

May 14, 2015

VIA e-FILING
Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor - 1 North
Harrisburg, PA 17120

Re: Pennsylvania Electric Company – General Base Rate Case, Docket No. R-2014-2428743,
Corrections to May 1, 2015 Cover letter and Pennsylvania Electric Company Tariff Pa.
P.U.C. No. 81

Dear Secretary Chiavetta:

Transmitted herewith for e-filing with the Pennsylvania Public Utility Commission ("Commission") on behalf of Pennsylvania Electric Company ("Penelec" or the "Company") is Penelec's revised cover letter, originally filed with the Commission on May 1, 2015, with Tariff - Electric Pa. P.U.C. No. 81 ("Tariff No. 81") in accordance with the Commission's final Order entered on April 9, 2015. Also enclosed are some corrected pages to the Pennsylvania Electric Company ("Penelec") Tariff Pa. P.U.C. No. 81. Penelec is providing corrected Page 5 for the correct Penelec Tariff number and Pages 139, 141 and 142 that fix typographical errors in the headers.

No other changes have been made to Penelec Tariff Pa. P.U.C. No. 81.

If you have any questions regarding the enclosed documents, please contact me at (610)-921-6525.

Sincerely,



Charles V. Fullem
Director, Rates and Regulatory Affairs, PA

email: Marissa Boyle

Enclosure

May 1, 2015

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

Re Pennsylvania Electric Company – General Base Rate Case
Docket No. R-2014-2428743

Dear Ms. Chiavetta:

Transmitted herewith for e-filing with the Pennsylvania Public Utility Commission ("Commission") on behalf of Pennsylvania Electric Company ("Penelec" or the "Company") is Penelec's Tariff - Electric Pa. P.U.C. No. 81 ("Tariff No. 81"). Tariff No. 81 conforms to the tariff set forth as Exhibit 1 to the Joint Petition for Partial Settlement ("Joint Petition") in the above-captioned proceeding. Both the Joint Petition and its accompanying Exhibit 1 were filed on February 3, 2015 and were approved by the Commission's final Order entered on April 9, 2015.

Tariff No. 81 is designed to produce an increase in distribution revenues not in excess of \$93.1 million and bears an effective date of May 3, 2015. The only changes made in Tariff No. 81 from the tariff set forth as Exhibit 1 to the Joint Petition are: to update the Price to Compare Default Service Rider rates and NUG Rider rates to the rates that are currently approved by the Commission and have been in effect since March 1, 2015; to include the changes relating to customer deposits that became effective with Commission approval on December 22, 2014 and to correct certain dates in street lighting that were incorrect in Exhibit 1¹.

Consistent with the Commission's final Order, Customers will receive bills reflecting the new rates beginning no earlier than May 19, 2015, even though Tariff No. 81 bears an effective date of May 3, 2015. Also beginning on May 19, 2015, customers' bills will reflect a Rate Case Surcharge ("Surcharge") that has been approved by the Commission as part of its approval of the Joint Petition. Specifically, Paragraph 11.A.1. of the Joint Petition provides as follows:

As agreed upon in exchange for an extension of the statutory suspension period, the Company will recoup, through a surcharge, revenues lost at the final approved rates from May 3, 2015 (the end of the statutory suspension

¹ These are typographic errors only that were made in Exhibit 1.

period) through May 19, 2015, the date the Settlement Rates must become effective.⁶ – or such date earlier than May 19, 2015 that the Commission makes the Settlement Rates effective. The Company will implement such a surcharge at the same time it begins to charge the Settlement Rates. The surcharge will be calculated separately for residential, commercial, and industrial customer classes, with the residential and commercial classes determined consistently with the definition of those classes set forth in the Company's Price to Compare Default Service Rider, while the industrial class shall be determined consistently with the first paragraph of the Availability section of the Company's Hourly Pricing Default Service Rider. The surcharge will be stated on a per-kWh basis for the residential and commercial classes and on a per kW basis for the industrial class. The surcharge will remain in effect, for each class, until the lost revenue, determined for such class, is collected over a period not to exceed three months from the date the surcharge is initiated.

⁶ If the Commission makes the Settlement Rates effective prior to May 19, 2015, this surcharge will recoup lost revenues from May 3, 2015 through the Commission ordered Settlement Rates effective date.

Consistent with Paragraph 11.A.1 of the Joint Petition and the Commission's final Order approving it without modification, the Surcharge will continue for approximately two billing periods, or until the Company has recovered the distribution revenue recoupment amount from customers served on each rate schedule. Also consistent with Paragraph 11.A.1, the Surcharge for the distribution revenue recoupment will be stated on a per kWh or KW basis, as applicable for each rate schedule; will be calculated on a bill-cycle specific basis; and will be applied to the amounts being billed at the time the Surcharge is applied.

