

John L. Munsch
Attorney

724-838-6210
Fax: 234-678-2370

March 1, 2017

VIA FEDEX OVERNIGHT

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

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Petition of Metropolitan Edison Company for Approval of Modification of its Long-Term Infrastructure Improvement Plan; Docket No. P-2015-2508942

Dear Secretary Chiavetta:

Enclosed for filing is the *Petition of Metropolitan Edison Company for Approval of Modification of its Long-Term Infrastructure Improvement Plan* ("Petition"). A copy of Metropolitan Edison Company's Long-Term Infrastructure Improvement Plan accompanies its Petition as Met-Ed Exhibit No. 1.

Met-Ed's Long-Term Infrastructure Improvement Plan was approved by the Commission by Order entered February 11, 2016, at Commission Docket No. P-2015-2508942

Copies of the enclosed Petition and Met-Ed Exhibit No. 1 have been served on the persons and in the manner shown on the enclosed Certificate of Service, as required by 52 Pa. Code §121.4(b). This filing is made by express delivery and is deemed filed today.

Respectfully submitted.


John L. Munsch

Enclosures

cc: Per Certificate of Service
Chairman Gladys M. Brown (w/encl.)
Vice Chairman Andrew Place (w/encl.)
Honorable John F. Coleman, Jr. (w/encl.)
Honorable Robert F. Powelson (w/encl.)
Honorable David W. Sweet (w/encl.)
Bohdan Pankiw, Chief Counsel (w/encl.)
Paul T. Diskin, Director, Office of Technical Utility Services (w/encl.)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Metropolitan Edison Company Petition :
For Approval of Modification of its Long- : **Docket No. P-2015-2508942**
Term Infrastructure Improvement Plan :

**Metropolitan Edison Company Petition for Approval of Modification of its
Long-Term Infrastructure Improvement Plan**

Metropolitan Edison Company ("Met-Ed" or the "Company") files this Petition for Modification of its Long-Term Infrastructure Improvement Plan ("LTIIP"), pursuant to Section 1352 of the Pennsylvania Public Utility Code ("Code"),¹ pursuant to Pennsylvania Public Utility Commission's ("PUC" or the "Commission") regulations relating to LTIIPs,² and pursuant to the Commission's Final Implementation Order³ and Supplemental Implementation Order⁴ concerning LTIIPs. The LTIIP Modification accompanies this Petition as Met-Ed Exhibit No. 1 ("LTIIP Modification"). As set forth in its LTIIP Modification, Met-Ed proposes to increase the total estimated cost of the LTIIP by more than 20%. Such a modification is considered a "*major modification*" as defined in Commission regulations concerning LTIIPs and requires that "the utility shall file a separate petition for modification."⁵

The primary reason for Met-Ed's LTIIP Modification is the enactment and the effect of Pennsylvania's Act No. 40,⁶ 66 Pa.C.S. §1301.1, which became effective August 11.

¹ 66 Pa.C.S. § 1352.

² 52 Pa. Code § 121.1 *et seq.*

³ *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, entered August 2, 2012.

⁴ *Supplemental Implementation Order*, Docket No M-2012-2293611, entered September 15, 2016.

⁵ 52 Pa. Code § 121.5(a)

⁶ Act of June 12, 2016, P.L. 332, No. 40.

2016. Act 40 terminated the practice of making a “consolidated tax adjustment” in calculating a utility’s Federal income taxes for ratemaking purposes. Act 40 provides that any “differential” accruing to the public utility shall be applied “fifty percent to support reliability or infrastructure related to the rate-base eligible capital investment as determined by the commission... .” Act 40 applies to “all cases where the final order is entered after the effective date of this section” (*i.e.* August 11, 2016), and, therefore, Act 40 applies to the most recent Met-Ed distribution base rate proceeding.⁷ Met-Ed seeks to apply the portion of its “differential” to reliability and infrastructure improvements through its LTIP Modification for recovery through its approved DSIC (Distribution System Improvement Charge) tariff. The annual incremental amount as a result of Act 40, by which the Company’s LTIP will be increased for each of the remaining years, is approximately \$8.19 million.⁸ In its recent base rate case the Company acknowledged that it would amend its LTIP to apply its Act 40 differential.⁹ The LTIP Modification constitutes such amendment.

Upon approval of its LTIP Modification, Met-Ed will incorporate the new costs reflected in the LTIP Modification on an ongoing basis through Met-Ed’s DSIC. Met-Ed’s current DSIC was approved by the Commission in an Opinion and Order entered June 9, 2016, at Docket No. P-2015-2508942.¹⁰

⁷ Pa.P.U.C v. Metropolitan Edison Company, Docket No. R-2016-2537349 (Final Order entered January 19, 2017).

⁸ See Met-Ed/ Penelec/Penn Power/West Penn Statement No. 2-S, the Supplemental Testimony of Richard D’Angelo, page 6 lines 24 and 25, Docket No. R-2016-2537349.

⁹ *Id.*, page 7.

¹⁰ Met-Ed’s Petition for Approval of DSIC at Docket No. P-2015-2508942 was approved by the Commission in an Order entered June 9, 2016. Certain issues in the proceeding were referred to the Office of Administrative Law Judge. The DSIC proceedings of Met-Ed’s affiliate distribution companies, West Penn Power Company, Pennsylvania Electric Company and Pennsylvania Power Company, were also referred to the same proceedings which were consolidated by the Presiding Officer. On February 2, 2017, the affiliates and other parties to the proceeding submitted a Joint Settlement Petition to the Presiding Officer. On January 29, 2017, in its Order in the Companies’ base rate proceeding, the Commission referred a separate issue to the Office of Administrative Law Judge concerning the application of accumulated deferred income tax (“ADIT”). Pa.P.U.C v. Metropolitan Edison Company, Docket No. R-2016-2537349 (Final Order entered January 19, 2017).

The LTIP Modification will allow Met-Ed to continue to strengthen, upgrade and modernize its distribution system through various infrastructure improvement initiatives described in detail in Appendix A of the LTIP Modification. As also explained below, Met-Ed's LTIP Modification contains all of the elements required by Section 1352(a)(1)-(6) of the Code and 52 Pa. Code § 121.3 and, therefore, satisfies all of the requirements for Commission approval set forth in Section 1352(a)(7) of the Code and 52 Pa. Code § 121.4(e)(1)-(4). Accordingly, Met-Ed respectfully requests that the Commission approve this Petition and approve the LTIP Modification submitted as Met-Ed Exhibit No. 1 to this Petition.

I. INTRODUCTION AND BACKGROUND

1. Met-Ed provides electric distribution service to approximately 558,000 customers in a certificated service territory encompassing all or portions of thirteen counties in eastern Pennsylvania. Met-Ed is a "public utility" and an "electric distribution company" ("EDC") as those terms are defined in the Code.¹¹ Met-Ed, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company are the four subsidiaries of FirstEnergy Corp. that furnish electric distribution service as public utilities and EDCs in Pennsylvania.

2. The names and addresses of Met-Ed's attorneys authorized to receive all notices and communications regarding this filing are as follows:

¹¹ See 66 Pa.C.S. §§ 102 and 2803.

John L. Munsch
FirstEnergy Service Company
800 Cabin Hill Drive
Greensburg, PA 15601
(724) 838-6210
jmunsch@firstenergycorp.com

Anthony C. DeCusatis
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
(215) 963-5034
adecusatis@morganlewis.com

3. On February 14, 2012, former Governor Corbett signed into law Act 11 of 2012 (“Act 11”), which amended the Public Utility Code in several respects, including the addition of Subchapter B to Chapter 13 (66 Pa.C.S. §§1350-1360), which authorizes the Commission to approve DSIC petitions filed by EDCs and other types of utilities. In addition, Subchapter B sets forth various requirements that must be satisfied by a qualifying utility in order to establish a DSIC and recover the fixed costs of DSIC-eligible property. Section 1351 defines “eligible property” in general as “[p]roperty that is part of a distribution system and eligible for repair, improvement and replacement of infrastructure under this subchapter” and provides further:

- (1) For electric distribution companies, eligible property shall include:
 - (i) Poles and towers.
 - (ii) Overhead and underground conductors.
 - (iii) Transformers and substation equipment.
 - (iv) Any fixture or device related to eligible property under subparagraphs (i), (ii) and (iii), including insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets, relays, capacitors, converters and condensers.
 - (v) Unreimbursed costs related to highway relocation projects where an electric distribution company must relocate its facilities.
 - (vi) Other related capitalized costs.

4. Section 1352 of the Public Utility Code requires that a utility submit an LTIP “in order to be eligible to recover costs under section 1353 (relating to distribution system

improvement charge).” In addition, Section 1352 provides that an LTIP should include the following information:

- (1) Identification of the types and age of eligible property owned or operated by the utility for which the utility would seek recovery under this subchapter.
- (2) An initial schedule for the planned repair and replacement of eligible property.
- (3) A general description of the location of the eligible property.
- (4) A reasonable estimate of the quantity of eligible property to be improved.
- (5) Projected annual expenditures to implement the plan and measures taken to ensure that the plan is cost effective.
- (6) The manner in which the replacement of aging infrastructure will be accelerated and how the repair, improvement or replacement will ensure and maintain adequate, efficient, safe, reliable and reasonable service.

