

Morgan Lewis

Anthony C. DeCusatis

Of Counsel

+1.215.963.5034

anthony.decusatis@morganlewis.com

June 20, 2016

VIA e-FILING

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

**Re: Petition of Pennsylvania Power Company for Approval
of a Distribution System Improvement Charge
Docket No. P-2015-2508931**

Dear Secretary Chiavetta:

Enclosed for filing at the above-referenced docket are: (1) Supplement No. 19 to Pennsylvania Power Company's ("Penn Power" or the "Company") Tariff Electric Pa. P.U.C. No. 36, bearing an issue date of June 20, 2016; and (2) four schedules, described below, that provide information in support of Supplement No. 19. Supplement No. 19 and the accompanying schedules are being filed in compliance with the Pennsylvania Public Utility Commission's ("PUC" or the "Commission") Order entered June 9, 2016 in the above-referenced proceeding ("June 9 Order").

Supplement No. 19 consists of Penn Power's Distribution System Improvement Charge ("DSIC") Rider, which was approved to become effective for bills rendered on or after July 1, 2016, subject to refund or recoupment based on the Commission's final resolution of matters referred to the Office of Administrative Law Judge, as provided in Ordering Paragraph No. 2 of the June 9 Order. Supplement No. 19 includes the Company's initial DSIC rate of 0.019%, which will remain in effect from July 1, 2016 until the next quarterly update of the DSIC, as of October 1, 2016. The Company's initial DSIC rate reflects eligible plant additions placed in service during May 2016, which is the first month subsequent to the end of the fully projected future test year (April 30, 2016) employed in the Company's last base rate case, which was filed at Docket No. R-2014-2428744 ("2014

Morgan, Lewis & Bockius LLP

1701 Market Street
Philadelphia, PA 19103-2921
United States

T +1.215.963.5000
F +1.215.963.5001

Rosemary Chiavetta, Secretary
June 20, 2016
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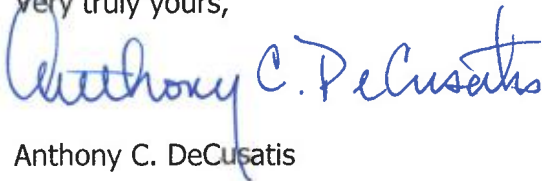
Base Rate Case") (see June 9 Order, p. 9).

As noted above, the Company is also filing four schedules containing information in support of Supplement No. 19, as follows:

- Schedule 1 shows the calculation of the initial DSIC rate set forth in Supplement 19.
- Schedule 2 details the DSIC-eligible property that was placed in service during May 2016.
- Schedule 3 compares DSIC-eligible investments projected to be placed in service during the fully projected future test year for purposes of the Company's rate base claim in its 2014 Base Rate Case and the amount of such plant investments actually placed in service from May 1, 2015 through April 30, 2016. Schedule 3 is being submitted pursuant to Ordering Paragraph No. 3 and the directive at page 21 of the June 9 Order.
- Schedule 4 is the Company's estimate of the new jobs expected to be created as a result of implementing its Long-Term Infrastructure Improvement Plan, which was approved by the Commission in its Order entered February 11, 2016 at the above-referenced docket number. This schedule is being submitted pursuant to the Ordering Paragraph No. 7 of the June 9 Order.

If you have any questions regarding the enclosed documents, please feel free to contact the undersigned.

Very truly yours,



Anthony C. DeCusatis

ACD/tp
Enclosures

c: Per Certificate of Service (w/encls.)
Paul T. Diskin, Bureau of Technical Utility Services (w/encls.)
Lori Burger, Bureau of Audits (w/encls.)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PENNSYLVANIA POWER : Docket No. P-2015-2508931
COMPANY FOR APPROVAL TO AND :
IMPLEMENT A DISTRIBUTION :
SYSTEM IMPROVEMENT CHARGE :

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Pennsylvania Power Company's Supplement No. 19 to Tariff Electric Pa. P.U.C. No. 52** and accompanying schedules on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC AND FIRST CLASS MAIL

Johnnie E. Simms
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
josimms@pa.gov

Daniel G. Asmus
Office of Small Business Advocate
Commerce Tower, Suite 202
300 North Second Street
Harrisburg, PA 17101
dasmus@pa.gov

Erin L. Gannon
Darryl A. Lawrence
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
egannon@paoca.org
dlawrence@paoca.org

Charis Mincavage
Alessandra Hylander
McNees Wallace & Nurick LLC
P.O. Box 1166
100 Pine Street
Harrisburg, PA 17108-1166
cmincavage@mcneeslaw.com
ahylander@mcneeslaw.com
Counsel for Penn Power Users Group

John Finnagan
Environmental Defense Fund
128 Winding Brook Lane
Terrance Park, OH 45174
jfinnigan@edf.org

