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FEB 3 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

February 3, 2015

**VIA FEDERAL EXPRESS**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

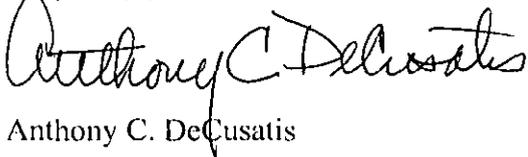
**Re: Pennsylvania Public Utility Commission v. Pennsylvania Electric Company**  
**Docket Nos. R-2014-2428743 and M-2013-2341994**

Dear Secretary Chiavetta:

Enclosed for filing is the **Main Brief on behalf of Pennsylvania Electric Company ("Main Brief")** in the above-referenced docket.

As evidenced by the enclosed Certificate of Service, copies of the Main Brief are being served on all parties, the presiding officers and their technical advisors.

Very truly yours,



Anthony C. DeCusatis

ACD/tp  
Enclosures

c: Per Certificate of Service

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY  
COMMISSION

v.

PENNSYLVANIA ELECTRIC COMPANY

Docket Nos. R-2014-2428743

M-2013-2341994

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FEB 3 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

MAIN BRIEF OF  
PENNSYLVANIA ELECTRIC COMPANY

Before Administrative Law Judges  
Dennis J. Buckley and Katrina L. Dunderdale

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February 3, 2015

**TABLE OF CONTENTS**

	<b>Page</b>
I. INTRODUCTION .....	1
A. Procedural History .....	1
B. The Partial Settlement.....	4
II. SUMMARY OF ARGUMENT .....	4
III. RESERVED ISSUE: THE COMPANY'S PROPOSED LED STREET LIGHTING OFFERING.....	5
A. Fixture Selection, Cost, Sizes And Useful Life .....	8
B. Non-Fixture Costs.....	11
C. The Company's Cost Of Service Study .....	12
D. Per Fixture Distribution Rate.....	13
IV. CONCLUSION.....	14

## I. INTRODUCTION

### A. Procedural History

On August 4, 2014, Pennsylvania Electric Company (“Penelec” or the “Company”) filed with the Pennsylvania Public Utility Commission (the “Commission”) Tariff Electric – Pa. P.U.C. No. 81 (“Tariff No. 81”) which reflects an increase in annual distribution revenues of \$119.8 million, or 8.6% of its total electric operating revenues. The proposed increase consisted of an increase in distribution base rate operating revenues of \$120.316 million, including the roll-in to base rates of the smart meter revenue requirement, and proposed decreases in the Default Service Support and Hourly Pricing Default Service Riders totaling \$0.524 million (see Penelec Statement No. 1, p. 8). On the same date, requests for an increase in distribution rates were filed by Metropolitan Edison Company (“Met-Ed”), Pennsylvania Power Company (“Penn Power”), and West Penn Power Company (“West Penn”).

On October 2, 2014, the Commission adopted an Order (the “Suspension Order”) suspending each of the above-referenced tariff filings and referring them to the Office of Administrative Law Judge for investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations proposed by Met-Ed, Penelec, Penn Power and West Penn. Accordingly, Penelec’s Tariff No. 81 was suspended by operation of law until May 3, 2015.

Notices of Appearance were served on behalf of the Bureau of Investigation and Enforcement (“I&E”) on September 9, 2014, the Office of Small Business Advocate (“OSBA”) on August 25, 2014, the Office of Consumer Advocate (“OCA”) on August 13, 2014 and September 29, 2014, and the Penelec Industrial Customer Alliance (“PICA”) on November 25, 2014. The OSBA and OCA also filed Formal Complaints on August 25 and September 8, 2014,

