

COMMONWEALTH OF PENNSYLVANIA



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February 15, 2017

Honorable Joel H. Cheskis
Administrative Law Judge
Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

RE: Petition of Metropolitan Edison Co.
for Approval of a DSIC
Docket Nos. P-2015-2508942,
C-2016-2531040

Petition of Pennsylvania Power Co.
for Approval of a DSIC
Docket Nos. P-2015-2508931,
C-2016-2531054

Petition of Pennsylvania Electric Co.
for Approval of a DSIC
Docket Nos. P-2015-2508936,
C-2016-2531060

Petition of West Penn Power Co.
for Approval of a DSIC
Docket Nos. P-2015-2508948,
C-2016-2531019

Dear Judge Cheskis:

In response to the Companies' letter of February 15, 2017, the OCA submits the following. The Commission's January 17, 2017 Order does not preclude the admission of additional testimony. Rather, the Order states that "ALJ Cheskis has the authority and discretion under Section 331(d) of the Code to permit further development of the record if it is determined to be necessary to make a decision on the DSIC calculation in light of Act 40." Order at 39.

The OCA agrees that whether Act 40 requires inclusion of ADIT in the DSIC calculation is a legal issue. The OCA submits, however, that further development of the record is necessary to address how state income tax deductions and credits should be reflected in the DSIC calculation if the OCA prevails with regard to ADIT (federal income tax deductions and credits). This corollary was not addressed in the context of the base rate case, which was focused on the calculation of federal income taxes for base rate and DSIC purposes in light of the Act's elimination of the consolidated tax adjustment. In the interest of administrative efficiency, the impact of Act 40 on state income taxes in the DSIC calculation should be addressed in the record of the DSIC proceeding.

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The OCA submits that there are alternatives ways to proceed. For example, the parties could stipulate how the result of the Commission's decision on ADIT applies to state income taxes in the DSIC calculation. Or the OCA's Formal Complaints could be bifurcated from the DSIC Petition dockets and the state income tax issue could be addressed in a consolidated complaint proceeding.

The OCA will work the Presiding Officer and parties to determine the most appropriate and efficient means to address the state income tax issue.

Respectfully Submitted,

/s/ Erin L. Gannon

Erin L. Gannon

Senior Assistant Consumer Advocate

PA Attorney I.D. # 83487

cc: Certificate of Service
229701

CERTIFICATE OF SERVICE

Petition of Metropolitan Edison Co. for Approval of a Distribution System Improvement Charge	:	Docket Nos.	P-2015-2508942, C-2016-2531040
Petition of Pennsylvania Electric Co. for Approval of a Distribution System Improvement Charge	:	Docket Nos.	P-2015-2508936, C-2016-2531060
Petition of Pennsylvania Power Co. for Approval of a Distribution System Improvement Charge	:	Docket Nos.	P-2015-2508931, C-2016-2531054
Petition of West Penn Power Co. for Approval of a Distribution System Improvement Charge	:	Docket Nos.	P-2015-2508948, C-2016-2531019

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Letter to Judge Re: Additional Testimony in this proceeding, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 15th day of February, 2017.

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