George Jugovic, Jr.
200 First Avenue, Suite 200
Pittsburgh, PA 15222
giugovic@pennfuture.org
*Counsel for Citizens for
Pennsylvania's Future*

Respectfully submitted,



John L. Munsch
Metropolitan Edison Company
800 Cabin Hill Drive
Greensburg, PA 15601
724.838.6210 (bus)
jmunsch@firstenergycorp.com

Anthony C. DeCusatis
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
215.963.5034 (bus)
215.963.5001 (fax)
anthony.decusatis@morganlewis.com

Attorneys for Pennsylvania Power Company

Dated: June 20, 2016

Supplement No. 19
Electric Pa. P.U.C. No. 36

PENNSYLVANIA POWER COMPANY
READING, PENNSYLVANIA

Electric Service Tariff

Effective in

**The Territory as Defined on
Page Nos. 8 - 9 of this Tariff**

Issued: June 20, 2016

Effective: July 1, 2016

**By: Steven E. Strah, President
Reading, Pennsylvania**

NOTICE

**This Supplement 19 adds Rider O.
See Sixteenth Revised Page 2**

LIST OF MODIFICATIONS

Rate Schedules

Rate RS – Residential Service Rate – Addition of DSIC (See First Revised Page 57)

Rate GS-Small – General Service Secondary Rate – Addition of DSIC (See Second Revised Page 62)

Rate GS – Voluntary Fire Company, and Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate - Addition of DSIC (See First Revised Page 67)

Rate GS-Medium – General Service Secondary Rate – Addition of DSIC (See First Revised Page 70)

Rate GS-Large – General Service Secondary Rate – Addition of DSIC (See First Revised Page 73)

Rate GP – General Service: Primary Rate – Addition of DSIC (See First Revised Page 77)

Rate GT – General Service Transmission Power Rate – Addition of DSIC (See First Revised Page 81)

Rate PLS – Private Outdoor Lighting Service - Addition of DSIC (See First Revised Page 85)

Rate SV – Street Lighting Service High Pressure Sodium Vapor – Addition of DSIC (See First Revised Page 89)

Rate SVD – Street Lighting Service High Pressure Sodium Vapor Divided Ownership - Addition of DSIC (See First Revised Page 91)

Rate SM – Street Lighting Service Mercury Vapor - Addition of DSIC (See First Revised Page 94)

Rate LED – Street Lighting Service LED - Addition of DSIC (See First Revised Page 97)

Rate PNP – Public or Non-Profit Organization - Addition of DSIC (See First Revised Page 100)

Riders

Rider O – Distribution System Improvement Charge Rider (Pages 160 – 163).

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RATE SCHEDULES

RATE RS

Availability:

Available for Residential Service using the Company's standard, single phase service, to installations served through one meter for each family unit in a residence or apartment.

When service is used through the same meter for both residential and commercial purposes the General Service rate schedule shall apply.

This rate schedule is not available for commercial, institutional or industrial establishments.

Service:

Alternating current, 60 hertz, single phase, nominal voltage 120/240 or 120/208 as available.

Rate:

The net monthly charge per customer shall be:

Distribution:

\$10.85 per month (Customer Charge), plus

3.135¢ per kWh for all kWh

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider C – Universal Services Cost
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

(C) Change

RATE SCHEDULES

Rate GS (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H-Price to Compare Default Service Rate Rider, Commercial Customer Class rate applies unless the Customer elects to receive Default Service from the Company under Rider I-Hourly Pricing Default Service Rider.

Special Rule GSDS:

Customers with a historic billing demand of 500 KW and above and who would otherwise qualify for Rate Schedule GP or GT, but who are on Rate Schedule GS due to the Customer not being under contract, will be placed on the Hourly Pricing Default Service Rider.

(C) Change

RATE SCHEUDLES

Rate GS (continued)

service territory that constitutes a separately metered location for electric delivery purposes. The use of the electric service by the Non-Profit Ambulance Service shall be used primarily to support its service. The Company may request and the Customer/Applicant shall provide all documentary and other evidence of its compliance with this provision.

Rate:

The net monthly charge per Customer shall be:

Distribution:

\$10.85 per month (Customer Charge), plus
3.135¢ per kWh for all kWh

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider C – Universal Service Cost
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H – Price to Compare Default Service Rate Rider, Residential Customer Class rate applies.

(C) Change

RATE SCHEDULES

Rate GM (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H – Price to Compare Default Service Rate Rider, Commercial Customer Class rate applies unless the Customer elects to receive Default Service from the Company under Rider I – Hourly Pricing Default Service Rider.

(C) Change

RATE SCHEDULES

RATE GS-LARGE
GENERAL SERVICE SECONDARY

Availability:

This Rate is available to non-Residential Customers using electric service through a single delivery location for lighting, heating and/or power service whose registered demand is equal to or greater than 400 KW in two (2) consecutive months Secondary voltage shall be supplied to Customers at a single transformer location when load does not require transformer capacity in excess of 2,500 KVA. Upon a Customer's request, the Company may, at its option, provide transformers having a capacity of greater than 2,500 KVA.