respectively. On September 12, 2014, a Formal Complaint was filed by PICA,<sup>1</sup> and on September 29, 2014, a Formal Complaint was filed by Pennsylvania State University (“PSU”). Several Formal Complaints were also filed by individual residential customers. Petitions to Intervene were separately filed by the International Brotherhood of Electrical Workers Local 459 (“IBEW”) and the Utility Workers Union of America Local 102 (“UWUA”)<sup>2</sup> on September 9, 2014 and the Pennsylvania Rural Electric Association and the Allegheny Electric Cooperative (“PREA/AEC”) on September 30, 2014. On October 3, 2014, Noble Americas Energy Solutions LLC (“Noble Americas”) filed a Petition to Intervene and the Environmental Defense Fund (“EDF”) and Citizens for Pennsylvania’s Future (“PennFuture”) filed a Joint Petition to Intervene. The Coalition for Affordable Utility Services and Energy Efficiency In Pennsylvania (“CAUSE-PA”) filed its Petition to Intervene on October 6, 2014, and Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively, “Walmart”) filed a Petition to Intervene on October 14, 2014.

This case was assigned to Administrative Law Judge Dennis J. Buckley and Administrative Law Judge Katrina L. Dunderdale (“ALJs”). A prehearing conference was held on October 8, 2014, at which a schedule was established for the submission of testimony and the conduct of evidentiary and public input hearings. Specifically, and consistent with Commission practice, a schedule was adopted whereby all case-in-chief, rebuttal and surrebuttal testimony would be submitted in advance of hearings and oral rejoinder could be offered at the hearings. To effectuate this schedule, Penelec agreed to request an extension of the time for the Commission to enter a final order in this case until May 19, 2015. And, as a condition of that extension, all parties agreed that the Company may recoup through a surcharge revenues lost at

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<sup>1</sup> PICA’s complaint was filed jointly with the Met-Ed Industrial Users Group (“MEIUG”) and the Penn Power Users Group (“PPUG”), such that the Complaint was lodged in this case with respect to PICA and at the applicable dockets for Met-Ed and Penn Power with respect to MEIUG and PPUG, respectively.

<sup>2</sup> UWUA filed a Petition for Leave to Withdraw its Petition to Intervene on January 12, 2015.

the approved rates for the period from the end of the statutorily prescribed suspension period (i.e., May 3, 2015) through the date the Commission makes those rates effective.<sup>3</sup> All parties agreed to the terms of the conditional extension of the suspension period, and it was approved by the ALJs (Prehearing Conference Transcript of October 8, 2014, pp. 53-57). A suspension tariff supplement reflecting the terms of the conditional extension of the suspension period was filed on October 29, 2014.

Pursuant to the established litigation schedule, written direct, rebuttal and surrebuttal testimony was submitted by various parties and a series of public input hearings were held. The parties also engaged in extensive discovery, with Penelec responding to approximately 958 interrogatories. In compliance with the directives set forth in the Commission's regulations (52 Pa. Code § 5.231) and its Policy Statement on Settlements (52 Pa. Code § 69.401),<sup>4</sup> negotiations were conducted among all the parties to try to achieve a settlement of this case. As a result of those negotiations, all parties except PennFuture were able to agree to a settlement (the "Settlement") resolving all issues except a specific, narrow issue that PennFuture elected to pursue through litigation.<sup>5</sup> In light of the Settlement and the fact that all parties waived cross-

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<sup>3</sup> The use of a surcharge to recover revenues lost at the Commission-approved rates between the end of the statutory suspension period and May 19, 2015, is consistent with the practice the Commission has historically employed to allow recovery of lost revenues between the end of the statutory suspension period and the approval of a compliance filing in fully litigated proceedings. *Pa. PUC v. Peoples Natural Gas Co.*, 69 Pa. PUC 427, 1989 Pa. PUC LEXIS 64, \*21-\*22 (1989); see *Bell Tel. v. Pa. PUC*, 452 A.2d 86, 69 Pa. Commw. 554 (1982), *aff'd*, 505 Pa. 603, 482 A.2d 1272 (1984).

<sup>4</sup> Both of those Commission directives strongly encourage parties to resolve contested proceedings by settlement. Additionally, in its *Policy Statement on Settlements*, the Commission stated that "the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding."

