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August 3, 2016

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17105-3265

**Re: Petition of Pennsylvania Electric Company for Approval of A Distribution System Improvement Charge, Docket No. P-2015-2508936
Office of Consumer Advocate v. Pennsylvania Power Company,
and Docket No. C-2016-2531060**

Dear Secretary Chiavetta:

On behalf of **Pennsylvania Electric Company**, enclosed is the **Prehearing Conference Memorandum** for filing in the above-captioned matters. A copy has been served on Administrative Law Judge Joel H. Cheskis and the parties / intervenors of record in accordance with the attached Certificate of Service.

Very truly yours,



Anthony C. DeCusatis

Enclosures

c: Per Certificate of Service (w/encls.)

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|--------------------------------------|---|----------------------------------|
| PETITION OF PENNSYLVANIA | : | Docket No. P-2015-2508936 |
| ELECTRIC COMPANY FOR APPROVAL | : | |
| OF A DISTRIBUTION SYSTEM | : | |
| IMPROVEMENT CHARGE | : | |
| | : | |
| OFFICE OF CONSUMER ADVOCATE | : | |
| | : | Docket No. C-2016-2531060 |
| v. | : | |
| | : | |
| PENNSYLVANIA ELECTRIC COMPANY | : | |
| | : | |

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **Prehearing Conference Memorandum on behalf of Pennsylvania Electric Company** 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

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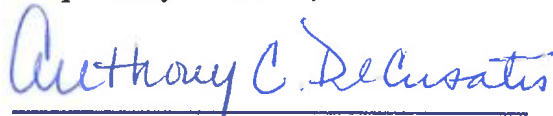
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Attorneys for Pennsylvania Electric Company

Dated: August 3, 2016

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| PENNSYLVANIA ELECTRIC COMPANY | : | |

**PREHEARING CONFERENCE MEMORANDUM OF
PENNSYLVANIA ELECTRIC COMPANY**

INTRODUCTION

This Prehearing Conference Memorandum is being submitted on behalf of Pennsylvania Electric Company (“Penelec” or the “Company”) pursuant to the Prehearing Conference Order issued by Administrative Law Judge Joel H. Cheskis (“ALJ”).

I. HISTORY OF THE PROCEEDING

On February 16, 2016, Penelec filed with the Pennsylvania Public Utility Commission (the “Commission”) the above-captioned Petition requesting approval to establish and implement a Distribution System Improvement Charge (“DSIC”) Rider to its tariff effective as of July 1, 2016. On the same day, similar Petitions were filed by Penelec’s affiliates, Metropolitan Edison Company (“Met-Ed”) (Docket No. P-2015- 2508942), Pennsylvania Power Company (“Penn Power”) (Docket No. P-2015-2508931) and West Penn Power Company (“West Penn”) (Docket

No. P-2015-2508948) (collectively, the “Companies”).¹ The Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), the Penelec Industrial Customer Alliance (“PICA”), the Environmental Defense Fund (“EDF”) and Citizens for Pennsylvania’s Future (“PennFuture”) (collectively, “EDF/PennFuture”)² filed Answers to the Petition. The OSBA filed a Notice of Intervention, PICA and EDF/PennFuture filed Petitions to Intervene, and the OCA filed a Complaint. Complaints were also filed by E. McCauley and Michele Perry. Penelec filed: (1) Replies to the New Matter set forth in the Answers of PICA and EDF/PennFuture; (2) an Answer to the Petition to Intervene of PICA; (3) an Answer in opposition to EDF/PennFuture’s Petition to Intervene; and (4) Answers denying the material averments of the OCA, McCauley and Perry Complaints.

EDF/PennFuture served Interrogatories, to which the Company objected.

EDF/PennFuture thereafter filed a Motion to Compel, to which the Company filed an Answer in opposition.

On July 25, 2016, EDF/PennFuture filed a joint Notice of Withdrawal from this proceeding. Consequently, it will not be necessary for the ALJ to rule upon EDF/PennFuture’s contested Petition to Intervene or Motion to Compel.