New Customers requiring transformer capacity in excess 2,500 KVA and existing Customers whose load increases such that a transformer change is required (over 2,500 KVA) shall be required to take untransformed service.

All of the following general monthly charges are applicable to Delivery Service Customers.

GENERAL MONTHLY CHARGES

Distribution Charge:

\$74.49 per month (Customer Charge), plus
\$3.35 per kW for all billed kW
\$0.20 for each rkVA of reactive billing demand

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

(C) Change

RATE SCHEDULES

Rate GP (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider I – Hourly Pricing Service Default Service Rider rate applies.

Minimum Charge:

No bill shall be rendered by the Company for less than:

\$90.73 per month, plus demand charges at current rate levels times the Billing Demand, plus any distribution energy charges, and any charges stated in or calculated by any applicable rider.

(C) Change

RATE SCHEDULES

Rate GT (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider G – Smart Meter Technologies Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider I – Hourly Pricing Service Default Service Rider rate applies.

(C) Change

RATE SCHEDULES

Rate PLS (continued)

When service cannot be supplied from facilities included above and additional facilities are required, the customer will in addition to the above charges pay the following distribution charge for each pole:

For each 30' or 35' pole, per month	\$7.24
For each 40' pole, per month	\$8.43

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

Default Service Charges:

The Default Service Charges shall be determined using the applicable Average Monthly kWh usage, from the preceding chart, multiplied by the Rider H – Price to Compare Default Service Rate Rider, Commercial Customer Class rate.

(C) Change

RATE SCHEDULES

Rate SV (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

Default Service Charges:

The Default Service Charges shall be determined using the applicable Average Monthly kWh usage, from the preceding chart, multiplied by the Rider H – Price to Compare Default Service Rate Rider, Commercial Customer Class rate.

Special Terms and Conditions:

Additional Facilities:

When the customer requests service that requires additional facilities, such as wood, metal or ornamental poles not presently considered a part of the Company's existing overhead or underground distribution system, the customer shall bear these additional costs. The customer shall also bear the cost of rearranging or extending the existing facilities necessary to serve additional lights or to obtain the required mounting height. All necessary street lighting facilities are supplied, installed, owned, operated, and maintained by the Company and are connected to the Company's available general distribution system. The equipment installed under the above rate is of the type currently being furnished by the Company at the time service is contracted. The Company will install the street lights as requested upon payment by the customer of the aforementioned excess costs. The customer may elect to pay monthly minimum charges for a period not to exceed 60 months based on the estimated construction cost of such additional facilities.

(C) Change

RATE SCHEDULES

RATE SVD

STREET LIGHTING SERVICE; HIGH PRESSURE SODIUM VAPOR; DIVIDED OWNERSHIP

Availability:

Available to municipalities and other governmental agencies for lighting public streets, highways, bridges, parking lots, parks and similar public places.

Service:

The Company will furnish energy and maintenance only to those HPS street light units that are listed in the Company's approved material standards. Maintenance shall include lamp replacement, photo-cell replacement, and scheduled cleaning. Lighting units will operate from sunset to sunrise, each night of the year, approximately 4,070 hours of annual operation.

Rate:

Distribution Charge:

<u>Rating in Watts</u>	<u>Nominal Lumens</u>	<u>Average Monthly kWh</u>	<u>Distribution</u>
70	5,800	32	\$4.50
100	9,500	46	\$4.45
150	16,000	66	\$3.95
250	27,500	98	\$4.32
400	50,000	156	\$3.79

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge (C)

(C) Change

RATE SCHEDULES

RATE SM
 STREET LIGHTING SERVICE
 MERCURY VAPOR

Availability:

This provision is grandfathered to existing Customers currently utilizing this provision at existing locations and will be closed to all other Customers effective June 1, 2008.

Available to governmental units for lighting public streets, roads, and ways.

Service:

Company furnishes, operates, and maintains the street lighting system, except as noted under Special Terms and Conditions. Service shall extend from one-half hour after sunset until one-half hour before sunrise, each night of the year, approximating 4,070 hours of annual operation.

Rate:

<u>Rating in Watts</u>	<u>Type</u>	<u>Nominal Lumens</u>	<u>Average Monthly kWh</u>	<u>Distribution</u>
175	Overhead - Wood Pole	7,500	70	\$13.94
400	Overhead - Wood Pole	22,000	156	\$14.90

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

- Rider A – Tax Adjustment Surcharge
- Rider F – Phase II Energy Efficiency and Conservation Charge
- Rider J – Default Service Support Charge
- Rider N – Solar Photovoltaic Requirements Charge
- Rider O – Distribution System Improvement Charge

(C)

(C) Change

RATE SCHEDULES

Rate LED (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

Rider A – Tax Adjustment Surcharge

Rider F – Phase II Energy Efficiency and Conservation Charge

Rider J – Default Service Support Charge

Rider N – Solar Photovoltaic Requirements Charge

Rider O – Distribution System Improvement Charge

(C)

Default Service Charges:

For customers taking default service, the Price to Compare Default Service Charge shall be determined using the applicable Monthly kWh usage, from the preceding chart, multiplied by the Rider H-Price to Compare Default Service Rate Rider, Commercial Customer Class rate.