<sup>5</sup> The following parties joined in the Settlement: Penelec, OCA, I&E, OSBA, PICA, Walmart, IBEW and EDF. PREA/AEC and Noble Americas, while not signatories, do not oppose the Settlement. PSU and CAUSE-PA have not signed the Joint Petition for Partial Settlement of Rate Investigation because they did not participate actively, through the submission of testimony or other evidence, in this proceeding. However, they both have submitted letters of non-opposition and support for the Settlement, which are appended to the Joint Petition, expressing their views that the Settlement is in the public interest.

examination, a hearing was held on January 14, 2015 principally for the purpose of entering testimony and exhibits into the record.

**B. The Partial Settlement**

The terms of the Settlement are set forth in a Joint Petition for Partial Settlement of Rate Investigation (“Joint Petition”) filed on February 3, 2015, which also contains the Joint Petitioners’ Statements in Support of the Settlement. As previously noted, the Settlement resolves all issues among the Joint Petitioners. However, the Settlement does not resolve one limited issue being pursued by PennFuture concerning the scope and pricing of Penelec’s proposed new light emitting diode (“LED”) street lighting service offering, which is the sole reason PennFuture did not join in the Settlement. This issue has, therefore, been reserved for briefing.

**II. SUMMARY OF ARGUMENT**

PennFuture’s criticisms of certain elements of Penelec’s proposal to begin to offer LED street lighting service through Company-owned and maintained LED fixtures lack merit and are not supported by record evidence. The Company has submitted a detailed, carefully developed rate schedule that properly conforms, in form and substance, to the Commission’s tariff and tariff filing requirements. PennFuture, on the other hand, did not provide for the record any concrete recommendations that could be used to revise the rates, terms and conditions of service in the Company-proposed rate schedule, nor did it present for the Commission’s consideration any alternative LED service offering that could be adopted in lieu of the rate schedule submitted by the Company. As a consequence, if the Commission were to give any credence to PennFuture’s position in this case – which it clearly should not for the reasons set forth below – the result

would be to reject the Company's newly proposed service offering and leave customers no opportunity to obtain LED service through Company-owned facilities.

As explained below, the Company has presented substantial evidence demonstrating that its proposed LED service offering is reasonable, properly responds to expressions of interest from prospective customers for LED service from Company-owned and maintained facilities, and, if approved, will provide interested customers with a new, meaningful and reasonable opportunity to begin to receive LED street lighting service.

### **III. RESERVED ISSUE: THE COMPANY'S PROPOSED LED STREET LIGHTING OFFERING**

Penelec's proposed LED street lighting offering would provide interested customers the opportunity to obtain LED street lighting service from Company-owned and maintained LED street lighting facilities. That service offering, which is embodied in a detailed rate schedule conforming to the Commission's tariff and tariff filing requirements, was developed in response to existing street lighting customers' expressions of interest in exploring LED street lighting options. The Company has offered the City of Altoona the option to install customer-owned LEDs since December 27, 2012.<sup>6</sup> However, past experience has shown that customer preference tends towards Company ownership of fixtures, with only 1,866 of the total 61,098 fixtures installed across Penelec's system (both LED and otherwise) being customer-owned.

The new service offering will be open to both new customers and any customer currently receiving service under a street lighting schedule interested in updating their High Pressure Sodium Vapor Street Lighting Service or Municipal Street Lighting Service. The initial term for all contracts will be ten years, which may be renewed for successive one-year terms. *See*

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<sup>6</sup> Pennsylvania Electric Company. Electric Pa. P.U.C. No. 80. Municipal Street Lighting Service – Provision G (4). Page 139.

Penelec Statement No. 8, pp. 2-4. The Company proposes to recover the distribution (i.e., “wires”) cost of the new service through a fixed monthly charge for each LED fixture.<sup>7</sup> Street lighting customers, like all customers, can obtain electric generation service from competitive electric generation suppliers (“EGSs”) or, if they choose not to “shop,” may obtain default service from the Company. Consequently, the cost of electric generation service for LED service – or any other form of service – is not at issue.

The Company recognized that, as a new service, LED lighting would, at least initially, be adopted by a small number of customers and would require the Company to invest in, and install, new LED-related equipment dedicated solely to providing LED service to those customers. As a consequence, the traditional approach to developing a cost-based rate would produce a relatively higher rate in the first several years of the contract term. And, while the rate would likely decline over time as LED-related property is depreciated, the initially higher rate might impede customer acceptance of the new service. To address that concern, Penelec prepared a separate cost of service analysis to develop a fixed charge for LED service that is levelized over the entire projected fifteen-year service life of the LED fixtures to be installed.