5. On August 2, 2012, the Commission entered the Final Implementation Order to explain how it intended to implement the provisions of Subchapter B. In particular, the Final Implementation Order sets forth the Commission’s expectation with regard to the contents of an LTIP by reference to the six elements specifically identified in Section 1352(a) of the Code. The Final Implementation Order also provides guidance to utilities for meeting the Commission’s standards for LTIP approval and discusses the procedures the Commission would follow in reviewing petitions seeking approval of proposed LTIPs. In that regard, the Commission: (a) stated that an LTIP would be assigned to the Bureau of Technical Utility Services (“TUS”) for analysis and a recommendation to the Commission;¹² (b) provided that interested parties may file

¹² Final Implementation Order, p. 20.

comments within 20 days of the filing of an LTIP;¹³ and (c) established a period of 120 days for review of each proposed LTIP.¹⁴

6. On May 27, 2014, the Commission entered a Final Order adopting the LTIP regulations that are set forth at 52 Pa. Code §§ 121.1-121.8.¹⁵ The LTIP regulations adopt and expand upon the requirements set forth in the Final Implementation Order by providing that an LTIP should include the following eight major elements, as stated in Section 121.3(a):

- (1) Identification of types and age of eligible property owned and operated by the utility for which it is seeking DSIC recovery;
- (2) An initial schedule for planned repair and replacement of eligible property;
- (3) A general description of the location of the eligible property;
- (4) Reasonable estimate of the quantity of eligible property to be improved or repaired;
- (5) Projected annual expenditures and means to finance the expenditures;
- (6) A description of the manner in which infrastructure replacement will be accelerated and how repair, improvement or replacement will maintain adequate, efficient, safe, reliable and reasonable service to customers;
- (7) A workforce management and training program designed to ensure that the utility will have access to a qualified workforce to perform work in a cost-effective, safe and reliable manner;
- (8) A description of a utility's outreach and coordination activities with other utilities, Department of Transportation and local governments regarding their planned maintenance/construction projects and roadways that may be impacted by the LTIP.

7. In Section 121.4(e) of the LTIP regulations, the Commission provided the criteria it would use to review LTIPs submitted for its approval, as follows:

¹³ *Id.* The review period of 20 days stated in the Final Rulemaking Order was subsequently expanded to 30 days in the LTIP regulations. See 52 Pa. Code § 121.4(c).

¹⁴ *Id.*

¹⁵ *Review of Long-Term Infrastructure Improvement Plan – Final Rulemaking Order*, Docket No. L-2012-2317274, (May 23, 2014). The LTIP regulations became effective upon publication in the *Pennsylvania Bulletin* on December 20, 2014. See 44 Pa.B. 7856.

(e) The Commission will review the filed LTIP and determine if the LTIP:

- (1) Contains measures to ensure that the projected annual expenditures are cost-effective.
- (2) Specifies the manner in which it accelerates or maintains an accelerated rate of infrastructure repair, improvement or replacement.
- (3) Is sufficient to ensure and maintain adequate, efficient, safe, reliable and reasonable service.
- (4) Meets the requirements of § 121.3 (relating to LTIP).

8. Section 121.5 of the LTIP regulation covers modifications of an LTIP. It provides that if a utility elects to modify a Commission-approved LTIP during its term to incorporate a major modification of any of the elements in §121.3(a) (relating to LTIP), the utility shall file a separate petition for modification. Section 121.5(a) provides that parties shall have 30 days to file comments to the petition. A "major modification" is defined at 52 Pa. Code §121.2 as a change to a utility's previously approved LTIP which meets at least one of the following criteria:

- (i) Eliminates a category of eligible property from the LTIP.
- (ii) Extends the schedule for repair, improvement or replacement of a category of eligible property by more than 2 years.
- (iii) Increases the total estimated cost of the LTIP by more than 20%.
- (iv) Otherwise reflects a substantial change to the current Commission-approved LTIP.

Met-Ed's LTIP modification increases its estimated LTIP cost by more than 20% and is a "major modification" for the purposes of filing a LTIP modification.

II. MET-ED'S LONG-TERM INFRASTRUCTURE IMPROVEMENT PLAN AND DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

9. On October 19, 2015, at Docket No. P-2015-2508942, Met-Ed petitioned the Commission for approval of its current LTIP. Met-Ed's LTIP was approved by the Commission on February 11, 2016. The Commission determined that the Company's LTIP met the

requirements of Section 1352 of the Code and contained the eight major elements set forth in Section 121.3(a) of the Commission's LTIP regulations.

10. On February 16, 2016, Met-Ed filed its Petition to establish and implement a DSIC Rider into the Company's tariff with an effective date of July 1, 2016. The filing was made pursuant to 66 Pa. C.S. §1353, and was docketed at the continuing docket of the LTIP filing, P-2015-2508942. The DSIC tariff was approved by Order entered June 9, 2016, and the DSIC tariff was implemented July 1, 2016. The Commission's Order assigned certain remaining issues to the Office of Administrative Law Judge for possible hearing and preparation of a Recommended Decision. The DSIC proceedings of the other FirstEnergy companies, with identical issues, were also assigned to the Office of Administrative Law Judge where the four companies' DSIC proceedings were consolidated. The parties to the assigned consolidated proceedings have reached a Joint Settlement concerning the assigned issues and, on February 2, 2017, the parties submitted a Joint Settlement and Statements in Support to the Presiding Officer. The Joint Settlement as submitted to the Presiding Officer will not result in refunds or recoupments to or from customers. On January 19, 2017, in its Order in Met-Ed's base rate proceeding, the Commission referred a separate issue to the Office of Administrative Law Judge concerning the application of accumulated deferred income tax ("ADIT").

III. DESCRIPTION OF LTIP MODIFICATION

11. Met-Ed completed the first year of its current LTIP in 2016. The experience gained from the first year's LTIP, as well as the completion of additional engineering and design analysis, indicates that Met-Ed should increase the cost allocation in a number of program areas. The increase in cost is due to items such as increased scope, equipment costs and labor costs, as explained in the LTIP Modification, Appendix A. A comparison of the original versus the

modified LTIP is shown in Figure 1 and Figure 2, below. The LTIP programs are described in more detail in Appendix A.

Figure 1. Met-Ed's previously approved LTIP

Annual Expenditures (in millions of dollars)				
Previously Approved LTIP	2017	2018	2019	2020
	\$9.44	\$4.86	\$10.72	\$11.18

Figure 2. Met-Ed's proposed revised LTIP

Annual Expenditures (in millions of dollars)				
Proposed Modified LTIP	2017	2018	2019	2020
	\$16.97	\$13.05	\$18.90	\$19.34

12. The programs that were included in Met-Ed's LTIP were those designed to have the greatest impact on reliability. In most cases, the programs included in the LTIP were chosen to reduce the number of outages caused by aging equipment and lessen unplanned work and operation and maintenance costs. Ongoing projects have been prioritized to maximize the reliability and operating benefits to Met-Ed's customers. The effectiveness of the projects and programs of the LTIP have been reviewed periodically. Reliability and equipment failure trends have been analyzed on an ongoing basis as well to assess the impact of future investments. As stated in its current LTIP the Company may re-prioritize, alter completion dates, and add or remove projects based on ongoing engineering analyses to maximize the reliability and operating benefits to the affected circuits, while taking into consideration the overall impact to reliability and operational improvement and the costs and benefits to customers.

13. Met-Ed's current LTIP covered 18 categories of distribution-related equipment and facilities as follows:

- Create Circuit Ties and Loops
- Recloser Installation

- Recloser Replacement
- Fuse Installation
- Replace Spacer Cable
- Split Large Circuits
- Underground Residential Development (URD) Cable Replacement
- Wood Pole Replacement
- Wood Pole Reinforcement (C-Trussing)
- Porcelain Cutout Replacement
- Unreimbursed Highway Relocation
- Line Rehabilitation
- Install Supervisory Control and Data Acquisition (SCADA) Devices
- Substation Relay Replacement
- Substation Breaker Replacement
- Network Vault Rehabilitation
- Replace Network Protectors
- Replace Network Transformers

The LTIIP Modification covers the same categories as the current LTIIP, with the exception of Recloser Installations. The category of Recloser Installations was completed in 2016 under the current LTIIP and does not continue in the LTIIP Modification. Met-Ed is combining two programs, Replace Network Protectors and Replace Network Transformers into one program, Replace Network Equipment and adding two new programs through the LTIIP Modification: Convert/Refurbish 4.8 kV Substations and GOAB (gang operated air breaks). Switch Replacement; and Replace Network Switches.

14. For each of the 18 remaining asset categories Met-Ed provides in the LTIIIP Modification, Appendix A, estimates of the number of replacements, reinforcements, conversions or other improvements that will be made, by year, over the LTIIIP's four remaining years, 2017 to 2020. Met-Ed also provides the following:

- A description of the program and its purpose;
- A description of how the Company identifies equipment for replacement within each asset category and the appropriate course of action for implementing the replacements;
- The scope of the program, including a reasonable estimate of the amount of property to be improved, where such a quantification is applicable;
- The location of planned replacements, where improvements are to be achieved by replacing existing property; and
- The total amount projected to be spent by the Company annually and over the life of the LTIIIP.

