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March 2, 2017

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

VIA ELECTRONIC FILING

RE: Petition of Metropolitan Edison Company for Approval to Establish and Implement a Distribution System Improvement Charge; Docket No. P-2015-2508942, et al.

Petition of Pennsylvania Electric Company for Approval to Establish and Implement a Distribution System Improvement Charge; Docket No. P-2015-2508936, et al.

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

Petition of West Penn Power Company for Approval to Establish and Implement a Distribution System Improvement Charge; Docket No. P-2015-2508948, et al.

Dear Secretary Chiavetta:

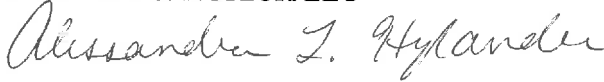
Please find enclosed for filing with the Pennsylvania Public Utility Commission the Further Prehearing Memorandum of the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the Penn Power Users Group ("PPUG"), and the West Penn Power Industrial Intervenors ("WPPH") 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 Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, the Penn Power Users Group, and the West Penn Power Industrial Intervenors

Enclosures

c: Administrative Law Judge Joel H. Cheskis (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).

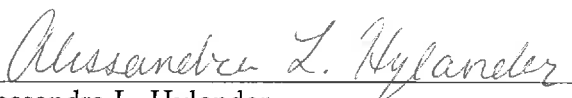
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Alessandra L. Hylander

Counsel to the Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, the Penn Power Users Group, and the West Penn Power Industrial Intervenors

Dated this 2nd day of March, 2017, at Harrisburg, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Metropolitan Edison Company for Approval of a Distribution System Improvement Charge	:	Docket No. P-2015-2508942
	:	
Office of Consumer Advocate	:	
v.	:	Docket No. C-2016-2531040
Metropolitan Edison Company	:	
Petition of Pennsylvania Electric Company for Approval of a Distribution System Improvement Charge	:	Docket No. P-2015-2508936
	:	
Office of Consumer Advocate	:	
v.	:	Docket No. C-2016-2531060
Pennsylvania Electric Company	:	
Petition of Pennsylvania Power Company for Approval of a Distribution System Improvement Charge	:	Docket No. P-2015-2508931
	:	
Office of Consumer Advocate	:	
v.	:	Docket No. C-2016-2531054
Pennsylvania Power Company	:	
Petition of West Penn Power Company for Approval of a Distribution System Improvement Charge	:	Docket No. P-2015-2508948
	:	
Office of Consumer Advocate	:	
v.	:	Docket No. C-2016-2531019
West Penn Power Company	:	

**FURTHER PREHEARING CONFERENCE MEMORANDUM OF THE
MET-ED INDUSTRIAL USERS GROUP,
THE PENELEC INDUSTRIAL CUSTOMER ALLIANCE, THE PENN POWER USERS
GROUP, AND THE WEST PENN POWER INDUSTRIAL INTERVENORS**

Pursuant to Administrative Law Judge ("ALJ") Joel H. Cheskis's February 27, 2017, Further Prehearing Conference Order, the Met-Ed Industrial Users Group ("MEIUG"), the Penelec Industrial Customer Alliance ("PICA"), the Penn Power Users Group ("PPUG"), and the West

Penn Power Industrial Intervenors ("WPPII") (collectively, the "Industrials") hereby submit this Further Prehearing Conference Memorandum in the above-captioned proceeding.

I. HISTORY OF THE PROCEEDING

On February 16, 2016, Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, the "FirstEnergy Companies") each filed with the Pennsylvania Public Utility Commission ("Commission" or "PUC") a Petition requesting approval to establish a Distribution System Improvement Charge ("DSIC") ("Petition"). The FirstEnergy Companies' respective Petitions made the following requests:

1. Met-Ed requested implementation of an initial DSIC rate of 0.028% to become effective on July 1, 2016. The Company proposed to allocate this DSIC across all customer classes with the exception of customers served on Rate Schedule TP, which receive service at transmission voltage ("Met-Ed Exempt Class");
2. Penelec requested implementation of an initial DSIC rate of 0.043% to become effective on July 1, 2016. The Company proposed to allocate this DSIC across all customer classes with the exception of customers served on Rate Schedules GP and LP at voltage levels over 46,000 volts ("Penelec Exempt Classes");
3. Penn Power requested implementation of an initial DSIC rate of 0.299% to become effective on July 1, 2016. The Company proposed to allocate this DSIC across all customer classes with the exception of customers served on Rate Schedules GSDS and GT at voltage levels over 46,000 volts ("Penn Power Exempt Classes"); and
4. West Penn requested implementation of an initial DSIC rate of 0.062% to become effective on July 1, 2016. The Company proposed to allocate this DSIC across all customer classes with the exception of customers served on Rate Schedule 40, over 100,000 volts, and Rate Schedules 44 and 46 ("West Penn Exempt Classes").

Subsequently, the Industrials filed Petitions to Intervene and Answers to West Penn's filing. Descriptions of MEIUG, PICA, PPUG, and WPPII are set forth in Paragraph 1 of their respective Petitions to Intervene.

The Commission entered an Order on June 9, 2016, referring the following issues to the Office of Administrative Law Judge ("OALJ") for hearing and preparation of a Recommended Decision ("R.D."):

- (a) Whether certain customers should or should not be included under the DSIC;
- (b) Whether other customers should also be exempt from the DSIC;
- (c) If revenues associated with the riders in the FirstEnergy Companies' respective tariffs are properly included as distribution revenues;
- (d) The Petitions for Intervention of MEIUG, PICA, PPUG, and WPPII;
- (e) The Joint Petition for Intervention of the Citizens for Pennsylvania's Future ("PennFuture") and the Environmental Defense Fund ("EDF"); and
- (f) PennFuture/EDF's Joint Motion to Compel.

