PennPower
A FirstEnergy Company

800 Cabin Hill Drive
Greensburg, PA 15601

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

Re: Petition of Pennsylvania Power Company for Approval of Modification of its Long-Term Infrastructure Improvement Plan;
Docket No. P-2015-2508931

Dear Secretary Chiavetta:

Enclosed for filing is the *Petition of Pennsylvania Power Company for Approval of Modification of its Long-Term Infrastructure Improvement Plan* ("Petition"). A copy of Pennsylvania Power Company's modified Long-Term Infrastructure Improvement Plan accompanies its Petition as Penn Power Exhibit No. 1.

Penn Power's Long-Term Infrastructure Improvement Plan was approved by the Commission by Order entered February 11, 2016, at Commission Docket No. P-2015-2508931.

Copies of the enclosed Petition and Penn Power 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

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.)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Power Company Petition	:	
For Approval of Modification of its Long-	:	**Docket No. P-2015-2508931**
Term Infrastructure Improvement Plan	:	

Pennsylvania Power Company Petition for Approval of Modification of its Long-Term Infrastructure Improvement Plan

---

Pennsylvania Power Company ("Penn Power" or the "Company") files this Petition for Approval of 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 Order[3] and Supplemental Implementation Order[4] concerning LTIIPs. The LTIIP Modification accompanies this Petition as Penn Power Exhibit No. 1 ("LTIIP Modification"). As set forth in its LTIIP Modification, Penn Power proposes to increase the total estimated cost of the LTIIP by approximately 17% and to add two categories of infrastructure improvements. Penn Power submits that, with the nearly 20% increase in total estimated cost and the addition of two categories of infrastructure improvements, the changes are substantial and constitute a "major modification" of the LTIIP requiring that "the utility shall file a separate petition for modification."[5]

---

[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 §§121.2 and 121.5(a).

The primary reason for Penn Power'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, 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 Penn Power distribution base rate proceeding.[7] Penn Power seeks to apply the portion of its "differential" to reliability and infrastructure improvements through its LTIIP Modification for recovery through its approved Distribution System Improvement Charge ("DSIC") tariff. The annual incremental amount as a result of Act 40, by which the Company's LTIIP will be increased for each of the remaining years, is approximately $2.45 million.[8] In its recent base rate case the Company acknowledged that it would amend its LTIIP to apply its Act 40 differential.[9] The LTIIP Modification constitutes such amendment.

Upon approval of its LTIIP Modification, Penn Power will incorporate the new costs reflected in the LTIIP Modification on an ongoing basis through Penn Power's DSIC. Penn Power's current DSIC was approved by the Commission in an Opinion and Order entered June 9, 2016, at Docket No. P-2015-2508931.[10]

---

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

[7] *Pa. P.U.C. v. Pennsylvania Power Company*, Docket No. R-2017-2537355 (Final Order entered January 19, 2017).

[8] *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-2016-2537355.

[9] Id.page7.

[10] Penn Power's Petition for Approval of DSIC at Docket No. P-2015-2508931, was approved by the Commission in an Order entered June 9, 2016. Certain issues in the proceeding were referred by the Commission to the Office of Administrative Law Judge for determination. The DSIC proceedings of Penn Power's affiliate distribution companies, West Penn Power Company, Pennsylvania Electric Company and

The LTIIP Modification will allow Penn Power to continue to strengthen, upgrade and modernize its distribution system through various infrastructure improvement initiatives described in detail in Appendix A of the LTIIP Modification. As also explained below, Penn Power's LTIIP 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, Penn Power respectfully requests that the Commission approve this Petition and approve the LTIIP Modification submitted as Penn Power Exhibit No. 1 to this Petition.

I. INTRODUCTION AND BACKGROUND

1. Penn Power provides electric distribution service to approximately 163,000 customers in a certificated service territory encompassing all or portions of six counties in western Pennsylvania. Penn Power is a "public utility" and an "electric distribution company" ("EDC") as those terms are defined in the Code.[1] Penn Power, together with Metropolitan Edison Company, Pennsylvania Electric Company and West Penn Power Company, is one of four subsidiaries of FirstEnergy Corp. that furnish electric distribution service as public utilities and EDCs in Pennsylvania.

