

May 14, 2015

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

Re Pennsylvania Power Company – General Base Rate Case  
Docket No. R-2014-2428744, Corrections to May 1, 2015 cover letter

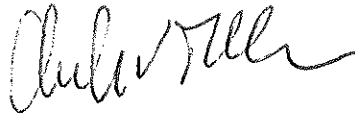
Dear Ms. Chiavetta:

Transmitted herewith for e-filing with the Pennsylvania Public Utility Commission ("Commission") on behalf of Pennsylvania Power Company ("Penn Power" or the "Company") is Penn Power's revised cover letter, originally filed with the Commission on May 1, 2015, with Tariff - Electric Pa. P.U.C. No. 36 ("Tariff No. 36") in accordance with the Commission's final Order entered on April 9, 2015.

No changes have been made to Penn Power Tariff No. 36.

Thank you.

Sincerely,



Charles V. Fullen  
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, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

Re Pennsylvania Power Company – General Base Rate Case  
Docket No. R-2014-2428744

Dear Ms. Chiavetta:

Transmitted herewith for e-filing with the Pennsylvania Public Utility Commission ("Commission") on behalf of Pennsylvania Power Company ("Penn Power" or the "Company") is Penn Power's Tariff - Electric Pa. P.U.C. No. 36 ("Tariff No. 36"). Tariff No. 36 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. 36 is designed to produce an increase in distribution revenues not in excess of \$17 million and bears an effective date of May 3, 2015. The only changes made in Tariff No. 36 from the tariff set forth as Exhibit 1 to the Joint Petition are: to update the Price to Compare Default Service 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 a rider customer class definitions that were incorrect in Exhibit 1<sup>1</sup>.

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. 36 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

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<sup>1</sup> These are typographic errors only that were made in Exhibit 1.

period) through May 19, 2015, the date the Settlement Rates must become effective. – or such date earlier than May 19, 2015 that the Commission makes the Settlement Rates effective<sup>5</sup>. 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.

<sup>5</sup>. 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.

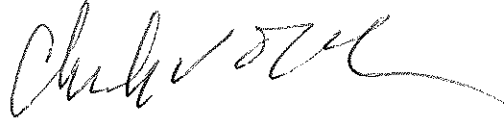
Consistent with Paragraph 11.A.1 of the Joint Petition and the Commission's final Order approving it without modification, the Surcharge will continue for approximately two billing periods, or until the Company has recovered the distribution revenue recoupment amount from customers served on each rate 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 extending to the right.

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

C: Certificate of Service