The PUC assigned the above-docketed proceedings to ALJ Joel H. Cheskis and scheduled four consecutive Initial Prehearing Conferences for the FirstEnergy Companies' cases on August 10, 2016, beginning at 10:00 a.m. During the initial Prehearing Conference, the ALJ consolidated the above-docketed proceedings. Therefore, one Prehearing Conference was held for all four proceedings. At this conference, the parties proposed the following course of action: (1) schedule additional settlement and/or technical conferences to be held between August 15 and September 15, 2016; (2) provide status reports to the ALJ on the state of negotiations by September 19, 2016; and (3) if the consolidated proceedings were not the subject of a settlement, a second prehearing conference would 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.

Through a Scheduling Order dated August 12, 2016, the ALJ approved the parties' proposed course of action, adopted the Office of Consumer Advocate's ("OCA") proposed

modifications to the PUC's discovery rules, addressed the potential need for a Protective Order, and established rules for service of documents on the parties and the ALJ.

The parties proceeded to conduct several rounds of settlement discussions and provide the ALJ with status reports. On November 7, 2016, the FirstEnergy Companies, the Industrials, the OCA, and the Office of Small Business Advocate ("OSBA") (collectively, "Joint Petitioners") informed the ALJ that a settlement in principle had been reached in the above-captioned proceedings.¹

On January 19, 2017, the PUC issued an Opinion and Order in the proceeding involving the FirstEnergy Companies' consolidated respective base rate filings. Opinion and Order, *Pa. Pub. Util. Comm'n. v. Metro. Edison Co.*, Docket No. R-2016-2537349, *et al.*; *Pa. Pub. Util. Comm'n. v. Pa. Elec. Co.*, Docket No. R-2016-2537352, *et al.*; *Pa. Pub. Util. Comm'n. v. Pa. Power Co.*, Docket No. R-2016-2537355, *et al.*; and *Pa. Pub. Util. Comm'n. v. West Penn Power Co.*, R-2016-2537359, *et al.* (Jan. 19, 2017) ("January 19 Order"). In the January 19 Order, the PUC referred to this proceeding the contested issue concerning OCA's claim regarding the calculation of the Accumulated Deferred Income Tax ("ADIT") and the FirstEnergy Companies' DSIC riders interpreting the recently enacted Act 40. The Commission also transferred to this proceeding various parts of the record from the base rate proceeding that pertained to ADIT issues. The PUC noted that a R.D. had not been issued yet in the above-captioned DSIC proceedings, and, as such, there is adequate time to resolve the contested issue from the base rate proceeding within the context of this proceeding.

¹ As indicated in Footnote 1 of the Joint Petition for Settlement of Pending Issues, which was filed in the above-captioned proceedings on February 2, 2017, AK Steel Corporation and The Pennsylvania State University have indicated they do not oppose the Settlement.

On February 2, 2017, the Joint Petitioners filed their Joint Petition for Settlement of Pending Issues and any statements in support thereof with the Commission.

In order to determine the best path forward, the ALJ held an off-the-record conference call on February 21, 2017. As a result of that off-the-record conference, it was determined that a Further Prehearing Conference is necessary to discuss how to address the ADIT issue referred to this case through the January 19 Order. Accordingly, on February 21, 2017, the ALJ issued a Hearing Notice setting forth a Further Prehearing Conference for this proceeding on March 6, 2017, at 10:00 a.m. in the PUC's Harrisburg location. On February 27, 2017, the ALJ requested that the parties file a Further Prehearing Conference Memorandum. In compliance therewith, the Industrials submit this Further Prehearing Conference Memorandum.

II. SERVICE LIST

For purposes of service in the above-captioned proceeding, please direct all communications to:

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III. ANTICIPATED ISSUES AND SUB-ISSUES

The Industrials' initial concerns with the FirstEnergy Companies' Petitions were resolved through the Joint Petition filed on February 2, 2017. During the FirstEnergy Companies' 2016 base rate proceedings, the Industrials did not present testimony or briefs on the ADIT issue.

However, the Industrials reserve the right to address the ADIT issue, including in response to all ADIT issues raised by other parties in this proceeding.

IV. PROPOSED WITNESSES

As previously stated, the Industrials did not sponsor any testimony or file any briefs on the ADIT issue in the FirstEnergy Companies' base rate proceeding. Accordingly, at this time, the Industrials do not anticipate submitting testimony on the ADIT issue in this proceeding. However, the Industrials reserve the right to participate in this proceeding through the submission of discovery, testimony, cross-examination of other parties' witnesses, and the submission of briefs, exceptions and reply exceptions, if necessary.

V. PROPOSED SCHEDULE AND DISCOVERY RULES

The Industrials will cooperate with the ALJ and the parties at the Further Prehearing Conference to develop an appropriate procedural schedule and discovery rules in accordance with the Commission's regulations and any directives issued by the ALJ.

VI. POSSIBILITY OF SETTLEMENT

The Industrials are willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding, subject to Commission approval.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By *Alessandra L. Hylander*
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Counsel to the Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, the Penn Power Users Group, and the West Penn Power Industrial Intervenors.

Dated: March 2, 2017