC adjustment. See Exhibit IEC-4.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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I certify that I am serving two copies of the Surrebuttal Testimony, on behalf of the Office of Small Business Advocate, by e-mail and first-class mail (unless otherwise noted) upon the persons addressed below:

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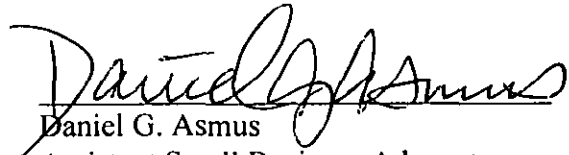
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