On June 9, 2016, the Commission entered a final Opinion and Order in which it concluded (p. 21) as follows:

Upon review, the Commission finds that the Petition of Penelec for a Distribution System Improvement Charge complies with the

¹ As set forth later in this Petition, the Companies, in their respective Prehearing Conference Memoranda, respectively request the consolidation of the proceedings on the issues referred to the ALJ by the Commission in the Final Orders approving their DSIC Riders because the issues and relevant facts are the same for all four Companies, and the time and resources of the Commission, the ALJ and the parties will be conserved by granting consolidation.

² EDF/PennFuture filed joint pleadings.

requirements of Act 11 and our Final Implementation Order. Moreover, the Commission has reviewed the filing and does not find it to be inconsistent with the applicable law or Commission policy. Subject to recoupment and/or refund pending final resolution of the matters referred herein to the OALJ, Penelec may elect to implement a DSIC mechanism consistent with this Order on ten days' notice.

On June 20, 2016, Penelec filed a tariff supplement adding its approved DSIC Rider to its tariff. On July 13, 2016, the Commission's Secretary issued a single letter informing Penelec and the other Companies that their respective DSIC Riders complied with the terms of the Commission's Opinions and Orders entered on June 9, 2016 for each of the Companies.

In its Opinion and Order, the Commission identified issues that it was referring to the Office of Administrative Law Judge for the parties to address in on-the-record proceedings and evidentiary hearings, as needed. Accordingly, this matter was assigned to the ALJ; the Commission's Secretary issued a Notice that a Prehearing Conference would be held on August 10, 2016 starting at 10:30 a.m.; and the ALJ subsequently issued a Prehearing Conference Order calling for, *inter alia*, the submission of this Prehearing Conference Memorandum.

II. STATEMENT OF ISSUES

In Ordering Paragraph 4 of its June 9, 2016 Opinion and Order, the Commission identified the issues referred to the Office of Administrative Law Judge, as follows:

IT IS ORDERED: . . .

4. That the following issues be assigned to the Office of Administrative Law Judge for hearing and preparation of a recommended decision:

- a. Whether certain customers should or should not be included under the distribution system improvement charge;

- b. Whether other customers should also be exempt from the DSIC;
- c. If revenues associated with the riders in Pennsylvania Electric Company's tariff are properly included as distribution revenues.
- d. The Petition for Intervention of Penelec Industrial Customer Alliance;
- e. The Joint Petition for Intervention of the Citizen's for Pennsylvania's Future and the Environmental Defense Fund; and,
- f. The Joint Motion to Compel of the Citizen's for Pennsylvania's Future and the Environmental Defense Fund and the Commission waives the fifteen (15) day timeframe restriction set forth in 52 Pa. Code § 5.342.

With respect to the issue identified in Ordering Paragraph 4.d, Penelec does not oppose the intervention of PICA. With respect to the issues identified in Ordering Paragraphs 4.e and 4.f, as previously explained, EDF/PennFuture filed a Notice of Withdrawal, which renders those issues moot.

As to the issues identified in Ordering Paragraphs 4.a and 4.b, the Company notes that its Petition and the direct testimony that accompanied it (Penelec Statement No. 1, p. 6) identified the customers to whom the DSIC would not apply during the term of the Company's current, Commission-approved Long-Term Infrastructure Improvement Plan ("LTIIIP") and set forth the reasons why it is appropriate to exclude those customers – and only those customers – during the current LTIIIP term.

As to the issue identified in Ordering Paragraph 4.c, Penelec responded to Interrogatories served by the OSBA in which it identified the revenues associated with riders and clauses to be

included in the distribution revenues for purposes of establishing “projected quarterly revenues” used in the DSIC formula and the 5% “cap” on total DSIC revenues.

III. WITNESSES

In support of its Petition, the Company submitted the Direct Testimony of Kevin M. Siedt, which was pre-marked as Penelec Statement No. 1, with accompanying exhibits. Mr. Siedt’s business address is 2800 Pottsville Pike, Reading, Pennsylvania 19612. Mr. Siedt’s office telephone number is 610-921-6063. The Company would not be in a position to determine whether the testimony of additional witnesses will be necessary in rebuttal until it has the opportunity to review any direct testimony that might be submitted by other parties.