15. Because the LTIIIP Modification is a blueprint for investments that will be made over the course of four years, individual elements of the proposed initiatives that will be implemented in each asset category will be subject to some degree of change as more detailed analysis and planning takes place and better estimates of the cost and time to complete each project are developed. Additionally, some projects included in the LTIIIP Modification depend upon third-party actions or decisions, such as permitting, access to public rights-of-way, contractor or equipment availability or, in the case of highway relocations, construction plans by state, county and municipal governments that may not yet be developed or are subject to change. These factors may affect the allocation of investment funds within or between the stated asset categories and may affect the timing or prioritization of investments within the 2017-2020 term of the LTIIIP Modification.

A. Identification of Types and Age of Property to be Improved, Repaired and Replaced

16. Section 121.3(a)(1) of the LTIP regulations calls for the identification of the types and ages of the eligible property covered by the Plan. The descriptions in each asset category in Appendix A identify the type and age of the eligible property in that category. For example, the largest category, by cost, to change in Met-Ed's LTIP Modification as opposed to the current LTIP is the category of Wood Pole Replacements. Appendix A indicates that the average age of poles across Met-Ed's distribution system is 42 years, and that the average age of replaced poles will not be known until the poles are identified through the pole inspection process.

B. Initial Schedule for Planned Repair and Replacement of Eligible Property

17. In accordance with Section 121.3(a)(2) of the LTIP regulations, Met-Ed's LTIP Modification includes schedules reflecting estimates, based on current information, of the expected years when planned repairs and replacements of eligible property will be completed. The schedules are described on an individual program basis in Appendix A. Using Met-Ed's Wood Pole Replacement program as an example, 368 replacements are planned for 2017, 277 replacements are planned for 2018, 437 replacements are planned for 2019, and 604 replacements are planned for 2020, for a total of 1,686 replacements during the entire period from 2017 through 2020.

C. General Description of the Location of Eligible Property

18. The individual program or project descriptions identify the location of the affected eligible property by its location within an operating area demarcated by the applicable Company Operations Center. Met-Ed's program to create circuit ties and loops, for example, which is the second largest increase by cost in the LTIP Modification, shows a total of twelve projects among specific Operations Centers.

D. Estimate of Quantity of Eligible Property

19. The individual program or project descriptions also identify the quantity of the affected eligible property, with the degree of specificity that is possible and practical for the nature of the work involved, by each Company operating area, demarcated by its respective Operations Center.

E. Projected Annual Expenditures

20. Appendix A to Met-Ed's LTIP Modification contains a table of "Summary Cost by Year" showing the projected annual expenditures over the four-year term of the LTIP Modification. The table shows cumulative projected annual and total expenditures for all eligible distribution property. Information about expenditures for individual programs is also included in the sections describing those programs.

F. Acceleration of Infrastructure Improvement and Maintenance of Customer Service

21. Section 121.3(6) of the LTIP regulations provides that an LTIP should describe "the manner in which infrastructure replacement will be accelerated and how repair, improvement or replacement will ensure and maintain adequate, efficient, safe, reliable, and reasonable service to customers." Met-Ed's LTIP Modification reflects the Company's advancement and acceleration of its infrastructure repair and replacement programs designed to address aging infrastructure, and the Company expects to continue its investment in infrastructure at that accelerated pace over the four years of the LTIP Modification's term. The LTIP Modification explains why projects are being undertaken in terms of possible improvements that they are designed to make in customer service and reliability. For example, line rehabilitation is designed to help the Company improve reliability on circuits where outages could impact significant

numbers of customers. Met-Ed will prioritize the circuits to be rehabilitated based on their ranking within the category of worst performing circuits.

22. In order to analyze the cost-effectiveness of individual programs, Met-Ed expects to review the effectiveness of its programs based on their expected impact on System Average Interruption Duration Index ("SAIDI"), System Average Interruption Frequency Index ("SAIFI") and Customer Average Interruption Duration Index ("CAIDI"), and their potential to reduce outage response costs, and will compare the value of those expected benefits to the costs of the program and/or individual projects within a program. The repair, reinforcement and replacement of aging distribution equipment and facilities covered by Met-Ed's LTIP Modification are designed to help the Company to reduce the frequency and duration of customer outages resulting from equipment failure, which otherwise would increase as the age of its infrastructure increases.

G. Workforce Management and Training Plan for Performance of Work in Cost Effective, Safe and Reliable Manner

23. Section 121.3(a)(7) of the LTIP regulations requires utilities to include a workforce management and training plan as a part of an LTIP. A comprehensive description of Met-Ed's programs for ensuring a qualified workforce is set forth in its LTIP Modification. For purposes of providing the information required for its LTIP Modification, Met-Ed's workforce is considered to include employees of Met-Ed and employees of various contractors that will be retained to work on LTIP projects.

H. Description of the Utility's Outreach and Coordination Activities with Third Parties

24. In accordance with Section 121.3(a)(8) of the regulations, the LTIP Modification describes how the Company plans to reach out to, and coordinate with, other utilities, the Pennsylvania Department of Transportation and local governments with respect to work to be

performed pursuant to the LTIP that might affect or implicate those entities' roadways or other property and their construction and maintenance schedules.

I. Estimated Implementation of Met-Ed's DSIC

25 In accordance with the Supplemental Implementation Order entered September 21, 2016, the Company reset the DSIC rate to zero simultaneously with the effective date of new base rates on January 27, 2017. Since the Company's rates are based on using a fully projected future test year ending December 31, 2017, which includes the LTIP project costs for 2016 and 2017, the new base rates provide for the prospective recovery of the property the Company will place in service and that was previously eligible for recovery under the Company's DSIC mechanism.

26. In its Supplemental Implementation Order the Commission outlined the procedure for recommencing a DSIC upon the conclusion of a base rate case. The Commission directed that "the total aggregate costs that are associated with the DSIC-eligible property projected to be in service and used to set the base rates for the utility should be specified in the final order issued in the proceeding to establish the utility's new rates, whether the final order results from a litigated proceeding or "black box" settlement." In Met-Ed's recently concluded base rate case the parties agreed that the baseline for restarting charges under the Company's DSIC rider would be based on gross plant balances as of December 31, 2017 as reported in base case Exhibit RAD-46, which includes Commission-approved 2016 and 2017 LTIP plant total investment for Met-Ed of \$16.68 million.

27. Accordingly, the Company anticipates that, following Commission approval of its LTIP Modification, and surpassing the gross plant balances reflected in the Company's base rates, the Company will restart the DSIC to recover the fixed costs of the property placed in service pursuant to its LTIP Modification, all of which constitutes "eligible property" as defined in


Section 1351 of the Code. The Company anticipates approval of the LTIP Modification within the 120-day review period established in the Final Implementation Order.

IV. CONCLUSION

WHEREFORE, for the reasons set forth above, Metropolitan Edison Company requests that the Commission enter an order by the end of the 120-day review period finding and determining that its LTIP Modification: (1) satisfies all of the criteria set forth at 52 Pa. Code § 121.4(e)(1)-(4); (2) meets the legal standard set forth in Section 1352(a)(7) for approval of an LTIP; and (3) therefore, should be approved without revision and without the need to refer this matter to the Office of Administrative Law Judge.

Additionally, if the Commission were to determine that comments, if any, submitted with respect to Met-Ed's LTIP Modification present material factual issues that merit assigning this case to the Office of Administrative Law Judge pursuant to the procedure outlined in the Final Implementation Order, the Company further requests that the Commission, at the time of such assignment, authorize Met-Ed to file written direct testimony to address such issues and other matters deemed relevant.

Respectfully submitted.



John L. Munsch
(PA Attorney I.D. No. 31489)
FirstEnergy Service Company
800 Cabin Hill Drive
Greensburg, PA 15601
(724) 838-6210

Anthony C. DeCusatis
(PA Attorney I.D. No. 25700)
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103-2921
(215) 963-5034

*Attorneys for
Metropolitan Edison Company*

Dated: March 1, 2017

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Metropolitan Edison Company

Exhibit No. 1

Long-Term Infrastructure Improvement Plan

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I. Introduction

Metropolitan Edison Company (“Met-Ed” or “Company”) submitted a petition for approval of its Long-Term Infrastructure Improvement Plan (“LTIIIP”) on October 19, 2015.¹ The Pennsylvania Public Utility Commission (“PUC” or the “Commission”) found that Met-Ed’s LTIIIP, and the manner in which it was filed, conformed to the requirements of the Final Implementation Order for Implementation of Act 11 of 2012, entered August 2, 2012, at Docket No. M-2012-2293611, and the Commission’s regulations at 52 Pa. Code §§ 121.1-121.8. Met-Ed’s LTIIIP was therefore accepted in a Final Order issued on February 11, 2016.

Met-Ed implemented its approved LTIIIP in 2016 and completed the first year of the five-year plan. However, due to the passage of Act 40 along with insight gained from completing the first year of the Company’s plan, Met-Ed is requesting a modification to its approved LTIIIP for the remaining four years of the currently approved plan, which encompasses 2017 through 2020. This proposed modification is considered a “*major modification*”, as defined at 52 Pa. Code §§ 121.2, due to the fact that the Company’s total estimated cost of its LTIIIP will be increased by more than 20%. A modification of this nature requires that “the utility shall file a separate petition for modification”.² Met-Ed therefore respectfully submits its modified LTIIIP for approval by the Commission.