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

Metropolitan Edison Company, were also referred to the same proceedings which were then 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. In its Final Order entered January 17, 2017, in the Companies' base rate proceedings, the Commission referred a separate issue to the Office of Administrative Law Judge concerning the inclusion in the DSIC of accumulated deferred income tax ("ADIT"). *Pa. P.U.C. v. Pennsylvania Power Company*, Docket No. R-2017-2537355 (Final Order entered January 19, 2017).

[1] *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 LTIIP "in order to be eligible to recover costs under section 1353 (relating to distribution system

improvement charge)." In addition, Section 1352 provides that an LTIIP 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 LTIIP 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 LTIIP approval and discusses the procedures the Commission would follow in reviewing petitions seeking approval of proposed LTIIPs. In that regard, the Commission: (a stated that an LTIIP 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 LTIIP;[13] and (c) established a period of 120 days for review of each proposed LTIIP.[14]

6. On May 27, 2014, the Commission entered a Final Order adopting the LTIIP regulations that are set forth at 52 Pa. Code §§ 121.1-121.8.[15] The LTIIP regulations adopt and expand upon the requirements set forth in the Final Implementation Order by providing that an LTIIP 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 LTIIP.

7. In Section 121.4(e) of the LTIIP regulations, the Commission provided the criteria it would use to review LTIIPs 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 LTIIP 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 LTIIP 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 LTIIP and determine if the LTIIP:

(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 LTIIP).

8. Section 121.5 of the LTIIP regulation covers modifications of an LTIIP. It provides that if a utility elects to modify a Commission-approved LTIIP during its term to incorporate a major modification of any of the elements in §121.3(a) (relating to LTIIP), 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 changes to a utility's previously approved LTIIP which meets at least one of the following criteria

(i) Eliminates a category of eligible property from the LTIIP.
(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 LTIIP by more than 20%.
(iv) Otherwise reflects a substantial change to the current Commission-approved LTIIP.

Penn Power's LTIIP modification increases its estimated LTIIP over the original five-year period by approximately 17%. The LTIIP Modification also adds two new categories of improvements for the remaining term of the LTIIP: Line Sectionalization and Replace Substation Equipment. As described earlier Penn Power submits that its modification of its LTIIP reflects a substantial change to the current Commission-approved LTIIP and constitutes a major modification to the LTIIP for the purposes of filing an LTIIP Modification.

II. PENN POWER'S LONG-TERM INFRASTRUCTURE IMPROVEMENT PLAN AND DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

9. On October 19, 2015, at Docket No. P-2015-2508931, Penn Power petitioned the Commission for approval of its current LTIIP. Penn Power's LTIIP was approved by the Commission on February 11, 2016. The Commission determined that the Company's LTIIP 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 LTIIP regulations.

10. On February 16, 2016, Penn Power filed its Petition to establish and implement a DSIC Rider in 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 LTIIP filing, P-2015-2508931. 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 which consolidated the four companies' DSIC proceedings. The parties to the assigned consolidated proceedings 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 Final Order in Penn Power'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") at the existing consolidated DSIC dockets.[16]

[16] *Pa. P.U.C. v. Pennsylvania Power Company*, Docket No. R-2017-2537355 (Final Order entered January 19, 2017).

III. DESCRIPTION OF LTIIP MODIFICATION

11. Penn Power completed the first year of its current LTIIP in 2016. The experience gained from the first year's LTIIP, as well as the completion of additional engineering and design analysis, indicates that Penn Power should increase the cost allocation in a number of program areas and add two additional categories of infrastructure improvements. The increase in cost is due to items such as increased scope, equipment costs and labor costs, as explained in the LTIIP Modification, Appendix A. A comparison of the original versus the modified LTIIP is shown in Figure 1 and Figure 2, below. The LTIIP programs, including the two additional programs, are described in more detail in Appendix A.

Figure 1. Penn Power's previously approved LTIIP

Annual Expenditures (in millions of dollars)				
Previously Approved LTIIP	2017	2018	2019	2020
	$16.31	$9.30	$8.28	$8.28

Figure 2. Penn Power's proposed revised LTIIP

Annual Expenditures (in millions of dollars)				
Proposed Modified LTIIP	2017	2018	2019	2020
	$18.56	$11.75	$10.73	$10.73

12. The programs that were included in Penn Power's current LTIIP were those designed to have the greatest impact on reliability. In most cases, the programs included in the LTIIP 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 Penn Power's customers. The effectiveness of the projects and programs of the LTIIP 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 it stated in its current LTIIP, 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. Penn Power's current LTIIP covered six categories of distribution-related equipment and facilities as follows:

- Circuit Ties, Loops and New Sources
- Install Supervisory Control and Data Acquisition (SCADA) Devices
- Replace Overhead Conductors
- Underground Residential Development (URD) Cable Replacement
- Wood Pole Replacement
- Unreimbursed Highway Relocation

The LTIIP Modification covers the same six categories as the original LTIIP and adds two additional categories: Line Sectionalization and Replace Substation Equipment.

