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March 7, 2016

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 Power Company for Approval to Establish and Implement
a Distribution System Improvement Charge;
Docket No. P-2015-2508931**

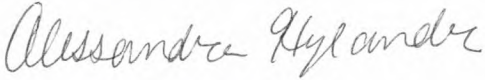
Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission is the Petition to Intervene and Answer of the Penn Power Users Group ("PPUG") 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 
Alessandra L. Hylander

Counsel to the Penn Power Users Group

/lmc

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-2015-2508931
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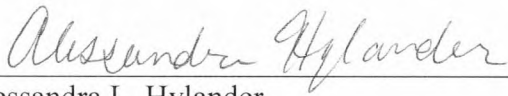
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Alessandra L. Hylander

Counsel to the Penn Power Users Group

Dated this 7th day of March, 2016, at Harrisburg, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Pennsylvania Power Company for : Docket No. P-2015-2508931
Approval to Establish and Implement :
a Distribution System Improvement Charge :

**PETITION TO INTERVENE AND ANSWER OF
THE PENN POWER USERS GROUP**

TO THE HONORABLE, THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Sections 5.71 through 5.74 of the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Regulations, 52 Pa. Code §§ 5.71 - 5.74, the Penn Power Users Group ("PPUG") hereby files this Petition to Intervene in response to the above-captioned Petition of Pennsylvania Power Company (the "Company"). Furthermore, pursuant to Section 5.61(a) of the Commission's Regulations, 52 Pa. Code § 5.61(a), PPUG hereby files this Answer in response to the above-captioned Petition of the Company.

Act 11 of 2012 ("Act 11") provides utilities with the opportunity to implement a Distribution System Improvement Charge ("DSIC") to recover reasonable and prudent costs incurred to repair, improve, or replace eligible distribution system property as defined in 66 Pa. C.S. § 1351(1). In order to recover costs through a DSIC, the utility must first file a Long Term Infrastructure Improvement Plan ("LTIIIP") and obtain the Commission's approval in accordance with 66 Pa. C.S. § 1352 and 52 Pa. Code §§ 121.7(a)-(d).

On October 19, 2015 the Company filed with the Commission its Petition for approval of its LTIIIP, which proposed \$56.35 in upgrades for facilities and equipment within the Company's distribution system.

On November 18, 2015, PPUG filed Comments on the Company's LTIIP. PPUG's comments did not oppose the LTIIP, but requested further review of the LTIIP to ensure it was fair, just, and reasonable.

On February 11, 2016, the Commission approved the Company's LTIIP.

On February 16, 2016, the Company filed with the Commission its Petition requesting approval to establish a DSIC that would take effect on July 1, 2016.

In response to the Company's filing, PPUG now submits this Petition to Intervene and Answer. In support of its Petition to Intervene and Answer, PPUG asserts the following:

I. PETITION TO INTERVENE

1. PPUG is an ad hoc group of energy-intensive large commercial and industrial ("Large C&I") customers receiving electric service from the Company primarily under Rate Schedule GT, as well as available riders. PPUG members consume significant amounts of electricity in their manufacturing and operational processes, and electricity costs comprise a significant element of their respective costs of operation.

2. PPUG has been actively involved in many proceedings related to the introduction of electric generation supply choice in the Company's service territory. PPUG consistently participates in, *inter alia*, the Company's base rate case proceedings and Default Service Plan proceedings. PPUG also submitted Comments on the Company's recent LTIIP proceeding at Docket No. P-2015-2508931.

3. The PUC's disposition of the Company's Petition in this instance may impact the rates PPUG members pay for electric service.

4. The names and address of PPUG's attorneys are:

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Teresa K. Schmittberger (Pa. I.D. No. 311082)

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5. For purposes of this proceeding, PPUG includes the companies listed in Appendix A hereto. PPUG will update Appendix A during the course of this proceeding as needed to reflect changes in its membership.

6. The Company's Petition requests implementation of an initial DSIC rate of 0.299% to become effective on July 1, 2016. The Company proposes to allocate this DSIC across all customer classes with the exception of customers receiving service under Rate Schedules GSDS and GT at voltage levels over 46,000 volts.

7. Therefore, consistent with 52 Pa. Code § 5.72(a), PPUG has a significant interest in this proceeding that is not represented by any other party of record. Consequently, PPUG should be granted full-party status in this proceeding.

II. ANSWER

A. Introduction

8. This answer identifies specific issues impacting PPUG. PPUG reserves the right, however, to raise and address additional issues of concern during the course of the proceeding based on further review of the Petition, the Company's Direct Testimony, and discovery.

9. As filed, the Company's Petition proposes to increase revenues available to fund distribution system improvements by instituting a DSIC at an initial rate of 0.299%, with the DSIC ultimately capped at 5% of billed distribution revenues. However, the Company's Petition

contains numerous ambiguities that warrant further review by the parties and the Commission. Specifically, although PPUG does not oppose the Company's DSIC, PPUG requests that the Commission carefully consider whether the Company's proposed eligible property and cost recovery methods are reasonable, prudent, and compliant with Act 11 and applicable Commission rules, regulations and precedent.

10. Thus, for the reasons set forth above and further discussed below, the PUC should require the Company to produce evidence demonstrating that the Company's proposed DSIC is reasonable, fair, and compliant with Act 11 and applicable Commission rules, regulations and precedent before granting the Company's request.

B. Argument

11. An initial review of the Company's Petition indicates that its proposed DSIC may not be in the public interest. The Company has not fully demonstrated that full allocation of the DSIC among customers in all rate classes with the exception of customers receiving service under Rate Schedules GSDS and GT at voltage levels over 46,000 volts (the "Exempt Classes") is just and reasonable. Some customers outside of the Exempt Classes only use a small portion of distribution infrastructure and therefore it is unjust and unreasonable to impose a DSIC on these customers.

12. Furthermore, PPUG is concerned with the Company's method of calculating the DSIC cap of 5% of billed distribution revenues. The Company has not demonstrated what clauses and riders will be included in calculating the 5% DSIC cap. The Company only states that "the DSIC is capped at 5% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis." *See* Petition, Penn Power Exhibit KMS-2, p. 4. Without further information as to which clauses and riders are

applicable, PPUG remains concerned that this ambiguous language permits recovery for DSIC-ineligible investments through the DSIC (such as Act 129 Energy Efficiency and Conservation charges). As referenced earlier, a utility can only recover costs for distribution system improvements via a DSIC. *See* 66 Pa. C.S. §§ 1351(1), 1352, and 1353. A grant of the Company's Petition in its current form, absent more thorough review of its DSIC cap calculation methods, would be inadvisable from a policy standpoint and inconsistent with the Commission's Regulations. *See id.*

13. Further analysis by the parties and the Commission is warranted to ensure that the DSIC is properly and lawfully calculated. Where the Company has not sufficiently shown that its DSIC is proper, reasonable, and fairly allocated among customers, the PUC should not grant its Petition.

III. CONCLUSION

WHEREFORE, for the reasons stated above, the Penn Power Users Group respectfully requests that the Pennsylvania Public Utility Commission grant this Petition to Intervene and Answer and provide the Penn Power Users Group with full-party status in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

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Dated: March 7, 2016

APPENDIX A

PENN POWER USERS GROUP

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