The proposed levelized charge would recover less than the Company’s full cost of providing LED lighting service in the early years of the newly-initiated LED service and, indeed, the total cost to the Company of providing the service would not be fully recovered over the initial ten-year contract term. In fact, the levelized charge amounts to a discount in the first year of a ten-year contract of 32%. See Penelec Statement No. 8-R, p. 10. Those losses would be recovered over time when, in subsequent years, the levelized rate will recover somewhat more than the LED cost of service determined in the traditional (non-levelized) manner. Thus, while

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<sup>7</sup> The hours of operation and the load imposed by each street lighting fixture are known and fixed. Therefore, the rate for distribution service, which is based on customer-related and demand-related costs, can properly be stated as a fixed charge per fixture calculated to recover the cost of service based on those two rate determinants.

lowering the rate for LED service at the front end of the initial contract term, the levelized approach would recover the full cost of service from the LED class, on a net present value basis, over the expected useful life of the LED property being installed. Notably, no party other than PennFuture took issue with any aspect of the Company's LED service offering. Additionally, no potential customers, specifically municipalities, intervened in this case to challenge the Company's LED service offering nor did they voice any informal opposition.

PennFuture criticized certain elements of the Company's proposal, namely: (1) the LED fixture selection, cost, sizes and useful life; (2) the non-fixture – principally, installation – costs; (3) the Company's class cost of service study with respect to the costs allocated to the street lighting class; and (4) as the culmination of all of the foregoing, the per-fixture distribution rate proposed by the Company. Those arguments were advanced in the direct testimony of two witnesses, Patrick Gormley and George Woodbury, neither of whom are employees of PennFuture or of its joint intervenor, EDF. In contrast, EDF's witnesses, Messrs. Munson and Sandoval, are senior level employees of EDF.<sup>8</sup> Rather, Mr. Gormley<sup>9</sup> and Mr. Woodbury<sup>10</sup> are both *entrepreneurs engaged in the competitive businesses of selling, installing and financing* LED products and service to customers.<sup>11</sup> *See* PennFuture/EDF Statement No. 1 - Gormley, p. 2; PennFuture/EDF Statement No. 1 - Woodbury, p. 3.

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<sup>8</sup> Mr. Munson is EDF's Midwest Director for Clean Energy, and Mr. Sandoval is EDF's Senior Manager for Grid Modernization. As previously noted, EDF is a settling party and a Joint Petitioner.

<sup>9</sup> Mr. Gormley is the President of Gormley-Farrington.

<sup>10</sup> Mr. Woodbury is the Executive Vice President of SolLux Technologies.

<sup>11</sup> Gormley-Farrington also represents manufacturers and works on commission-based product sales. *See* PennFuture/EDF Statement No. 1 - Gormley, p. 1. Mr. Gormley represents Cree, Inc., a large LED light supplier, and states in his direct testimony that Cree recently "broke the \$100 barrier for commercial LED light fixtures." *Id.* at p. 8. Significantly, Mr. Woodbury's testimony strongly promotes Cree's product line as an allegedly lower cost alternative to the General Electric ("GE") fixtures that Penelec selected, based on a competitive bidding process, for use in providing its proposed LED service.

As explained in detail in the rebuttal testimony of Christopher D. Ciccone and Hillary E. Stewart (Penelec Statement Nos. 8-R and 5-R, respectively), the Company's proposed fixture selection, cost estimates, and distribution rates are fully supported by record evidence and, therefore, the Company's proposed LED lighting service offering should be approved.