14. For each of the eight asset categories Penn Power provides in the LTIIP Modification, Appendix A, estimates of the number of replacements, reinforcements, conversions or other improvements that will be made, by year, over the LTIIP's four remaining years, 2017 to 2020. Penn Power 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 LTIIP.

15. Because the LTIIP 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, as in the current LTIIP, some projects included in the LTIIP 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 LTIIP Modification.

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

16. Section 121.3(a)(1) of the LTIIP 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 when applicable in that category, or describe why age is not a factor for the asset category. For example, the largest category, by cost, to change in Penn Power's LTIIP Modification as opposed to the current LTIIP is the category of Replace Substation Equipment. Appendix A indicates that the age of the equipment will not be the determining factor for replacement; rather the condition, track record of failures of similar equipment, maintenance issues, and ability to obtain spare parts will be determinative.

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

17. In accordance with Section 121.3(a)(2) of the LTIIP regulations, Penn Power's LTIIP 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 Penn Power's new category of Line Sectionalizing as an example, six circuits are planned for line sectionalizing in 2017, six are planned for 2018, 15 are planned for 2019, and 15 are planned for 2020, for a total of 42 circuits planned for sectionalizing during the 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. Penn Power's new program for Line Sectionalizing, for example, shows a total of 42 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 Penn Power's LTIIP Modification contains a table of "Summary Cost by Year" showing the projected annual expenditures over the four-year term of the LTIIP 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 LTIIP regulations provides that an LTIIP 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." Penn Power's LTIIP 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 LTIIP Modification. The LTIIP 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, Penn Power's program to Replace Overhead Conductor will replace aging overhead conductor and, in some cases, upgrade single and two-phase conductor to three-phase conductors. The program aims to improve reliability indices by improving energy efficiency, increasing capacity and improving operation flexibility.

22. In order to analyze the cost-effectiveness of individual programs, Penn Power 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 Penn Power's LTIIP Modification are designed to help the Company 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 LTIIP regulations requires utilities to include a workforce management and training plan as a part of an LTIIP. A comprehensive description of Penn Power's programs for ensuring a qualified workforce is set forth in its LTIIP Modification. For purposes of providing the information required for its LTIIP Modification, Penn Power's workforce is considered to include employees of Penn Power and employees of various contractors that will be retained to work on LTIIP 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 LTIIP 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 LTIIP that might affect or implicate those entities' roadways or other property and their construction and maintenance schedules.

I. Estimated Implementation of Penn Power'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 LTIIP 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 Penn Power'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 LTIIP plant total investment for Penn Power of $30.49 million.

27. Accordingly, the Company anticipates that, following Commission approval of is LTIIP 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 LTIIP Modification, all of which constitutes "eligible property" as defined in Section 1351 of the Code. The Company anticipates approval of the LTIIP Modification within the 120-day review period established in the Final Implementation Order.

IV. CONCLUSION

WHEREFORE, for the reasons set forth above, Pennsylvania Power Company requests that the Commission enter an order by the end of the 120-day review period finding and determining that its LTIIP 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 LTIIP; 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 Penn Power's LTIIP 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 Penn Power 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
Pennsylvania Power Company

Dated: March 1, 2017

DB1/ 84838259.4

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Petition of Pennsylvania Power Company for Approval of Modification of its Long-Term Infrastructure Improvement Plan; Docket No. P-2015-2508931

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

Pennsylvania Power Company

Exhibit No. 1

Long-Term Infrastructure Improvement Plan

Table of Contents

I. Introduction

Pennsylvania Power Company ("Penn Power" or "Company") submitted a petition for approval of its Long-Term Infrastructure Improvement Plan ("LTIIP") on October 19, 2015.[1] The Pennsylvania Public Utility Commission ("PUC" or the "Commission") found that Penn Power's LTIIP, 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. Penn Power's LTIIP was therefore accepted in a Final Order issued on February 11, 2016.