Act 40 originated as House Bill No. 1436. It was passed and signed by the House of Representatives and the Senate on May 23 and 30, 2016, respectively; was presented to Governor Wolf on June 1, 2016; and became law without the Governor’s signature on June 12, 2016. Act 40 adds Section 1301.1 to the Public Utility Code, which specifies how the Commission is to compute income tax expense for ratemaking purposes. Specifically, Section 1301.1(a) states:

If an expense or investment is allowed to be included in a public utility’s rates for ratemaking purposes, the related income tax deductions and credits shall also be included in the computation of current or deferred income tax expense to reduce rates. If an expense or investment is not allowed to be included in a public utility’s rates, the related income tax deductions and credits, including tax losses of the public utility’s parent or affiliated companies, shall not be included in the computation of income tax expense to reduce rates. The deferred income taxes used to determine the rate base of a public utility for ratemaking purposes shall be based solely on the tax deductions and credits received by the public utility and shall not include any deductions or credits generated by the expenses or investments of a public utility’s parent or any affiliated entity. The income tax expense shall be computed using the applicable statutory income tax rates.

In summary, Section 1301.1(a) terminates the practice of making a “consolidated tax adjustment” (“CTA”) when calculating a utility’s Federal income taxes for ratemaking purposes

¹ *Petition of Metropolitan Edison Company for Approval of their Long-Term Infrastructure Improvement Plan*, Docket No. P-2015-2508942.

² 52 Pa. Code §§ 121.5(a)

in Pennsylvania and goes on to state in Section 1301.1(b), the differential that is accrued as a result of applying the revised ratemaking method shall be used as follows:

- (1) fifty percent to support reliability or infrastructure related to the rate base eligible capital investment as determined by the commission; and
- (2) fifty percent for general corporate purposes.

Act 40 applies to “all cases where the final order is entered after the effective date of this section” (*i.e.* August 11, 2016), and therefore applies to the most recent Met-Ed Distribution Base Rate Filing.³ The annual incremental amount as a result of Act 40, by which the Company’s LTIIIP will be increased for each of the remaining years, is approximately \$8.19 million.⁴

As stated above, Met-Ed completed the first year of its approved LTIIIP in 2016. The knowledge gained from 2016 as well as the completion of additional engineering and design analysis has determined that Met-Ed will need to increase the cost allocation in a number of program areas. The increase in cost is due to items such as increased scope, equipment costs and labor costs (labor cost increases are mainly due to the need to use contract labor as opposed to internal labor). *See* Appendix A for additional detail.

With these additions to its LTIIIP, Met-Ed will continue to provide reliability advancements, customer service improvements, and meet the needs and demands of its customers into the future.

II. Requirements of the LTIIIP

Pursuant to 52 Pa. Code § 121.3(a), a utility seeking to implement a distribution system improvement charge (“DSIC”) mechanism or to continue a previously-approved DSIC mechanism must file an LTIIIP. The LTIIIP must include the eight elements listed in that regulation. The required elements and the locations within Met-Ed’s modified LTIIIP where they are addressed are set forth below:

52 Pa. Code § 121.3(a)(1). The descriptions of the 19 infrastructure improvement initiatives set forth in Appendix A identify the types and ages of DSIC-eligible property in subsections captioned “Description” and “Age of Infrastructure.”

52 Pa. Code § 121.3(a)(2). The table at the front of Appendix A, captioned “Summary Cost by Year,” shows the planned expenditures, by year, for the period 2017-2020, as well as the total for that period, for each of the infrastructure improvement initiatives discussed in Appendix A.

³ Joint Petition for Partial Settlement of Rate Investigation, *Pa. Pub. Util. Comm’n v. Metropolitan Edison Co.*, Docket No. R-2016-2537349 (Final Order entered January 19, 2017).

⁴ *See* Met-Ed/Met-Ed/Penn Power/West Penn Statement No. 2-S, the Supplemental Testimony of Richard D’Angelo, page 6 lines 24 and 25, Docket No. R-2016-2537349.

52 Pa. Code § 121.3(a)(3). The descriptions of each infrastructure improvement initiative in Appendix A set forth the general location of eligible property relating to each initiative in subsections titled “Anticipated Locations.”

52 Pa. Code § 121.3(a)(4). Reasonable estimates of the quantity of eligible property to be improved or repaired are provided in the subsection titled “Schedule” in the description of each infrastructure improvement initiative in Appendix A.

52 Pa. Code § 121.3(a)(5). The projected annual expenditures and the manner in which Met-Ed expects to finance those expenditures are addressed in Section V, below. Additional detail concerning the expenditures by year is provided in Appendix A within the description of each infrastructure improvement initiative.

52 Pa. Code § 121.3(a)(6). A description of the manner in which the infrastructure repair, improvement or replacement will be accelerated and how repair, improvement or replacement will ensure and maintain adequate, efficient, safe, reliable and reasonable service to customers is addressed in Sections III, V, and VIII, below.

52 Pa. Code § 121.3(a)(7). The workforce management and training programs in place for Met-Ed that are designed to ensure that it will have access to a qualified workforce to perform work under its LTIP in a cost-effective, safe and reliable manner is described in Section VII, below.

52 Pa. Code § 121.3(a)(8). A description of how Met-Ed expects to reach out to, and coordinate with, other utilities, the Pennsylvania Department of Transportation and local governments regarding their planned maintenance/construction projects and roadways that may be impacted by the LTIP is provided in Section VI, below.

III. Distribution Reliability

If the modified LTIP is approved, it is expected to support reliability improvement by upgrading and modernizing the distribution system and, in that way, enhancing service to customers and augmenting Met-Ed’s approved LTIP. The Company continues to work towards the goal of achieving benchmark-level performance in System Average Interruption Frequency Index (“SAIFI”), Customer Average Interruption Duration Index (“CAIDI”), and System Average Interruption Duration Index (“SAIDI”) by year-end 2018.⁵

IV. The Need for the LTIP

Met-Ed’s approved LTIP, accepted in a final order issued on February 11, 2016, was borne out of the need to address increasing equipment and line failures and to improve the performance of the system as measured by SAIFI, CAIDI, and SAIDI. The Company’s modification to its LTIP provides a clear demonstration of its plan to meet the obligations of Act 40, as described in

⁵ Met-Ed has also committed to achieving benchmark-level reliability performance in the Implementation Plan for the Focused Management Audit of Metropolitan Edison Company, Docket No. D-2013-2365991.

Section I above, while further supporting Met-Ed's initiative to reduce equipment and line failures as well as improve system performance.

V. Implementation of the LTIIIP

Met-Ed's modification to its LTIIIP encompasses the remaining four-year period from 2017 through 2020 and includes projects that are incremental to its approved LTIIIP. Met-Ed plans to finance the increased capital through internal generation of cash and timely recovery of invested funds through the DSIC mechanism.

The acceleration of Met-Ed's capital investment will occur by implementing projects or programs above and beyond its approved LTIIIP, which has already been found to be an acceleration of capital investment. The comparison of the approved versus the modified LTIIIP is shown in Figure 1 and Figure 2, below. The LTIIIP programs are described in more detail in Appendix A.

Figure 1. Met-Ed's approved LTIIIP

Annual Expenditures (in millions of dollars)				
Approved LTIIIP	2017	2018	2019	2020
	\$9.44	\$4.86	\$10.72	\$11.18

Figure 2. Met-Ed's modified LTIIIP

Annual Expenditures (in millions of dollars)				
Modified LTIIIP	2017	2018	2019	2020
	\$16.97	\$13.05	\$18.90	\$19.34

For the most part, the programs that were considered for inclusion in Met-Ed's LTIIIP are those designed to have the greatest impact on reliability (in terms of positive effect on customer service) per dollar spent. Additionally, in most cases, the programs included in the LTIIIP were chosen to reduce the number of outages caused by aging equipment and lessen unplanned work and operation and maintenance costs. On an ongoing basis, projects will be prioritized to maximize the reliability and operating benefits to Met-Ed's customers. The effectiveness of the projects and programs that comprise the LTIIIP will be reviewed periodically to ensure that they remain prudent and cost-effective. Reliability and equipment failure trends will be analyzed on an ongoing basis as well to assess the impact of future investments. Thus, the Company will continuously review its plan and will assess the effectiveness of the identified projects and programs in relation to actual performance results. The Company may re-prioritize, alter completion dates, and add or remove projects based on engineering analyses to maximize the reliability and operating benefits to the affected circuits, while taking into consideration the overall impact to reliability and operational improvements and the costs and benefits to customers.

VI. Outreach and Coordination with Other Entities

Met-Ed communicates and coordinates with the Pennsylvania Department of Transportation (“PennDOT”), local governments, local municipalities, and other utilities and entities with regard to work that is scheduled to be performed that may affect the operations of those entities. Examples of communication and coordination efforts include press releases, public meetings, contact with local officials, and communication to customers who will experience a planned outage due to construction in their service area. However, most of the work that will be performed under Met-Ed’s LTIIP will likely have minimal impact on these entities’ work schedules. Because the possible impacts depend on the circumstances at the time work is actually being performed, specific project outreach plans are not currently available.