**A. Fixture Selection, Cost, Sizes And Useful Life.**

PennFuture asserts that the LED lighting fixtures the Company will use to supply LED service under its proposed LED service offering are not the least expensive on the market. Of course, there is no reason to believe that price should be the sole determinant of the equipment a utility purchases to provide service to its customers. Rather, there are many factors in addition to price that weigh on such decisions. And, for equipment selection, as in other areas of utility management, a utility is entitled to exercise its reasonable judgment in choosing how it will meet its obligation to furnish safe, reliable and efficient service to its customers. Indeed, this concept is enshrined in Commission and appellate court precedent, which expressly recognizes that utility regulators are not a "super board" of directors<sup>12</sup> and are not authorized to micromanage the day-to-day operations of the utilities under their jurisdiction.<sup>13</sup>

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<sup>12</sup> See *Bell Tel. Co. of Penna. v. Driscoll*, 343 Pa. 109, 118 A.2d 912, 916 (1941) (PUC is not a super board of directors for public utilities).

<sup>13</sup> See *Joint Application of Verizon Commc'ns, Inc. and MCI, Inc. For Approval of Agreement and Plan of Merger*, Docket No. A-310580F0009 (Final Order entered January 11, 2006), 2006 Pa. PUC LEXIS 22 at 218, *aff'd*, *Popowsky v. Pa. P.U.C.*, 594 Pa. 583; 937 A.2d 1040 (2007):

Joint Applicants are correct that the Commission is restrained from acting as a super board of directors. *Metropolitan Edison Co. v. Pa. PUC*, 437 A.2d 76, 62 Pa. Commw. 460 (1981). Absent a showing of abuse of discretion or arbitrary action by the public utility, the Commission lacks authority to interfere with the general management decisions of the public utility. *Id.*; *Pa. PUC v. Philadelphia Electric Company*, 460 A.2d 734, 501 Pa. 153 (1983). The Commission was created to ensure that public utilities furnish and maintain adequate, efficient, safe, and reasonable service and facilities at just and reasonable rates. 66 Pa. C.S. §§ 1301, 1501. The management decisions required to achieve reasonable rates and service are generally left to the public utility.

Moreover, the Company used a reasonable and prudent method to make its equipment choice. Specifically, the Company selected the GE Evolve series lighting as a result of a rigorous competitive procurement process conducted in May-June of 2014. The Company developed certain minimum specifications for the products for which bids were solicited (*see* Exhibit CDC-3), and the bid submitted for the “GE Evolve” series of lighting was the least expensive and only lighting that met Company standards and specifications. *See* Penelec Statement No. 8-R, p. 2. Moreover, the GE Evolve series is used throughout the utility industry and, clearly, is provided by a well-known and reputable manufacturer.

Additionally, PennFuture’s assertions that the Company’s proposed fixture sizes are unavailable and inappropriate (*see* PennFuture/EDF Statement No. 1 - Gormley, p. 6; PennFuture/EDF Statement No. 1 - Woodbury, p. 9) are simply incorrect. The Company’s proposed fixture sizes are available as part of the GE Evolve series and were selected based on the input of potential customers as well as an analysis of the LED offerings of Baltimore Gas & Electric, Duquesne Light, and Progress Energy. Moreover, the wattage of the LED lights that would be installed under the proposed offering will be entirely within the discretion of the customer. *See* Penelec Statement No. 8-R, pp. 4-5.

Although PennFuture contends that the Company’s use of a fifteen-year useful life for the LED streetlights is too conservative, its witness candidly admitted that it is within the range of service life estimates used by the utility industry of between 15-35 years. *See* PennFuture/EDF Statement No. 2 - Woodbury, p. 6. Moreover, utility estimates of useful lives differ based on variables that are specific to individual companies, the type of service they offer and the products they use. With regard to this point, the Company’s witness, Christopher D. Ciccone, explained that the Company, in determining a reasonable useful life, considered not just the LED fixture

itself but, in addition, the “driver,” which converts AC voltages to DC voltages for use in the LED fixture. When the driver fails, as a practical matter, the fixture must be replaced. In short, the life of the LED streetlight unit will be limited by whichever component fails first. The Company engineers carefully considered the potential average life of the components of the LED streetlight in addition to the average life of the LEDs themselves and determined, based on reasonable engineering judgment applied to the available evidence, that a fifteen-year average service life is reasonable for its LED street lighting offering. See Penlec Statement No. 8-R, pp. 3-4. Furthermore, if any significant portion of the installed LED equipment actually experiences a useful life longer than the fifteen years used to establish the initial LED rate, then any reduction in revenue requirement that those longer experienced lives would produce would be directly taken into account in developing rates for subsequent periods. In that way, the benefit of LED lighting surviving longer than the projected useful life, should that occur, will flow to LED customers in the future. The Company’s bottom line is not augmented by its useful life decision because it receives a return on or a return of only its actual investment – neither more nor less.