Penn Power implemented its approved LTIIP in 2016 and completed the first year of the five-year plan. However, due to the passage of Act 40, Penn Power is requesting a modification to its approved LTIIP 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 Company's interpretation that the "change reflects a substantial change to the current Commission approved LTIIP".[2] A modification of this nature requires that "the utility shall file a separate petition for modification".[3] Penn Power therefore respectfully submits its modified LTIIP 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 Pennsylvania Power Company for Approval of their Long-Term Infrastructure Improvement Plan*, Docket No. P-2015-2508931.
[2] Pa. Code §§ 121.2(iv)
[3] 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 Penn Power Distribution Base Rate Filing.[4] The annual incremental amount as a result of Act 40, by which the Company's LTIIP will be increased for each of the remaining years, is approximately $2.45 million.[5] With these additions to its LTIIP, Penn Power 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 LTIIP

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 LTIIP. The LTIIP must include the eight elements listed in that regulation. The required elements and the locations within Penn Power's modified LTIIP where they are addressed are set forth below:

52 Pa. Code § 121.3(a)(1). The descriptions of the eight 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.

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 Penn Power expects to finance those expenditures are addressed in Section V, below. Additional

[4] Joint Petition for Partial Settlement of Rate Investigation, *Pa. Pub. Util. Comm'n v. Pennsylvania Power Co.*, Docket No. R-2016-2537355 (Final Order entered January 19, 2017).
[5] *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-2016-2537355.

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 Penn Power that are designed to ensure that it will have access to a qualified workforce to perform work under its LTIIP 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 Penn Power 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 LTIIP is provided in Section VI, below.

III. Distribution Reliability

If the modified LTIIP 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 Penn Power's approved LTIIP. 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.[6]

IV. The Need for the LTIIP

Penn Power's approved LTIIP, 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 LTIIP provides a clear demonstration of its plan to meet the obligations of Act 40, as described in Section I above, while further supporting Penn Power's initiative to reduce equipment and line failures as well as improve system performance.

V. Implementation of the LTIIP

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

[6] Penn Power has also committed to achieving benchmark-level reliability performance in the Implementation Plan for the Focused Management Audit of Pennsylvania Power Company, Docket No. D-2013-2365993.

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

Figure 1. Penn Power's approved LTIIP

Annual Expenditures (in millions of dollars)				
Approved LTIIP	2017	2018	2019	2020
	$16.31	$9.30	$8.28	$8.28

Figure 2. Penn Power's modified LTIIP

Annual Expenditures (in millions of dollars)				
Modified LTIIP	2017	2018	2019	2020
	$18.56	$11.75	$10.73	$10.73

For the most part, the programs that were considered for inclusion in Penn Power's LTIIP 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 LTIIP 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 Penn Power's customers. The effectiveness of the projects and programs that comprise the LTIIP 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 improvement and the costs and benefits to customers.

VI. Outreach and Coordination with Other Entities

Penn Power 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 Penn Power'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. Penn Power 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 resources[7] 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 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.

[7] 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.

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 LTIIP is expected to enhance reliability by further supporting Penn Power'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 Penn Power to achieve work efficiencies by focusing on planned work instead of reacting to unplanned work. Penn Power's LTIIP contains all of the elements required by 52 Pa. Code § 121.3(a). Accordingly, Penn Power's LTIIP satisfies the criteria for Commission approval set forth in 52 Pa. Code § 121.4(e).

Appendix A

Summary Cost by Year

Infrastructure Improvement Initiative	Actual/Planned Annual Expenditures (in millions of dollars)					
	2016*	2017	2018	2019	2020	Total
Total	**$10.55**	**$18.56**	**$11.75**	**$10.73**	**$10.73**	**$62.32**
Create Circuit Ties and Loops and Add New Sources	$7.82	$12.75	$6.33	$0.50	$0.50	**$27.90**
Install SCADA Devices	$1.85	$0.97	$0.38	$0.70	$0.70	**$4.60**
Line Sectionalizing	$-	$0.15	$0.15	$0.38	$0.38	**$1.06**
Replace Overhead Conductor	$-	$0.50	$0.50	$2.81	$2.81	**$6.62**
Replace Substation Equipment	$-	$0.90	$1.34	$2.07	$2.07	**$6.38**
Unreimbursed Highway Relocation	$0.14	$0.71	$0.71	$0.71	$0.71	**$2.98**
URD Cable Replacement	$-	$1.20	$0.96	$2.18	$2.18	**$6.52**
Wood Pole Replacement/ Reinforcement	$0.74	$1.38	$1.38	$1.38	$1.38	**$6.26**

*Actuals

Create Circuit Ties and Loops and Add New Sources

Description
Create tie points and loops between radial circuits and build new substations.