VII. Access to a Qualified Workforce

A. Met-Ed Workforce

The Company created Power Systems Institute (“PSI”), which is a unique, two-year program that combines classroom learning with the hands-on training needed to open the door to opportunities in the electric industry. The program was created as a way to help replace retiring line and substation employees. Upon completing the program, graduates will have a total of 1,280 hours of hands-on technical training as well as 60 hours of academic college credits. Graduates will earn an associate’s degree and are classified as a mid-level line or substation worker. Qualified graduates are offered positions with the Company subject to the Company’s standard hiring process.

It is the Company’s practice to size its workforce to accommodate a steady state workload that includes day-to-day activity and a reasonable level of storm response as projected from historical averages. For those times when workload increases above steady-state levels, the Company is able to supplement its own resources by accessing a portfolio of affiliated resources⁶ that may be able to move into the area to assist on a temporary basis. The Company also employs contractors to supplement regular status employees, particularly during construction of large capital projects.

In regard to training for qualified electrical workers, the Company adheres to the Occupational Safety and Health Administration (“OSHA”) Regulation 29 CFR 1910.269 Electrical Power Generation, Transmission, and Distribution standard, American National Standards Institute, American Society for Testing Materials, and Institute of Electrical and Electronics Engineers standards. Training material leverages FirstEnergy work practices, procedures, construction standards, and the Accident Prevention Handbook.

Formal training is provided by the Workforce Development (“WFD”) team. This group consist of full time instructors supplemented by contracted instructors who are generally retired craft

⁶ FirstEnergy Corp.’s portfolio of operating companies includes not only those four located within the Commonwealth of Pennsylvania, but an additional six operating in other jurisdictions. The consistency in standards and work practices employed across all ten of these operating companies enables streamlined resource sharing in a way that promotes both safety and cost efficiency for those companies under this umbrella.

workers. WFD develops, conducts, and evaluates knowledge and skills training for apprentices and incumbents.

Training is provided through varying methods, which consist of hands-on, classroom and on-the-job training. The curriculum is designed to support the employee's progression and includes a formalized skills demonstration program that allows for practice to gain proficiency in critical tasks. Finally, employees are required to complete progressive testing in a controlled setting to demonstrate skill proficiency prior to advancing within the craft line.

Formal and annual regulatory training mandated by agencies such as OSHA, the Department of Transportation, and the Environmental Protection Agency is managed within WFD, which ensures that all employees complete the required training within the applicable timeframes. Interpretation of training revisions is managed with the assistance of FirstEnergy and FirstEnergy Utilities Safety Division. WFD maintains the integrity of all training materials and tracks completion to ensure compliance. All training adheres to FirstEnergy policies and procedures to ensure quality, consistency and accuracy.

B. Contractor Workforce

In the event that resources are necessary to supplement the Company's workforce, FirstEnergy's Utilities Sourcing Department employs its Contractor of Choice Program to ensure FirstEnergy secures a skilled labor force and specialized equipment in order to complete projects on schedule and at competitive market pricing. Under the Contractor of Choice Guidelines the FirstEnergy Utilities Sourcing Department will issue a Request for Proposal ("RFP") to a list of contractors who have a history of successfully completing projects safely, on schedule and at competitive market pricing. After a thorough bid clarification process with the contractors the responses to the RFP are evaluated by Engineering, Project Management and Supply Chain. A contractor is selected based on available manpower and equipment resources, understanding of project scope, constructability, management and safety oversight and pricing. A contractor is required to:

- Employ only persons known by the contractor to be experienced, qualified, reliable and trustworthy.
- Have in writing a series of safe work practices, procedures and programs pertinent to the work being done.

Upon completion of the work, a designated representative of the Company will evaluate the work performed by the contractor before final acceptance.

Supplier diversity is a core value inherent to all of the Company's business operations. Supporting diversity is an essential element to locating sources of materials and services, selecting suppliers and managing supplier and contractor relationships.

VIII. Summary

The modified LTIP is expected to enhance reliability by further supporting Met-Ed's efforts to accelerate its rate of infrastructure repair, improve on its distribution system and respond to equipment and line failures. These improvements should also better enable Met-Ed to achieve work efficiencies by focusing on planned work instead of reacting to unplanned work. Met-Ed's LTIP contains all of the elements required by 52 Pa. Code § 121.3(a). Accordingly, Met-Ed's LTIP satisfies the criteria for Commission approval set forth in 52 Pa. Code § 121.4(e).

Appendix A

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Summary Cost by Year

Infrastructure Improvement Initiative	Actual/Planned Annual Expenditures (in millions of dollars)					
	2016*	2017	2018	2019	2020	Total
Total	\$9.68	\$16.97	\$13.05	\$18.90	\$19.34	\$77.94
Create Circuit Ties and Loops	\$0.40	\$2.85	\$3.22	\$3.17	\$3.17	\$12.81
Convert/Refurbish 4.8 kV Substations	\$-	\$-	\$-	\$1.40	\$-	\$1.40
Fuse Installation	\$1.48	\$0.43	\$-	\$-	\$-	\$1.95
GOAB Switch Replacement	\$-	\$0.28	\$0.28	\$0.28	\$0.28	\$1.12
Install SCADA Devices	\$3.63	\$1.76	\$-	\$0.76	\$0.38	\$6.76
Line Rehabilitation	\$0.21	\$3.93	\$1.63	\$-	\$-	\$5.77
Network Vault Rehabilitation	\$-	\$0.18	\$0.18	\$0.18	\$0.18	\$0.72
Porcelain Cutout Replacement	\$0.99	\$0.66	\$1.31	\$-	\$-	\$3.03
Recloser Installation	\$0.51	\$-	\$-	\$-	\$-	\$0.52
Recloser Replacement	\$0.75	\$0.07	\$-	\$0.17	\$-	\$1.13
Replace Network Equipment	\$-	\$0.88	\$0.88	\$0.88	\$0.88	\$3.52
Replace Spacer Cable	\$0.62	\$-	\$-	\$0.88	\$0.88	\$2.42
Split Large Circuits	\$-	\$-	\$-	\$1.00	\$1.99	\$2.99
Substation Breaker Replacement	\$-	\$-	\$-	\$1.62	\$1.62	\$3.24
Substation Relay Replacement	\$-	\$-	\$-	\$0.83	\$0.86	\$1.69
Unreimbursed Highway Relocation	\$0.83	\$1.01	\$1.01	\$1.01	\$1.01	\$4.93
URD Cable Replacement	\$0.26	\$0.79	\$1.00	\$0.95	\$0.95	\$3.98
Wood Pole Reinforcement	\$-	\$-	\$0.44	\$0.87	\$0.38	\$1.69
Wood Pole Replacement	\$-	\$4.13	\$3.10	\$4.90	\$6.76	\$18.89

*Actuals

Create Circuit Ties and Loops

Description

Create tie points and loops between radial circuits. The focus will be on 13.2 kV and 34.5 kV distribution circuits.

Identification and Justification

Although some of the 13.2 and 34.5 kV distribution circuits have ties back to other circuits, there are circuits or portions of circuits that are radial in nature. During an outage, customers served by radial circuits, remain out of service until repairs are made. This project will build distribution ties between radial sections of the circuits to allow for circuit switching during outages and is designed to enable faster service restoration for customers served by radial circuits. Both manual and SCADA switches will be used to accomplish the switching. Projects will be prioritized using the following criteria:

- Reliability history of the circuit (SAIFI and CAIDI)
- Number of customers served radially without a tie

Age of Infrastructure

The work encompassed by this initiative involves the installation of new equipment designed to enhance or modernize service to customers. The infrastructure targeted for enhancement is not chosen based on age or condition but by reliability performance. However, the average age of the circuits that will be upgraded is 81 years old.

Schedule

Actual/Planned Circuit Ties or Loops						
	2016	2017	2018	2019	2020	Total
Approved	1	4	2	3	3	13
Actual/Modified	1	4	2	3	3	13

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$0.48	\$1.67	\$0.91	\$1.19	\$1.19	\$5.44
Actual/Modified	\$0.40	\$2.85	\$3.22	\$3.17	\$3.17	\$12.81

Anticipated Locations (2017-2020)

Operations Center	Total
Boyertown	1
Easton	2
Hanover	1
Lebanon	1
Reading	2
Stroudsburg	3
York	2
Total	12

Comments

Following more detailed engineering analysis, Met-Ed identified project scope changes needed to address capacity upgrades, line upgrades, additional rights-of-way and contract construction labor.

Convert/Refurbish 4.8 kV Substations

Description

Convert or refurbish 13.2 - 4.8 kV substations and/or 34.5 - 4.8kV substations. Convert sections of 4.8 kV circuits to operate at 13.2 kV or 34.5 kV, and upgrade and replace 4.8kV substation equipment.

Identification and Justification

Met-Ed's 13.2 – 4.8 kV and 34.5 – 4.8 kV substations are impacted by equipment condition and load growth. 13.2 – 4.8 kV and 34.5 – 4.8 kV replacement transformer options are limited by size or may require special order. Options for relief include upgrading and replacing 4.8 kV substation equipment and/or converting sections of 4.8 kV circuits.