Finally, the use of a levelizing approach to calculate LED rates significantly reduces the sensitivity of the rates to changes in useful life estimates – a factor that PennFuture’s witnesses did not acknowledge let alone address. As previously explained, the use of a levelized rate provides a 32% reduction relative to traditional cost of service and rate design methods. Tinkering with the useful life as PennFuture suggests would not have a meaningful impact on customer costs in the early years of an LED contract in light of the innovative levelizing approach the Company adopted for the express purpose of providing favorable price signals to prospective customers.

## **B. Non-Fixture Costs**

PennFuture also makes the hyperbolic contention that several categories of the Company's non-fixture costs (e.g., equipment costs, engineering costs and installation time) are "significantly inflated" or unnecessary. It also makes other general and largely unsupported statements about the cost and productivity of private contractors to try to bolster that contention. PennFuture/EDF Statement No. 1 - Woodbury, pp. 9-10. The Company has, in fact, adequately supported its cost estimates. In addition to describing what each category of cost that its proposal encompasses, the Company explained that its estimates were based on the use of utility employees and utility installation equipment (e.g., bucket trucks) to install the LED lights, not private contractors. *See* Penelec Statement No. 8-R, pp. 6-7. That estimate was used for the simple reason that it reflects how the work will actually be done. The Company will use its own employee and existing installation equipment – not private contractors – to do this work.

Notwithstanding PennFuture's protestations, it is reasonable for the Company to use its existing, well-trained and proficient union work force to install LED street lights, just as the same work force is currently used to install and maintain the Company's other forms of street lighting. Once again, the manner in which this work is performed is within the reasonable management discretion of the Company and is not subject to second-guessing or micromanaging either by the Commission or by witnesses whose business affiliations would likely create a bias against the use of a utility's own employees to do this work.

In addition, as explained by Mr. Ciccone and as shown in Exhibit CDC-7, the Company's cost estimates for each category of work such as, for example, engineering, properly reflect economics of scale that would be realized by installing not less than twelve LEDs (the minimum

number that may be contracted for under the proposed LED service offering) instead of one LED at a time. *Id.* at 8.

### C. The Company's Cost Of Service Study

PennFuture also criticized the manner in which general distribution-related costs (e.g., poles, conductors, and transformers) were allocated among customer classes in the Company's class cost of service study. Specifically, PennFuture contends that using non-coincidental peak ("NCP") demands to allocate demand-related costs overstates the cost of service for the street lighting class because such an allocation method does not reflect the "marginal cost" of delivering electricity to street lights that, according to PennFuture, have stable load and operate primarily off-peak. PennFuture/EDF Statement No. 1 - Woodbury, pp. 4-6.

PennFuture did not present an alternative analysis of the cost of service for the street lighting class but, instead, stated that "for street lighting it makes more sense to 'apply considerable judgment' and use a coincidental peak approach or a coincidental peak approach with some percentage allocation based on non coincidental peak." *Id.* at 6. However, as explained by the Company's cost of service expert, Hillary E. Stewart, an NCP allocation is a universally accepted method for allocating distribution demand costs, as evidenced by its endorsement by the National Association of Regulatory Utility Commission's ("NARUC") *Electric Utility Cost Allocation Manual*. Moreover, the NCP method of allocating distribution demand costs was explicitly approved by this Commission as recently as the last fully litigated electric rate case before it.<sup>14</sup> There is no basis for using a coincident peak allocation for

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<sup>14</sup> *Pa. P.U.C. v. PPL Elec. Utils. Corp.*, Docket No. R-2012-2290597 (Final Order entered December 28, 2012), p. 106 ("According to PPL, the filed COSS in this proceeding is virtually identical to the methodology adopted by the Commission in its 2010 base rate proceeding using the class maximum non-coincident peak (NCP) demand method, which is based on the highest demand imposed by each class on its distribution system, to allocate its demand-related distribution costs. PPL St. 8 at 19.") See *Id.* at 112 approving and adopting PPL's proposed cost of service study.