Payment Terms:

As per Rule 11, Payment of Bills.

Term of Contract:

Provision of this Service requires a contract with the Company. The initial term of contract shall be not less than ten (10) years, subject to renewal for successive one (1) year terms, unless other terms shall be provided in the contract. When replacement of existing lighting is requested by the Customer of an existing luminaire during the initial ten (10) year term, the Customer shall pay the cost of removal in addition to an amount representative of the depreciable life of the fixture for the remainder of the term (to be determined by the Company).

General Provisions:

- A. The Company shall furnish, install, and maintain at the above rates all necessary street lighting facilities consisting of but not limited to lamps, luminaries, brackets, and other supporting materials.
- B. The Company will install lighting fixtures on an approved existing pole. All additional and new lighting equipment, consisting of but not limited to poles, brackets, wiring, transformation, etc., not provided for herein and installed by the Company at the request of the customer shall be the property of the Company and be paid for by the customer prior to the customer taking service.

C) Change

RATE SCHEDULES

RATE PNP (continued)

Riders:

Bills rendered under this schedule are subject to the following applicable Rider Charges:

Rider A – Tax Adjustment Surcharge

Rider F – Phase II Energy Efficiency and Conservation Charge

Rider G – Smart Meter Technologies Charge

Rider J – Default Service Support Charge

Rider N – Solar Photovoltaic Requirements Charge

Rider O – Distribution System Improvement Charge

(C)

Default Service Charges:

For Customers receiving Default Service from the Company, Rider H-Price to Compare Default Service Rate Rider, Commercial Customer Class rate applies.

(C) Change

RIDERS

RIDER O
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of 0.019% will apply consistent with the Commission Order dated June 9, 2016 at Docket No. P-2015-2508931, approving the Distribution System Improvement Charge ("DSIC"). This charge will be effective during the period July 1, 2016 through September 30, 2016.

1. General Description

- A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide Pennsylvania Power Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

- B. Eligible Property: The DSIC-eligible property will consist of the following:

- Poles and towers (account 364);
- Overhead conductors (account 365) and underground conduit and conductors (accounts 366 and 367);
- Line transformers (account 368) and substation equipment (account 362);
- Any fixture or device related to eligible property listed above, including insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets, relays, capacitors, converters and condensers;
- Unreimbursed costs related to highway relocation projects where an electric distribution company must relocate its facilities; and
- Other related capitalized costs.

- C. Effective Date: The DSIC will become effective July 1, 2016.

RIDERS

Rider O (Continued)

2. Computation of the DSIC

- A. Calculation: The initial DSIC, effective July 1, 2016, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service during the month of May 2016. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

Effective Date of Change	Date to which DSIC-Eligible Plant Additions Reflected
January 1	September – November
April 1	December – February
July 1	March – May
October 1	June - August

- B. Determination of Fixed Costs: The fixed costs of eligible distribution system improvements projects will consist of depreciation and pre-tax return, calculated as follows:

1. Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in Pennsylvania Power Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.
2. Pre-tax return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

RIDERS

Rider O (Continued)

C. Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Company's otherwise applicable rates and charges, excluding amounts billed for and the State Tax Adjustment Surcharge (STAS). All Customers will be billed the DSIC on a bills-rendered basis. To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of the STAS.

D. Formula: The formula for calculation of the DSIC is as follows:

$$\text{DSIC} = \frac{((\text{DSI} * \text{PTRR}) + \text{Dep} + e) * 1 / (1 - T)}{\text{PQR}}$$

Where:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.

PTRR = Pre-tax return rate applicable to DSIC-eligible property.

Dep = Depreciation expense related to DSIC-eligible property.

e = Amount calculated under the annual reconciliation feature or Commission audit, as described below.

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers, excluding customers served under the Company's Rate Schedule GSDS over 69,000 volts and Rate Schedule GT over 69,000 volts, plus revenue from any customers which will be acquired by the beginning of the applicable service period.

T = Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

Minimum bills shall not be reduced by reason of the DSIC, nor shall changes hereunder be a part of the monthly rate schedule minimum. The DSIC shall not be subject to any credits or discounts. The STAS included in this Tariff is applied to charges under the DSIC.