Upgrading these substations and/or converting sections of 4.8kV circuits, is designed to increase capacity and increase operational flexibility. Work will be prioritized using the following criteria:

- Age and condition of the equipment
- Reliability benefits realized upon conversion
- Loading and voltage constraints
- Reliability history of the circuits

Age of Infrastructure

The equipment targeted for replacement in this program was installed in the 1950's and 1960's.

Schedule

Actual/Planned Substations						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	-	-	-
Actual/Modified	-	-	-	2	-	2

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$-	\$-	\$-
Actual/Modified	\$-	\$-	\$-	\$1.40	\$-	\$1.40

Anticipated Locations (2017-2020)

Operations Center	Total
Boyertown	1
Reading	1
Total	2

Comments

This is a new program as compared to the Company's approved LTIIP.

Fuse Installation

Description

Install new fused cutouts on unprotected circuits.

Identification and Justification

Unfused line taps can cause circuit and recloser lockouts when the fault is located on a tap that is unfused. Installing these fuses aims to reduce SAIFI and CAIDI by reducing the scope of a large outage. This program will target any unprotected distribution circuits and nearly complete fuse protection on the entirety of the distribution system.

Age of Infrastructure

Fuse installations are new equipment designed to enhance or modernize service to customers. The infrastructure targeted for enhancement is not chosen based on age or condition but by reliability performance. However, the average age of the circuits that will be upgraded is 78 years old.

Schedule

Actual/Planned Fuse Installations						
	2016	2017	2018	2019	2020	Total
Approved	1,000	547	-	-	-	1,547
Actual/Modified	1,181	432	-	-	-	1,613

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$0.83	\$0.37	\$-	\$-	\$-	\$1.20
Actual/Modified	\$1.48	\$0.43	\$-	\$-	\$-	\$1.91

Anticipated Locations (2017-2020)

Operations Center	Total
Easton	146
Lebanon	86
Reading	129
York	71
Total	432

Comments

Following more detailed engineering analysis, Met-Ed expanded the project scope which necessitated labor cost adjustments.

GOAB Switch Replacement

Description

Replace aging distribution gang operated air breaks (“GOAB’s”) with new switches. Utilize GOAB’s and solid blade disconnects where applicable.

Identification and Justification

Replace the aging GOAB’s with new disconnects where operating conditions allow, and with new GOAB’s where necessary. Factors like accessibility, location, and loading conditions will determine when a GOAB will be used and when disconnects will be used. Switches are critical when isolating faults and restoring customers during outage scenarios.

Age of Infrastructure

The equipment targeted for replacement in this program is at least 40 years old.

Schedule

Actual/Planned GOAB Replacements						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	-	-	-
Actual/Modified	-	8	8	8	8	32

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$-	\$-	\$-
Actual/Modified	\$-	\$0.28	\$0.28	\$0.28	\$0.28	\$1.12

Anticipated Locations (2017-2020)

Operations Center	Total
Easton	1
Hanover	6
Lebanon	3
Reading	10
York	12
Total	32

Comments

This is a new program as compared to the Company’s approved LTIP.

Install SCADA Devices

Description

Replace existing gang operated air brakes (“GOAB”), disconnect switches, and oil circuit reclosers with SCADA controlled switches and reclosers. Install additional distribution SCADA devices at new locations where circuit conditions and system performance warrant.

Identification and Justification

This program is designed to reduce both SAIFI and CAIDI, while improving the reliability performance of the circuits. These devices better enable dispatchers to restore customers during outages, and will also allow dispatchers to pinpoint the location of faulted sections more quickly, saving crew time for actual repair. The following guidelines will be used to prioritize the installation of the new devices:

- Circuits with more than 1,000 customers
- Circuits that are operated at 34.5 kV or 13.2 kV
- Circuits that are considered worst performing
- Circuits with significant SAIFI and CAIDI numbers

Age of Infrastructure

The work encompassed by this initiative involves the installation of new equipment designed to enhance or modernize service to customers. The infrastructure targeted for enhancement is not chosen based on age or condition but by reliability performance. However, the average age of the circuits that will be upgraded is 82 years old.

Schedule

Actual/Planned SCADA Controlled Devices						
	2016	2017	2018	2019	2020	Total
Approved	68	36	-	-	-	104
Actual/Modified	70	28	-	12	6	120

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$2.18	\$1.15	\$-	\$-	\$-	\$3.33
Actual/Modified	\$3.63	\$1.76	\$-	\$0.76	\$0.38	\$6.53

Anticipated Locations (2017-2020)

Operations Center	Total
Boyertown	8
Easton	3
Hanover	3
Lebanon	8
Reading	11
Stroudsburg	10
York	3
Total	46

Comments

Following more detailed engineering analysis as well as the need for additional communication and commissioning time, Met-Ed refined the 2017 per unit cost. Additionally, this program has been expanded into 2019 and 2020 as compared to the Company's approved LTIIP.

Line Rehabilitation

Description

Refurbish zone one and zone two⁷ of targeted distribution circuits that have high SAIFI performance. Focus will be on circuits that have high rates of equipment and line failures and animal-caused outages.

Identification and Justification

Large impact distribution outages are caused when a fault occurs on a distribution circuit that has a significant number of customers. Faults can affect components including but not limited to cutouts, lightning arresters, crossarms, capacitors, reclosers, insulators, transformers, and connectors. To prevent these faults, circuit reviews will identify any equipment deficiencies and other opportunities to prevent outages. The number of items identified for replacement will vary based on circuit size and condition. Projects will be prioritized based on worst performing circuit status.

Age of Infrastructure

The components of these circuits have an average age of 40 to 50 years, though some components may have been installed in the late 1930s. In general, the age of the specific equipment that will be replaced will not be known until it is identified through the inspection process.

Schedule

Actual/Planned Circuits for Rehabilitation						
	2016	2017	2018	2019	2020	Total
Approved	1	11	5	-	-	17
Actual/Modified	1	11	5	-	-	17

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$0.14	\$3.93	\$1.63	\$-	\$-	\$5.70
Actual/Modified	\$0.21	\$3.93	\$1.63	\$-	\$-	\$5.77

⁷ Zone one is defined as the portion of the circuit from the substation breaker to the first protective device. Zone two is defined as the three phase conductor and devices after the first protective device.

Anticipated Locations (2017-2020)

Operations Center	Total
Boyertown	1
Easton	2
Lebanon	2
Reading	4
Stroudsburg	5
York	2
Total	16

Comments

This program has not changed as compared to Met-Ed's approved LTIIIP.

Network Vault Rehabilitation

Description

Upgrade aging underground network vaults and manholes by replacing them with new standard network vaults and manholes.

Identification and Justification

Met-Ed operates and maintains four low voltage underground networks in its service territory. Some of the equipment is nearing the end of its effective life. Growth on the network is controlled by serving new customers from non-network circuits whenever possible. This program will accelerate the replacement of aging network vaults and manholes that house the network equipment and is designed to improve safety, operational flexibility, reliability, and customer service. Work will be prioritized based on overall condition of the network vault.

Age of Infrastructure

The equipment targeted for replacement in this program was installed in the 1960s and 1970s.

Schedule

Actual/Planned Vault Rehabilitations						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	1	1	2
Actual/Modified	-	1	1	1	1	4

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$0.13	\$0.13	\$0.26
Actual/Modified	\$-	\$0.18	\$0.18	\$0.18	\$0.18	\$0.72

Anticipated Locations (2017-2020)

Operations Center	Total
Reading	2
York	2
Total	4

Comments

This program has been expanded into 2017 and 2018 as compared to the Company's approved LTIP. Additionally, the per unit cost in 2019 and 2020 has been increased as a result of more detailed engineering analysis.

Porcelain Cutout Replacement

Description

Replace porcelain cutouts located in zone one or zone two on overhead distribution circuits.

Identification and Justification

Porcelain cutouts have been failing at Met-Ed at an accelerated rate, causing lockouts of reclosers and circuit breakers, pole fires and other damage. These failures lead to long duration outages and drive up SAIFI and SAIDI. Replacing porcelain cutouts with new, industry standard polymer cutouts should reduce the number of lockouts and unplanned outages. Projects will be prioritized based on worst performing circuit status and field inspections.

Age of Infrastructure

Cutouts are a relatively small piece of equipment the age of which is not tracked. The Company fully transitioned to installing only polymer cutouts in late 2006. The average age of the poles on which the cutouts are located is 42 years old, which provides some indication of the age of existing cutouts.

Schedule

Actual/Planned Number of Circuits						
	2016	2017	2018	2019	2020	Total
Approved	6	5	5	-	-	16
Actual/Modified	6	5	5	-	-	16

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$1.31	\$1.31	\$1.31	\$-	\$-	\$3.93
Actual/Modified	\$0.99	\$0.66	\$1.31	\$-	\$-	\$2.96

Anticipated Locations (2017-2020)

Operations Center	Total
Boyertown	1
Lebanon	2
Reading	1
Stroudsburg	5
York	1
Total	10

Comments

The cost in 2017 has been lowered as a result of engineering analysis, which reflects a revised estimated number of cutouts on the targeted circuits.

Recloser Installation

Description

Install new reclosers on Met-Ed distribution circuits that can benefit from increased protection. This category of improvements was completed in 2016 under the approved LTIP and does not continue in the modified LTIP.