distribution plant, which is inconsistent with the NARUC Manual's recommendation and has never been approved for that purpose in Pennsylvania. *See Penelec Statement No. 5-R, pp. 18-19.*

*PennFuture makes additional unsupported allegations regarding particular cost allocations to street lighting, such as office equipment and call center expense, which should be rejected. PennFuture/EDF Statement No. 1 - Woodbury, pp. 6-7. The Company has used accepted, well-established procedures to allocate street lighting costs, and its proposed allocation should not be altered based on PennFuture's unsubstantiated allegations. Furthermore, there is no evidence to suggest that the changes in the allocation of those costs that PennFuture talked about, but never quantified, would have any material impact on either the overall results of the Company's cost of service study or on the design of the proposed LED rate.*

#### **D. Per Fixture Distribution Rate**

*PennFuture contends that the per-fixture distribution rate proposed for the LED street lighting offering (e.g., \$5.89 for a 50 Watt Cobra Head fixture) is unreasonably high because: (1) it does not reflect the maintenance cost savings expected with LED lights; and (2) it is higher than West Penn's existing customer-owned HPS street lighting distribution rate and the Northeast Utilities LED rate. See PennFuture/EDF Statement No. 1 - Gormley, p. 7; PennFuture/EDF Statement No. 1 - Woodbury, pp. 11-12. Neither contention present a valid criticism warranting any change to the Company's proposed rates for LED street lighting.*

*First, as the Company has explained, it properly accounted for associated cost savings by not including maintenance costs that are otherwise typically part of the existing HPS lighting distribution rate calculation. See Penelec Statement No. 8-R, p. 9. Second, PennFuture's comparison of the proposed LED rate to other utility rates is inapposite. The cited West Penn*

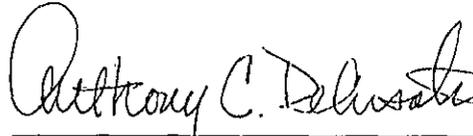
rate was developed over twenty years ago and, in any event, is a **customer-owned** HPS street lighting offering, meaning that the fixture cost and maintenance cost are **not** included in the rate. The Company's proposed LED street lighting rate is for Company-owned lights and, as such, includes fixture costs, which is the primary reason it is higher than the existing West Penn HPS rates cited by PennFuture. Northeast Utilities' LED rate is also a rate for service provided through **customer-owned** fixtures and, therefore, does not include fixture and maintenance costs. The rate is also structured differently from the Company's proposed rate in significant ways. *See* Penelec Statement No. 8-R, pp. 9-10. In short, with respect to both the West Penn and Northeast Utilities rates, PennFuture made a classic "apples-to-oranges" comparison that it should have known mischaracterizes the rates it was trying to compare.

#### IV. CONCLUSION

For the reasons set forth above, Penelec's proposed LED street lighting offering should be approved without modification. The Company has set forth a reasonable proposal and has gone the extra mile by implementing an innovative levelized rate approach to reduce up-front rates for the initial contract term and, in that way, create price signals designed to increase customer acceptance of the new service. Furthermore, and as previously explained, because the Company has proposed a new offering of service not presently provided, if its proposed rate schedule were rejected based on PennFuture's criticisms – which clearly should not be done – the result would be to deny potential customers any opportunity to adopt Company-owned LED street lighting service.

That is clearly not a reasonable outcome, nor would such an outcome be in the best interests of Penelec's customers.

Respectfully submitted,



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*Counsel for Pennsylvania Electric Company*

Dated: February 3, 2015

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY  
COMMISSION**

**v.**

**PENNSYLVANIA ELECTRIC COMPANY**

**Docket Nos. R-2014-2428743  
M-2013-2341994**

**CERTIFICATE OF SERVICE**

I hereby certify that I served, on behalf of **Pennsylvania Electric Company**, on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54, a true and correct copy of the **Main Brief**.

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