RIDERS

Rider O (Continued)

3. Quarterly Updates:

Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

4. Customer Safeguards

- A. Cap: The DSIC is capped at 5.0% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.
- B. Audit/Reconciliation: The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, *et seq.*, shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on July 1 of each year. If DSIC revenues exceed DSIC-eligible costs, such over-collections will be refunded with interest. Interest on over-collections and credits will be calculated at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, *et seq.*) and will be refunded in the same manner as an over-collection.
- C. New Base Rates: The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in Pennsylvania Power Company's rates or rate base will be reflected in the quarterly updates of the DSIC.
- D. Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.
- E. Customer classes: Effective July 1, 2016, the DSIC shall be applied equally to all customer classes except Rate Schedule GSDS over 69,000 volts and Rate Schedule GT over 69,000 volts
- F. Earning Reports: The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Utility would earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section.

Pennsylvania Power Company
Computation of Initial DSIC Rate
To be effective July 1, 2016 through September 30, 2016

Line No.		May-16	7/1/2016 Quarterly Rate
1	Incremental Plant Additions	\$ 114,716	\$ 114,716
2	Cumulative Plant	\$ 114,716	\$ 114,716
3	Accumulated Depreciation	\$ 618	\$ 618
4	Retirements	\$ -	\$ -
5	Distribution System Improvement Projects net of Accumulated Depreciation	\$ 114,098	\$ 114,098
6	Quarterly Pre-tax return rate (Page 2) applied to DSIC-eligible property (Line 5)		\$ 3,404
7	Weighted Average Quarterly Depreciation rate (Page 4) applied to DSIC-eligible property (Line 5)		\$ 618
8	Net Amount to be recovered w/o GRT		\$ 4,022
9	Net Amount to be recovered w GRT ¹		4,274
10	Projected Quarterly Revenue (Page 3)		\$ 22,550,428
11	DSIC Rate (Line 9 divided by Line 10)		0.019%

¹Gross up for Gross Receipts Tax = Net Amount x (1/ (1-5.9%))

Pennsylvania Power Company
 Computation of Composite DSIC Pre-tax Rate of Return

Line No.	Description	Capitalization Ratio ¹⁾	Embedded Cost ²⁾	Pre-tax Rate of Return	Tax Multiplier	Pre-Tax Rate of Return (PTRR)
1	Long-Term Debt	46.28%	6.34%	2.93%	-	2.93%
2	Common Equity	<u>53.72%</u>	9.80% ³⁾	5.26%	1.709211797	<u>9.00%</u>
3	Total	<u>100.00%</u>		<u>8.20%</u>		<u>11.93%</u>
Quarterly Pre-Tax Rate of Return (Line No 3, Col. 7 / 4)						<u>2.98%</u>

Footnotes:

- 1) Capitalization Ratio from the actual capitization structure as of March 31, 2016
- 2) Long-Term Debt Cost from the Company's actual embedded debt cost as of March 31, 2016
- 3) Common Equity Cost from the Commission's Bureau of Technical Utility Services Report on the Quarterly Earnings of Jurisdictional Utilities dated May 19, 2016

**Pennsylvania Power Company
Revenue Forecast**

Jul-16	7,436,713
Aug-16	7,825,630
Sep-16	<u>7,288,085</u>
Total	22,550,428

Pennsylvania Power Company
Weighted Average Depreciation rate

	May 2016 Capital Additions	% of Total	Book Depreciation Rate	Weighted Average Depreciation
364 - Poles, Towers And Fixtures	\$ 95,504	83.253%	2.10%	1.748%
365 - Overhd Conductr, Devices	\$ 13,142	11.456%	2.29%	0.262%
368 - Line Transformers	\$ 6,070	5.291%	2.72%	<u>0.144%</u>
	\$ 114,716	100.000%		2.155%