Identification and Justification

Met-Ed will utilize both single phase and three phase reclosers as a part of this program. Reclosers effectively reduce the circuit exposure preventing faults from taking the entire circuit out of service. Installing these reclosers is designed to reduce SAIFI and CAIDI by reducing the scope of a large outage. Projects will be prioritized based on worst performing circuit status and field inspections.

Age of Infrastructure

Recloser installations are new equipment designed to enhance or modernize service to customers. The infrastructure targeted for enhancement is not chosen based on age or condition but by reliability performance. However, the average age of the circuits that will be upgraded is 79 years old.

Schedule

Actual/Planned Recloser Installations						
	2016	2017	2018	2019	2020	Total
Approved	10	-	-	-	-	10
Actual/Modified	10	-	-	-	-	10

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$0.25	\$-	\$-	\$-	\$-	\$0.25
Actual/Modified	\$0.51	\$-	\$-	\$-	\$-	\$0.51

Anticipated Locations (2017-2020)

Operations Center	Total
Total	-

Comment

This program contains units completed in 2016 and there are no further units are planned at this time.

Recloser Replacement

Description

Replace aging single and three phase oil circuit reclosers that are nearing the end of their useful life.

Identification and Justification

Oil circuit reclosers have a life that is determined by the number of operations and the level of fault current that it interrupts. Met-Ed will identify those reclosers that are nearing the end of their useful life and replace them to ensure continued circuit protection and reliability through minimized outage frequency and duration.

Age of Infrastructure

The average age of the reclosers that are targeted for replacement is 35 years old.

Schedule

Actual/Planned Recloser Replacements						
	2016	2017	2018	2019	2020	Total
Approved	22	-	-	-	-	22
Actual/Modified	19	3	-	4	-	26

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$0.54	\$-	\$-	\$-	\$-	\$0.54
Actual/Modified	\$0.75	\$0.07	\$-	\$0.17	\$-	\$0.99

Anticipated Locations (2017-2020)

Operations Center	Total
Hanover	2
Lebanon	1
Reading	2
York	2
Total	7

Comments

Three projects originally planned for 2016 will be deferred to 2017. This program has been expanded into 2019 as compared to the Company's approved LTIP.

Replace Network Equipment

Description

Upgrade underground network equipment such as protectors, switches or transformers by replacing them with new standard network equipment to improve safety, operational flexibility, reliability, and customer service.

Identification and Justification

Met-Ed operates and maintains four low voltage underground networks in its service territory. Some of the equipment is nearing the end of its effective life. Growth on the network is controlled by serving new customers from non-network circuits whenever possible. This program will accelerate the replacement of aging network equipment to help ensure the integrity of the networks and are aimed to improve safety, operational flexibility, reliability, and customer service. Work will be prioritized based on overall condition of the network equipment.

Age of Infrastructure

The equipment targeted for replacement in this program was installed in the 1960s and 1970s.

Schedule

Actual/Planned Network Equipment Replacements						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	4	4	8
Actual/Modified	-	6-8	6-8	6-8	6-8	24-32

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$0.38	\$0.38	\$0.76
Actual/Modified	\$-	\$0.88	\$0.88	\$0.88	\$0.88	\$3.52

Anticipated Locations (2017-2020)

Operations Center	Total
Easton	3-4
Lebanon	3-4
Reading	9-12
York	9-12
Total	24-32

Comments

This program combines two programs as compared to the Company's approved LTIP but also adds the replacement of network switches. The two approved programs that are a part of this new program are Replace Network Protectors and Replace Network Transformers.

Replace Spacer Cable

Description

Replace aging spacer cable with standard bare open wire construction.

Identification and Justification

Spacer cable installed prior to 1985 was manufactured with first generation technologies that did not include ultraviolet light protection. Failing spacer cable is known to cause high levels of radio interference along with the associated customer complaints. Additionally, due to the compromised insulation on the spacer cable, it cannot be replaced while the circuit is energized which leads to a longer repair time since the circuit must be de-energized. Replacing spacer cable will reduce the outage repair time and therefore aims to reduce CAIDI.

Age of Infrastructure

The spacer cable which will be targeted for replacement in this program was installed prior to 1985.

Schedule

Actual/Planned Spacer Cable Replacement Projects						
	2016	2017	2018	2019	2020	Total
Approved	1	-	-	4	4	9
Actual/Modified	1	-	-	2	2	5

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$0.33	\$-	\$-	\$0.88	\$0.88	\$2.09
Actual/Modified	\$0.62	\$-	\$-	\$0.88	\$0.88	\$2.38

Anticipated Locations (2017-2020)

Operations Center	Total
Hanover	1
Lebanon	1
Reading	1
York	1
Total	4

Comments

This program was originally planned to be completed with internal labor but is now planned to be completed with contracted labor. This results in an increased per unit cost in 2019 and 2020.

Split Large Circuits

Description

This program is designed to divide large distribution circuits into smaller circuits.

Identification and Justification

This program is designed to reduce both SAIFI and CAIDI on the circuits, while improving the reliability performance of the circuits. When an outage occurs, fewer customers should be impacted and the time to locate the problem will be reduced because the circuit is smaller. The following guidelines will be used to prioritize circuits for this program:

- Circuits with more than 2,000 customers, and
- Circuits that are operated at 34.5 kV or 13.2 kV, and
- Circuits with significant SAIFI and CAIDI numbers

Age of Infrastructure

The work encompassed by this initiative involves the installation of new equipment designed to enhance or modernize service to customers. The infrastructure targeted for enhancement is not chosen based on age or condition but by reliability performance.

Schedule

Actual/Planned Number of Circuits						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	1	2	3
Actual/Modified	-	-	-	1	2	3

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$1.0	\$1.99	\$2.99
Actual/Modified	\$-	\$-	\$-	\$1.0	\$1.99	\$2.99

Anticipated Locations (2017-2020)

Operations Center	Total
Hanover	1
Stroudsburg	1
York	1
Total	3

Comments

This program has not changed as compared to Met-Ed's approved LTIIIP.

Substation Breaker Replacement

Description

Replace distribution 4.8 kV – 34.5 kV VIR/PRM/oil circuit breakers and associated relaying that are unreliable or obsolete.

Identification and Justification

Oil circuit breakers that were installed prior to 1975 are approaching the end of their useful life. Repairs are difficult or impossible due to the lack of spare parts. Maintenance costs are higher due to the extended time to repair the breaker. New standard distribution circuit breakers with associated relaying will be installed to correct chronic corrective maintenance and operational issues, improve protection, reduce maintenance, and provide post-fault event logs.

Age of Infrastructure

Circuit breakers targeted for replacement in this program were installed prior to 1975.

Schedule

Actual/Planned Breaker Replacements.						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	14	14	28
Actual/Modified	-	-	-	14	14	28

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$1.62	\$1.62	\$3.24
Actual/Modified	\$-	\$-	\$-	\$1.62	\$1.62	\$3.24

Anticipated Locations (2017-2020)

Operations Center	Total
Boyertown	4
Easton	4
Hanover	4
Lebanon	4
Reading	4
Stroudsburg	4
York	4
Total	28

Comments

This program has not changed as compared to compared to Met-Ed's approved LTIIP.

Substation Relay Replacement

Description

Upgrade aging electromechanical, static relays, microprocessor-based relays and other antiquated relay equipment.

Identification and Justification

This program will replace substation relays that are less reliable or are at the end of the usable life. This includes the replacement of electromechanical line current, directional, and transformer differential relays with new microprocessor based platforms that employ fault recording capabilities. Replacements are prioritized based on customer impact (SAIFI) from a breaker failure or failure to trip and will improve circuit protection and fault clearing analysis capabilities.

Age of Infrastructure

The relays targeted for replacement are an obsolete style of overcurrent relays which were installed from the 1960s through the early 1990s.

Schedule

Actual/Planned Relay Replacements						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	24	25	49
Actual/Modified	-	-	-	24	25	49

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$0.83	\$0.86	\$1.69
Actual/Modified	\$-	\$-	\$-	\$0.83	\$0.86	\$1.69

Anticipated Locations (2017-2020)

Operations Center	Total
Boyertown	7
Easton	7
Hanover	7
Lebanon	7
Reading	7
Stroudsburg	7
York	7
Total	49

Comments

This program has not changed as compared to Met-Ed's approved LTIIIP.

Unreimbursed Highway Relocation

Description

Recover the unreimbursed costs of distribution facility relocations in support of highway and bridge construction projects.

Identification and Justification

Highway and bridge relocation and construction projects occur throughout the year and across the Met-Ed service territory. These projects are sponsored by PennDOT, as well as individual counties and municipalities. Reimbursement amounts are calculated based on PennDOT DM-5 manual guidelines. Historically Met-Ed collects 55% of the overall relocation costs from the entity making the request for equipment relocation.

Age of Infrastructure

The infrastructure targeted for relocation is not chosen based on age or condition but merely by its location. Despite that fact, replacement of infrastructure with newer equipment may result in reliability improvement.