In response to the portion of Commissioner Cawley's separate statement requesting that the Company provide, as part its compliance filing, clarification regarding the five-year amortization of legacy meters, the Company notes that the Joint Petition does not provide for a future adjustment to either the Smart Meter Technologies Charge or to base distribution rates (outside of a subsequent base rate case) to reflect the expiration of the five-year amortization that will commence on the effective date of the approved rates. As part of the inter-related and inter-dependent matrix of provisions that constituted the quid pro quo of the settlement, all of the Joint Petitioners envisioned that this amortization would be part of the cost-of-service allowance until the Company's next base rate case, which is also consistent with past Commission practice allowing recovery of deferred costs through base rate cost recovery by amortization over a period of years. Moreover, given the Company's significant levels of annual investment in new plant and equipment over succeeding years (as set forth in the evidentiary record in this case) and the flat to declining levels of per-customer load and usage – including load reductions required to comply with the energy efficiency and conservation provisions of Act 129 of 2008 (also substantiated by the record) – as well as other inflationary factors acting upon the cost of service, it is not expected that the Company could refrain from seeking an adjustment in its distribution base rates until after the expiration of the five-year amortization period.

If you have any questions or wish to discuss the Company's filing, please feel free to contact me directly.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles V. Fullem". The signature is fluid and cursive, with a long horizontal stroke at the end.

Charles V. Fullem
Director – Rates and Regulatory Affairs – PA

C: Certificate of Service

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RIDERS

Rider H (continued)

DS_{Exp1} = An allocated portion of the incremental start-up costs incurred by the Company through May 31, 2013 in connection with the Company's Default Service Supply Plan to provide Default Service amortized over the twenty-four (24) month period ending May 31, 2015, including but not limited to:

- Incremental start-up administrative costs including metering and billing costs incurred and other costs as necessary to provide service to retail Default Service Customers
- Other start-up costs incurred to develop and implement the competitive bid process for the retail Default Service Supply Plan for retail Default Service including legal, customer notice, and consultant fees
- The incremental administrative start-up costs associated with the portfolio procurements of the supply needed from block and spot purchases

Interest will be calculated monthly on the average of the beginning and the end of month balances of these costs and included in the determination of the monthly amortized amount. The monthly interest rate will be based upon the 41 P.S. § 202 statutory rate.

DS_{Exp2} = The cumulative costs to provide Default Service incurred by the Company for the respective Customer Class through the end of the previous Default Service Quarter, including but not limited to the following:

RIDERS

Rider H (continued)

- The net AEPS expenses incurred by the Company associated with the portfolio procurements of the supply needed from block and spot purchases. These net AEPS expenses will reflect the net proceeds of sales of AEPS credits purchased that exceed the AEPS credits needed to meet AEPS requirements.
- The cost of credit when the Company is considered by PJM to be the load serving entity

$PTC_{Rev} =$ The cumulative revenues billed to Retail Customers by Customer Class for Default Service under the Default Service Supply Plan, excluding applicable Pennsylvania gross receipts tax, through the end of the most recent Default Service Quarter billed under the respective Customer Class $PTC_{Default}$ rates.

$DS_{Int} =$ The cumulative amount of carrying charges calculated on a monthly basis through the end of the most recent Default Service Quarter by Customer Class. Interest will be calculated monthly on the average balance of 1) the respective month's beginning balance of prior months' cumulative over or under collection of PTC_{Rev} compared to the sum of the amortized portion of DS_{Exp1} costs and DS_{Exp2} costs incurred to date including cumulative interest calculated thereon through the beginning of the month; and 2) the respective month's ending balance of cumulative over or under collection of PTC_{Rev} compared to the amortized portion of DS_{Exp1} costs and DS_{Exp2} costs incurred to date including cumulative interest calculated thereon through the beginning of the month. The monthly interest rate will be based upon the 41 P.S. § 202 statutory annual rate for under collections and based upon the 41 P.S. § 202 statutory annual rate plus two percent for (over) collections.

RIDERS

Rider H (continued)

- DS_{Sales} = The Company's projected Default Service kWh sales to Retail Customers by Customer Class for the three-month billing period that the E rate component of the $PTC_{Default}$ rate will be in effect.
- T = The Pennsylvania gross receipts tax rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

Each change in the $PTC_{Default}$ rates will be filed with the Commission thirty (30) days prior to the effective date of the rate changes. The Company shall file details in support of the revised $PTC_{Default}$ rates.

At the conclusion of the duration of this reconciliation rider, the Company is authorized to recover or refund any remaining amounts not reconciled at that time under such mechanism as approved by the Commission.

Application of the $PTC_{Default}$ rates shall be subject to annual review and audit by the Commission.