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November 18, 2015

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

VIA ELECTRONIC FILING

**RE: Petition of Pennsylvania Electric Company for Approval of its
Long-Term Infrastructure Improvement Plan; Docket No. P-2015-2508936**

Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission the Comments of the Penelec Industrial Customer Alliance ("PICA") in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to these proceedings are being duly served.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Teresa K. Schmittberger

Counsel to the Penelec Industrial Customer Alliance

TKS/sar
Enclosures

c: Administrative Law Judge Charles E. Rainey, Jr. (via e-mail and First-Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

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

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Certificate of Service
P-2015-2508936
Page 2

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Dated this 18th day of November, 2015, at Harrisburg, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PENNSYLVANIA ELECTRIC :
COMPANY FOR APPROVAL OF ITS : DOCKET NO. P-2015-2508936
LONG-TERM INFRASTRUCTURE :
IMPROVEMENT PLAN :

**COMMENTS OF THE
PENELEC INDUSTRIAL CUSTOMER ALLIANCE**

I. INTRODUCTION

On October 19, 2015, the Pennsylvania Electric Company ("Penelec" or "Company") filed a Petition for Approval of its Long-Term Infrastructure Improvement Plan ("LTIIIP" or "Plan") with the Pennsylvania Public Utility Commission ("PUC" or "Commission"). Penelec filed the Plan pursuant to the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Final Implementation Order at Docket No. M-2012-2293611 ("Implementation Order"). The Implementation Order set forth the Commission's procedures for complying with the requirements of Act 11 of 2012 ("Act 11").

Act 11 provides utilities with an opportunity to implement a Distribution System Improvement Charge ("DSIC") to recover reasonable and prudent costs incurred to repair, improve, or replace existing distribution system property meeting certain eligibility requirements. The eligibility requirements are defined in Section 1351 of the Public Utility Code. 66 Pa. C.S. § 1351(1). As a further requirement for recovering costs through a DSIC, a utility must file an LTIIIP in accordance with the provisions of Section 1352 of the statute. 66 Pa. C.S. § 1352(a); see also 52 Pa. Code §§ 121.7(a)-(d).

Consistent with the procedures set forth in the Implementation Order, the Penelec Industrial Customer Alliance ("PICA") hereby submits the following Comments in response to the LTIIP filed by Penelec on October 19, 2015.

II. COMMENTS

PICA reviewed the LTIIP to determine whether Penelec's proposal is consistent with Section 1352 of the Public Utility Code, 52 Pa. Code §§ 121.4(e)(1)-(4), and the Commission's Implementation Order. The Implementation Order established that the utility bears the burden of proof as to whether the proposed long-term plan and associated expenditures are reasonable and cost effective and are designed to maintain safe, adequate, and reliable service to consumers in conformance with Section 1352(a). Implementation Order, p. 20. Penelec's LTIIP proposes to increase the Company's annual capital investment in distribution system replacements by \$56.74 million between 2016 and 2020. LTIIP, p. 2; see also Appendix A. The following upgrades are proposed in Penelec's Plan: install protective devices; create circuit ties and loops; porcelain cutout replacement; line rehabilitation; install supervisory control and data acquisition ("SCADA") devices; install advanced distribution protection devices; wood pole replacement; wood pole reinforcement ("C-Trussing"); unreimbursed highway relocation; split large circuits; switch and gang operated air brakes ("GOAB") replacement; wood pole substation retirement; substation breaker replacement; substation relay replacement; cap and pin insulator replacement; network vault rehabilitation; and customer service improvement ("CSI"). Id. at 7; see also Appendix A.

Based on the representations and data provided in the LTIIIP, PICA does not object to the Company's proposed LTIIIP at this time.¹ Several components of Penelec's LTIIIP, however, will require further monitoring and review.

Specifically, PICA submits that the scope of investment projected for the LTIIIP demands the highest degree of scrutiny by the PUC to ensure that the intended capital improvements remain reasonably consistent with projections outlined in the LTIIIP. The Commission should also conduct ongoing reviews of any method applied by Penelec to measure cost-effectiveness and should ensure that the proposed improvements will maintain safe, reliable, and reasonable service. 66 Pa. C.S. § 1352(a)(7); see also 52 Pa. Code § 121.7(d). Furthermore, the Commission must ensure that only eligible investments are included in the LTIIIP. The Commission has recognized the necessity to develop a stringent review process for the LTIIIP, both in acknowledging its statutory obligation to initiate a Rulemaking to establish procedures for the five-year periodic review of LTIIIPs and in further agreeing to promulgate regulations establishing standards for amending LTIIIPs. See Implementation Order, p. 21.

With regards to Penelec's proposed LTIIIP, PICA has some concerns regarding eligibility of property for DSIC cost recovery. While Penelec's LTIIIP currently focuses on seventeen categories of infrastructure set for improvement, the Company indicates that the LTIIIP is only a "blueprint for investments" and that "individual elements of the proposed initiatives . . . will be subject to some degree of change." LTIIIP, p. 8. Should Penelec choose to make alterations to its planned infrastructure investments, all future projects must qualify as eligible property under Act 11 and be subject to reasonable cost recovery. The Commission's Implementation Order further clarified that an LTIIIP "should be limited to only 'eligible property' for which DSIC

¹Although PICA does not object to Penelec's LTIIIP as filed, PICA would participate in any subsequent adjudication or alternate review process initiated by the Commission to the extent additional information becomes available or changes are proposed.

treatment is sought (DSIC-eligible plant)." Implementation Order, p. 18. Therefore, while Penelec has not yet requested approval for a DSIC, the Company must restrict projected LTIIP expenditures to DSIC-eligible facilities. To that end, PICA will monitor developments related to Penelec's LTIIP and requests that the Commission ensure that any modifications to the Plan only allow for projects related to eligible property within Penelec's distribution system.

Finally, with respect to the proposed cost of LTIIP replacements, PICA hopes that the Commission will examine whether Penelec's proposed \$56.74 million collection is reasonable and prudent in light of the projects Penelec is proposing. 66 Pa. C.S. § 1358(a)(1). While PICA does not oppose Penelec's LTIIP at this time, PICA encourages the Commission to develop robust procedures to ensure that Penelec's future implementation of the LTIIP remains reasonably consistent with the projected capital improvements and includes only eligible projects. Moreover, PICA reserves its right to raise and address cost recovery and allocation issues during Penelec's upcoming DSIC proceeding.

III. CONCLUSION

WHEREFORE, the Penelec Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission consider these Comments in evaluating Pennsylvania Electric Company's proposed Long-Term Infrastructure Improvement Plan.

Respectfully submitted,

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Dated: November 18, 2015