Schedule

	Actual/Average Number of Projects					
	2016	2017	2018	2019	2020	Total
Approved	60-70	60-70	60-70	60-70	60-70	300-350
Actual/Modified	12	60-70	60-70	60-70	60-70	252-292

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$1.01	\$1.01	\$1.01	\$1.01	\$1.01	\$5.05
Actual/Modified	\$0.83	\$1.01	\$1.01	\$1.01	\$1.01	\$4.87

Anticipated Locations (2017-2020)

The location of the work varies and is driven by the construction schedules of PennDOT and other government entities.

Comments

This program has not changed as compared to Met-Ed's approved LTIP.

Underground Residential Distribution ("URD") Cable Replacement

Description

Replace bare concentric neutral primary voltage cable that was manufactured prior to 1986.

Identification and Justification

The targeted type of cable was manufactured without an insulating jacket around the concentric neutral wires that are on the outside perimeter of the cable. The neutral conductors corrode and fail prematurely. The corrosion results in poor voltage quality and underground primary faults caused by unevenly stressed cable insulation. Replacement of this cable should reduce the length of customer outages since the Company will no longer have to spend the extra time to locate a fault and make repairs to the degraded neutral conductors.

Age of Infrastructure

The URD cable which will be targeted for replacement in this program was installed prior to 1986.

Schedule

Actual/Planned Feet of Cable Replacement						
	2016	2017	2018	2019	2020	Total
Approved	4,300	-	-	24,600	24,600	53,500
Actual/Modified	3,919	12,476	15,812	15,079	15,079	62,365

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$0.17	\$-	\$-	\$0.95	\$0.95	\$2.07
Actual/Modified	\$0.26	\$0.79	\$1.00	\$0.95	\$0.95	\$3.95

Anticipated Locations (2017-2020)

Operations Center	Total
Boyertown	462
Easton	10,137
Hanover	5,270
Lebanon	4,900
Reading	25,414
Stroudsburg	1,273
York	10,990
Total	58,446

Comments

Following more detailed engineering analysis, Met-Ed increased the project scope, which necessitated the use of contract construction labor.

Wood Pole Reinforcement

Description

Reinforcement of distribution poles to maintain the poles' strength characteristics.

Identification and Justification

The program bolsters the longevity and reliable service of the distribution wood pole fleet and ultimately contributes to storm hardening efforts and aims to improve public and employee safety as well as contribute to service reliability. Met-Ed inspects approximately 28,000 poles per year, from which a historical trend suggests that 2% of inspected poles will qualify for reinforcement (C-truss or fiber wrap).

Age of Infrastructure

In general, the age of the poles that will be reinforced will not be known until they are identified through the inspection process. The average age of all poles across Met-Ed is 42 years old.

Schedule

Actual/Planned Pole Reinforcements						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	1,625	700	2,325
Actual/Modified	-	-	434	850	370	1,654

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$0.87	\$0.38	\$1.25
Actual/Modified	\$-	\$-	\$0.44	\$0.87	\$0.38	\$1.69

Anticipated Locations (2017-2020)

Project locations are directly linked to the distribution pole inspection plan and are identified yearly.

Comments

In the approved LTIIP, this program was described to use only the steel C-truss as a method for reinforcement. However, Met-Ed has seen the need to use also fiber wrap reinforcement, which increases the per pole cost for reinforcement. Costs have also been adjusted based on contract labor rates over the life of the program.

Wood Pole Replacement

Description

Replacement of poles identified as non-restorable during the annual Met-Ed distribution pole inspection process.

Identification and Justification

This program is the systematic replacement of wood poles that have been identified by a qualified inspector to have degraded beyond restorable condition (cannot be reinforced). These poles are identified during annual inspections of the distribution network. The program ultimately contributes to storm hardening efforts, and aims to improve public and employee safety as well as contribute to service reliability. Met-Ed inspects approximately 28,000 poles per year, from which a historical trend indicated a 0.9% rejection rate.

Age of Infrastructure

In general, the age of the poles that will be replaced will not be known until they are identified through the inspection process. The average age of all poles across Met-Ed is 42 years old.

Schedule

Actual/Planned Pole Replacements						
	2016	2017	2018	2019	2020	Total
Approved	-	-	-	325	240	565
Actual/Modified	-	368	277	437	604	1,686

Actual/Planned Annual Expenditures (in millions)

	2016	2017	2018	2019	2020	Total
Approved	\$-	\$-	\$-	\$1.86	\$1.79	\$3.65
Actual/Modified	\$-	\$4.13	\$3.10	\$4.90	\$6.76	\$18.89

Anticipated Locations (2017-2020)

Project locations are directly linked to the distribution pole inspection plan and are identified yearly. Met-Ed will endeavor to combine construction activities with other programs identified elsewhere in this infrastructure improvement plan with wood pole replacements in order to maximize efficiencies and crew utilization.

Comments

Costs have also been adjusted based on contract labor rates over the life of the program and updated as a result of 2016 actuals.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Re: Petition of Metropolitan Edison Company for Approval of Modification of its
Long-Term Infrastructure Improvement Plan; Docket No. P-2015-2508942**

VERIFICATION

Linda L. Moss, President, Pennsylvania Operations, FirstEnergy Service Company, hereby states that the facts set forth in the above-referenced Petition are true and correct to the best of her knowledge, information and belief and that she expects the Company to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904.

Date: March 1, 2017


Linda L. Moss

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MAR - 1 2017

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

MAR - 1 2017

Petition of Metropolitan Edison Company :
For Approval of Modification of its Long- :
Term Infrastructure Improvement Plan :

Docket No. P-2015-2508942

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **Petition** has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA FEDEX OVERNIGHT

Tanya J. McCloskey
Acting Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Johnnie E. Simms
Director and Chief Prosecutor
Bureau of Investigation & Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor West
Harrisburg, PA 17105-3265

Small Business Advocate
Office of Small Business Advocate
300 North Second Street
Harrisburg, PA 17101

Charis Mincavage
Vasiliki Karandrikas
Elizabeth P. Trinkle
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
*Counsel for Metropolitan Edison
Industrial Users Group, Penelec Industrial
Customer Alliance*

David J. Dulick
Pennsylvania Rural Electric Association
Allegheny Electric Cooperative, Inc.
212 Locust Street
P.O. Box 1266
Harrisburg, PA 17108-1266
*Counsel for Pennsylvania Rural Electric
Association and Allegheny Electric
Cooperative, Inc.*

Thomas T. Niesen
Thomas, Niesen & Thomas, LLC
212 Locust Street, Suite 600
Harrisburg, PA 17101
*Counsel for Pennsylvania Rural Electric
Association and Allegheny Electric
Cooperative, Inc.*

Charles E. Thomas, III
Thomas, Niesen & Thomas, LLC
212 Locust Street, Suite 600
Harrisburg, PA 17101
*Counsel for Noble Americas Energy
Solutions LLC*

Harry S. Geller
Elizabeth R. Marx
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101-1414
*Coalition for Affordable Utility Services
and Energy Efficiency in Pennsylvania*

Scott J. Rubin
Law Office of Scott J. Rubin
333 Oak Lane
Bloomsburg, PA 17815
*Counsel for International Brotherhood
of Electrical Workers Local 777*

Donald R. Wagner
Linda R. Evers
Michael A. Gruin
Stevens & Lee
111 N. Sixth Street
Reading, PA 19601
*Counsel for Wal-Mart Stores East, LP
and Sam's East, Inc.*

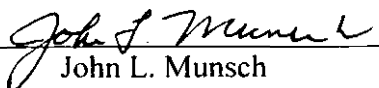
Michael Panfil
John Finnigan
Environmental Defense Fund
1875 Connecticut Ave., N.W.
Washington, DC 20009
*Counsel for the Environmental
Defense Fund*

Thomas J. Sniscak
William E. Lehman
Hawke McKeon & Sniscak, LLP
100 N. 10th Street
P.O. Box 1778
Harrisburg, PA 17105-1778
Counsel for the Pennsylvania State University

Heather Langeland
200 First Avenue, Suite 200
Pittsburgh, PA 15222
*Counsel for Pennsylvania's
Future*

David F. Boehm
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, OH 45202
Counsel for AK Steel Corp.

Date: March 1, 2017



John L. Munsch

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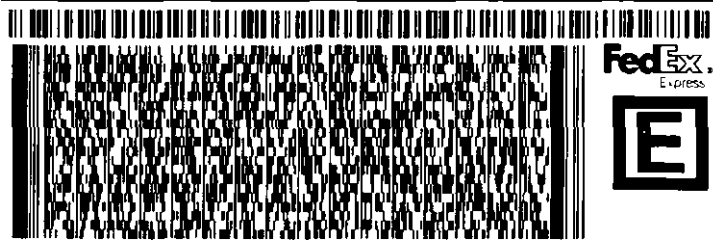
TO ROSEMARY CHIAVETTA, SECRETARY
PENNSYLVANIA PUBLIC UTILITY COMMISS
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET, 2ND FLOOR
HARRISBURG PA 17120

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(717) 772-7777
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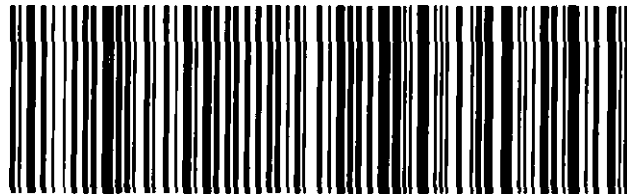
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