IV. DISCOVERY

On April 19 and May 16, 2016, the OSBA served its Interrogatories Sets I and II, respectively, which the Company answered and served its answers on all parties. Approximately two months have elapsed since the Commission entered its Opinion and Order on June 9, 2016, assigning this case to the Office of Administrative Law Judge. During that period, no additional discovery has been issued. The Company is willing to accept a reasonable schedule for the discovery other parties believe they may require before submitting their direct testimony and for discovery the Company may undertake with respect to the direct testimony of other parties prior to serving its rebuttal.

V. POSSIBILITY OF SETTLEMENT; PROCEDURAL SCHEDULE; AMOUNT OF HEARING TIME

The Company believes that there is a reasonable opportunity that the issues in this case can be resolved in whole or in large part by settlement or by a stipulation that would eliminate

the need for the submission of additional testimony or an evidentiary hearing. Accordingly, the Company proposes that: (1) the parties schedule two or more settlement and/or technical conferences to be held between August 15 and September 15, 2016; (2) report back to the ALJ on the status of their negotiations by September 19, 2016; and (3) if the matter is not, by that time, the subject of a settlement, request that a second Prehearing Conference be held between September 28 and October 20, 2016 to determine whether the submission of testimony and scheduling of an evidentiary hearing may be required. Even if this matter is not fully resolved by a settlement or stipulation, the Company does not believe that an evidentiary hearing would necessarily be required.

If the approach proposed above is not acceptable to the parties or the ALJ, the Company proposes the procedural schedule attached as Appendix A. In that regard, the same schedule is being proposed by all the Companies based on their request that their respective proceedings be consolidated.

VI. CONSOLIDATION

The Commission's regulation at 52 Pa. Code §5.81(a) provides as follows:

(a) The Commission or presiding officer, with or without motion, may order proceedings involving a common question of law or fact to be consolidated. The Commission or presiding officer may make orders concerning the conduct of the proceeding as may avoid unnecessary costs or delay.

The issues referred to the Office of Administrative Law Judge in Ordering Paragraph 4 of the Commission's June 6, 2016 Opinion and Order in this case are the same as the issues identified in Ordering Paragraph 4 of the Opinions and Orders also entered on June 9, 2016 with respect to the other Companies. Accordingly, the issues are not just common to each case, they

are identical. Moreover, there is a common core of operative facts that is applicable to all the Companies with respect to the assigned issues. Consequently, consolidation of the Companies' respective proceedings to address the issues assigned in the Opinions and Order entered on June 9, 2016 for all the Companies would promote administrative efficiency, avoid delays and duplicative efforts that would cause the unnecessary expenditure of time and resources by the Commission, the ALJ and the parties, and would not prejudice any party to the respective cases. Therefore, the Company respectfully requests that this case be consolidated with the proceedings of the other Companies that are currently docketed at P-2015-2508942 (Met-Ed), P-2015-2508931 (Penn Power) and P-2015-2508948 (West Penn).

VII. SINGLE SERVICE-LIST ENTRY

Pursuant to Paragraph 7 of the Prehearing Conference Order, the Company requests that the single entry on the service list for this case should be as follows:

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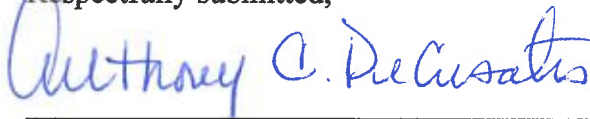
The Company also requests that for electronic service and for purposes of the service of documents by the parties, a copy be provided to:

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VIII. CONCLUSION

WHEREFORE, Pennsylvania Electric Company submits this Prehearing Conference Memorandum and respectfully requests that the Administrative Law Judge accept the proposal set forth in Section V, above, for the conduct of further proceedings in this matter and grant the Company's request for consolidation as set forth in Section VI, above.

Respectfully submitted,



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August 3, 2016

Counsel for Pennsylvania Electric Company

APPENDIX A

**Proposed Procedural Schedule
(If Needed)**

| | |
|--|--------------------|
| Prehearing Conference | August 10, 2016 |
| Service of Direct Testimony by Complainant and Intervenors | September 28, 2016 |
| Service of Rebuttal Testimony | October 28, 2016 |
| Service of Surrebuttal Testimony | November 18, 2016 |
| Hearing and oral rejoinder | December 13, 2016 |

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