activity_cost	activity_quantity	description	long_description	end_month	description	cpr_activity		description	asset_id
						cpr_ledger_wo_number	wo_numbe		
486.59	2	36500 - Overhd Conductr, Devices	2012 GLI NON REST POLE 431-47 CONNEAUT-	May-16	PPCO - Dist Lines	14779280	14779280	36500 - Overhd Conductr, Devices	812646432
3.86	1	36500 - Overhd Conductr, Devices	2012 GLI NON REST POLE 432-88 CONNEAUT-	May-16	PPCO - Dist Lines	14779282	14779282	36500 - Overhd Conductr, Devices	813209557
58.65	2	36500 - Overhd Conductr, Devices	2012 GLI NON REST POLE 491-178 CONNEAUT	May-16	PPCO - Dist Lines	14779311	14779311	36500 - Overhd Conductr, Devices	812646468
489.07	2	36500 - Overhd Conductr, Devices	2012 GLI NON REST POLE 491-450 CONNEAUT	May-16	PPCO - Dist Lines	14779313	14779313	36500 - Overhd Conductr, Devices	812646484
4.21	1	36500 - Overhd Conductr, Devices	2012 GLI NON REST POLE 430-88 CONNEAUT-	May-16	PPCO - Dist Lines	14779332	14779332	36500 - Overhd Conductr, Devices	813209682
875.69	2	36500 - Overhd Conductr, Devices	2011 GLI NON REST POLE 1439-61 INGOMAR-	May-16	PPCO - Dist Lines	14785148	14785148	36500 - Overhd Conductr, Devices	812646634
0.05	1	36500 - Overhd Conductr, Devices	2012 GLI NON REST POLE 491-20 CONNEAUT-W	May-16	PPCO - Dist Lines	14785516	14785516	36500 - Overhd Conductr, Devices	813209919
485.58	1	36500 - Overhd Conductr, Devices	2012 GLI NON REST POLE 1069-6 CAMPBELL P	May-16	PPCO - Dist Lines	14785678	14785678	36500 - Overhd Conductr, Devices	813209944
444.51	2	36500 - Overhd Conductr, Devices	2011 GLI NON REST POLE 1414-260 WARREND A	May-16	PPCO - Dist Lines	14787017	14787017	36500 - Overhd Conductr, Devices	812646717
478.42	2	36500 - Overhd Conductr, Devices	Trillith Replace Neutral	May-16	PPCO - Unspecified	14198887	14198887	36500 - Overhd Conductr, Devices	812643966
130.29	1	36800 - Line Transformers	2012 GLI NON REST POLE 500-70	May-16	PPCO - Dist Lines	14753934	14753934	36800 - Line Transformers	813169889
300.91	2	36800 - Line Transformers	2012 GLI NON REST POLE 1428-797 INGOMAR-	May-16	PPCO - Dist Lines	14770006	14770006	36800 - Line Transformers	812646257
1,133.29	2	36800 - Line Transformers	2012 GLI NON REST POLE 431-47 CONNEAUT-	May-16	PPCO - Dist Lines	14779280	14779280	36800 - Line Transformers	812646449
2,045.87	2	36800 - Line Transformers	2011 GLI NON REST POLE 1439-61 INGOMAR-	May-16	PPCO - Dist Lines	14785148	14785148	36800 - Line Transformers	812646655
973.19	1	36800 - Line Transformers	2012 GLI NON REST POLE 1069-6 CAMPBELL P	May-16	PPCO - Dist Lines	14785678	14785678	36800 - Line Transformers	813209974

114,716.04

Account	Description	Plant In Service			Book Reserve			Net Plant Adjusted Balance 4/30/16 (7) = (3) - (6)
		Balance at 4/30/16 (1)	Adjustments (2)	Adjusted Balance 4/30/16 (3) = (1) + (2)	Balance 4/30/16 (4)	Adjustments (5)	Adjusted Balance 4/30/16 (6) = (4) + (5)	
NONDEPRECIABLE PLANT								
Intangible Plant								
301	Organization	\$ 22,834	\$ -	\$ 22,834	\$ -	\$ -	\$ 22,834	
302	Franchise And Consents	68,666	-	68,666	-	-	68,666	
	Total Intangible Plant	\$ 91,500	\$ -	\$ 91,500	\$ -	\$ -	\$ 91,500	
Land								
350.11	Transmission Substations	\$ 944,697	\$ (944,697)	\$ -	\$ -	\$ -	\$ -	
350.21	Transmission Lines	1,172,320	(1,172,320)	-	-	-	-	
360.11	Distribution Substations	572,698	-	572,698	-	-	572,698	
360.21	Distribution Lines	5,371	-	5,371	-	-	5,371	
389.1	General	226,639	-	226,639	-	-	226,639	
	Total Land	\$ 2,921,725	\$ (2,117,017)	\$ 804,708	\$ -	\$ -	\$ 804,708	
	TOTAL NON-DEPRECIABLE PLANT	\$ 3,013,225	\$ (2,117,017)	\$ 896,208	\$ -	\$ -	\$ 896,208	
INTANGIBLE PLANT								
303	Misc Intangible Plant	\$ 12,429,559	\$ -	\$ 12,429,559	\$ 9,235,322	\$ -	\$ 9,235,322	
303	Smart Meter Software	2,857,487	-	2,857,487	378,840	-	378,840	
	TOTAL INTANGIBLE PLANT	\$ 15,287,046	\$ -	\$ 15,287,046	\$ 9,614,161	\$ -	\$ 9,614,161	
NUCLEAR PRODUCTION								
326	Nuclear Production	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Asset Retirement Costs Nuclear	-	-	-	-	-	-	
	TOTAL NUCLEAR PRODUCTION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
TRANSMISSION PLANT								
350.12	Easements - Trans. Subs	\$ 931,435	\$ (931,435)	\$ -	\$ -	\$ -	\$ -	
350.22	Easements - Trans. Lines	7,498,613	(7,498,613)	-	-	-	-	
352.1	Structures, Improvements	763,495	-	763,495	626,808	-	626,808	
352.2	Clearing, Grading Of Land	196,171	-	196,171	-	-	196,171	
353	Station Equipment	6,438,169	-	6,438,169	4,637,113	-	4,637,113	
354	Towers And Fixtures	7,576	-	7,576	7,524	-	7,524	
355	Poles And Fixtures	2,796,705	-	2,796,705	903,261	-	903,261	
356.1	Overhd Conductr, Devices	2,649,550	-	2,649,550	917,460	-	917,460	
356.2	Clearing, Grading of Land	116,088	-	116,088	460	-	460	
357	Underground Conduit	64,654	-	64,654	54,012	-	54,012	
358	Undergrnd Conductr,Devices	36,068	-	36,068	29,303	-	29,303	
359	Roads And Trails	6,324	-	6,324	5,064	-	5,064	
	TOTAL TRANSMISSION PLANT	\$ 21,504,848	\$ (8,430,048)	\$ 13,074,800	\$ 7,181,005	\$ -	\$ 7,181,005	
DISTRIBUTION PLANT								
360.12	Easements - Dist. Subs.	\$ 10,968	\$ -	\$ 10,968	\$ -	\$ -	\$ 10,968	
360.22	Easements - Dist. Lines	5,789,305	-	5,789,305	-	-	5,789,305	
361.1	Structures, Improvements	1,369,736	(15,260)	1,354,476	741,938	(17,490)	724,448	
361.2	Clearing, Grading of Land	451,503	-	451,503	-	-	451,503	
362	Station Equipment	53,959,533	(703,738)	53,255,795	13,436,101	(584,673)	12,851,428	
364	Poles, Towers And Fixtures	103,804,684	(31,122)	103,773,562	33,555,873	(21,582)	33,534,291	
365	Overhd Conductr, Devices	106,973,173	(22,070)	106,951,103	23,318,097	(16,336)	23,301,761	
365.1	Clearing, Grading of Land	49,318,641	-	49,318,641	4,996,490	-	4,996,490	
366	Underground Conduit	7,610,995	-	7,610,995	2,302,485	-	2,302,485	
367	Undergrnd Conductr,Devices	63,075,480	-	63,075,480	20,616,997	-	20,616,997	
368	Line Transformers	104,187,451	(2,858)	104,184,593	31,986,856	(3,242)	31,983,614	
369	Services	38,335,886	-	38,335,886	19,299,617	-	19,299,617	
370	Meters	-	-	-	-	-	-	
370	Smart Meters 10 yr	477	-	477	11	-	11	
370	Smart Meters 15 yr	30,651,512	-	30,651,512	1,761,494	-	1,761,494	
371	Inst On Cust. Prem.	3,802,409	-	3,802,409	2,461,657	-	2,461,657	
373.1	Street Light - Oh, Ug Lines	6,446,014	-	6,446,014	2,825,229	-	2,825,229	
373.2	Street Light - ESIP	464,077	-	464,077	-	-	464,077	
373.3	Street Light - LED Ohio Tar	749,988	-	749,988	2,818	-	2,818	
374	ARC Distribution	4,408	(4,408)	-	2,381	(2,381)	-	
	TOTAL DISTRIBUTION PLANT	\$ 577,006,242	\$ (779,456)	\$ 576,226,786	\$ 157,308,044	\$ (645,704)	\$ 156,662,340	
GENERAL PLANT								
389.2	Easements	\$ 311	\$ -	\$ 311	\$ -	\$ -	\$ 311	
390.1	Structures, Improvements	5,201,551	-	5,201,551	2,194,609	-	2,194,609	
390.2	Clearing, Grading of Land	41,261	-	41,261	-	-	41,261	
390.3	Struct Imprv, Leasehold Imp	407,069	-	407,069	-	-	407,069	
391.1	Office Furn., Mech. Equip	739,884	-	739,884	604,863	-	604,863	
391.2	Data Processing Equipment	1,946,171	-	1,946,171	1,570,309	-	1,570,309	
391.25	Data Proc Smart Meters	2,542,825	-	2,542,825	602,070	-	602,070	
392	Transportation Equipment	249,845	-	249,845	152,324	-	152,324	
393	Stores Equipment	171,743	-	171,743	111,812	-	111,812	
394	Tools, Shop, Garage Equip.	2,457,806	-	2,457,806	872,302	-	872,302	
395	Laboratory Equipment	72,935	-	72,935	55,520	-	55,520	
396	Power Operated Equipment	515,956	-	515,956	196,455	-	196,455	
397	Communication Equipment	2,234,749	-	2,234,749	171,553	-	171,553	
398	Misc. Equipment	63,781	-	63,781	53,809	-	53,809	
399.1	ARC General Plant	32,875	(32,875)	-	21,750	(21,750)	-	
	TOTAL GENERAL PLANT	\$ 16,678,762	\$ (32,875)	\$ 16,645,887	\$ 6,607,375	\$ (21,750)	\$ 6,585,626	
	TOTAL	\$ 633,490,123	\$ (11,359,396)	\$ 622,130,727	\$ 180,710,586	\$ (667,454)	\$ 180,043,133	
Less: Amount from Penn Power Exhibit RAD-65 - Wrap-Up Rate Base at Docket No. R-2014-2428744								
				\$ 612,329,000		\$ 192,223,000	\$ 420,106,000	
				\$ 9,801,727		\$ (12,179,857)	\$ 21,981,594	

** No parties proposed adjustments to gross or net plant included in Exhibit RAD-65 during litigation phase of the case

Account	Description	ACTUAL			RAD-46			OVER (UNDER)				
		Plant In Service	Book Reserve	Net Plant	Plant In Service	Book Reserve	Net Plant					
		Balance at 4/30/16 (1)	Adjusted Balance 4/30/16 (2)	Adjusted Balance 4/30/16 (3) = (1) + (2)	Balance 4/30/16 (4)	Adjusted Balance 4/30/16 (5)	Adjusted Balance 4/30/16 (6) = (4) + (5)	Balance 4/30/16 (7) = (3) - (6)	Adjusted Balance 4/30/16 (8)	Adjusted Balance 4/30/16 (9)	Adjusted Balance 4/30/16 (10) = (8) - (9)	(11) = (7) - (10)
DISTRIBUTION PLANT												
364	Poles, Towers And Fixtures	\$ 103,804,684	\$ (31,122)	\$ 103,773,562	\$ 33,555,873	\$ (21,582)	\$ 33,534,291	\$ 70,239,271	\$ 94,910,388	\$ 34,028,343	\$ 60,882,045	\$ 9,357,225
365	Overhd Conductr, Devices	106,973,173	(22,070)	106,951,103	23,318,097	(16,336)	23,301,761	83,649,342	94,122,216	26,525,876	67,596,339	16,053,003
365.1	Clearing, Grading of Land	49,318,641	-	49,318,641	4,996,490	-	4,996,490	44,322,151	41,196,197	5,441,817	35,754,381	8,567,770
366	Underground Conduit	7,610,995	-	7,610,995	2,302,485	-	2,302,485	5,308,510	7,012,991	2,306,674	4,706,318	602,193
367	Undergrmd Conductr,Devices	63,075,480	-	63,075,480	20,616,997	-	20,616,997	42,458,483	55,361,879	21,295,741	34,066,138	8,392,345
368	Line Transformers	104,187,451	(2,858)	104,184,593	31,986,856	(3,242)	31,983,614	72,200,979	138,117,480	32,394,620	105,722,860	(33,521,881)
369	Services	38,335,886	-	38,335,886	19,299,617	-	19,299,617	19,036,269	36,086,064	19,829,109	16,256,955	2,779,314
373.1	Street Light - Oh, Ug LineS	6,446,014	-	6,446,014	2,825,229	-	2,825,229	3,620,785	7,291,975	4,947,524	2,344,451	1,276,334
373.2	Street Light - ESIP	464,077	-	464,077	-	-	-	464,077	28,502	-	28,502	435,575
373.3	Street Light - LED Ohio Tar	749,988	-	749,988	2,818	-	2,818	747,170	-	-	-	747,170
	TOTAL DISTRIBUTION PLANT	\$ 480,966,389	\$ (56,050)	\$ 480,910,339	\$ 138,904,463	\$ (41,160)	\$ 138,863,303	\$ 342,047,036	\$ 474,127,692	\$ 146,769,703	\$ 327,357,988	\$ 14,689,048
GENERAL PLANT												
397	Communication Equipment	\$ 2,234,749	\$ -	\$ 2,234,749	\$ 171,553	\$ -	\$ 171,553	\$ 2,063,196	\$ 3,413,190	\$ 966,264	\$ 2,446,926	\$ (383,730)
	TOTAL GENERAL PLANT	\$ 2,234,749	\$ -	\$ 2,234,749	\$ 171,553	\$ -	\$ 171,553	\$ 2,063,196	\$ 3,413,190	\$ 966,264	\$ 2,446,926	\$ (383,730)
	TOTAL	\$ 483,201,138	\$ (56,050)	\$ 483,145,088	\$ 139,076,016	\$ (41,160)	\$ 139,034,856	\$ 344,110,232	\$ 477,540,881	\$ 147,735,967	\$ 329,804,914	\$ 14,305,318

Pennsylvania Power Company
 Estimated New Jobs created

	Man-Hours			FTEs ¹⁾		
	Engineering	Design	Construction	Engineering	Design	Construction
Penn Power	-	-	-	-	-	-
Contracted Labor	-	-	6,149	-	-	2.96
New Internal Labor	-	-	-	-	-	-
Transferred Internal Labor	666	-	1,000	0.32	-	0.48

¹⁾ Full Time Equivalent - The amount of jobs is derived by dividing total man-hours by 2080