Identification and Justification
Although some of the 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 customer served by radial circuits. The scope also includes building three new substations. These new substations will provide a new source to feed customers as well as provide additional capacity. Projects will be prioritized using the following criteria:

- Reliability history of the circuit (SAIDI, SAIFI, and CAIDI)
- Worst performing circuit status
- Field inspections

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 75 years old.

Schedule

Actual/Planned Circuit Ties, Loops, or Substations						
	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	11	10-12	10-12	-	-	**31-35**
Actual/Modified	13	10-12	10-12	2	2	**33-37**

Actual/Planned Annual Expenditures (in millions)

	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	$10.57	$12.75	$6.33	$-	$-	**$29.65**
Actual/Modified	$7.82	$12.75	$6.33	$0.50	$0.50	**$27.90**

Anticipated Locations (2017 - 2020)

Operations Center	Total
Mercer	10-12
New Castle	7-8
Zelienople	7-8
Total	**24-28**

Comments
This program has been expanded into 2019 and 2020 as compared to the Company's approved LTIIP.

Install SCADA Devices

Description
Install additional supervisory control and data acquisition ("SCADA") devices on subtransmission and substation locations where circuit conditions and system performance warrant. Install adaptive relaying capability to selected substations.

Identification and Justification
This program is designed to reduce SAIDI, 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 and reduce the length of the outages. Adaptive relaying functionality minimizes fuse operations caused by lightning and wind during storms and also improves the speed of restoration after storm. The following guidelines will be used to prioritize the installation of the new devices:

- Number of substations tapped on the line
- Number of customers on the circuit
- Number of lock-out operations on the circuit
- Accessibility of switch location and frequency of operations
- Reliability history of the circuit (SAIDI, SAIFI, and CAIDI)
- Worst performing circuit status

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 substations that will be upgraded is 88 years old.

Schedule

Actual/Planned SCADA Controlled Devices						
	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	5	14	1	2	2	**24**
Actual/Modified	5	14	1	2	2	**24**

Actual/Planned Annual Expenditures (in millions)

	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	$1.02	$0.97	$0.38	$0.70	$0.70	**$3.77**
Actual/Modified	$1.85	$0.97	$0.38	$0.70	$0.70	**$4.60**

Anticipated Locations (2017 - 2020)

Operations Center	Total
Mercer	3
New Castle	13
Zelienople	9
Total	**19**

Comments
This program has not changed as compared to Penn Power's approved LTIIP.

Line Sectionalizing

Description
Increase sectionalizing capability on overhead distribution circuits.

Identification and Justification
This program is designed to improve reliability performance (*i.e.* SAIFI and CAIDI) on unprotected overhead distribution circuits by installing switches and fuses for improved sectionalizing capability, thereby reducing the scope of an outage and allowing for quicker isolation and restoration. This initiative also includes replacing or installing the following equipment as deemed necessary for proper line sectionalizing: poles, reclosers, fuses, arresters, fault indicators, animal guards and other types of line equipment (*e.g.* porcelain cutouts). Projects will be prioritized using the following criteria:

- Reliability history of the circuit (SAIFI and CAIDI)
- Worst performing circuit status
- Field inspections

Age of Infrastructure
The work encompassed by this initiative involves the installation of new equipment such as cutouts, switches and arresters designed to enhance service to customers. Any infrastructure identified for replacement is chosen based on condition and impact on reliability performance.

Schedule

Actual/Planned Circuits						
	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	-	-	-	-	-	-
Actual/Modified	-	6	6	15	15	**42**

Actual/Planned Annual Expenditures (in millions)

	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	$-	$-	$-	$-	$-	**$-**
Actual/Modified	$-	$0.15	$0.15	$0.38	$0.38	**$1.06**

Anticipated Locations (2017 - 2020)

Operations Center	Total
Mercer	14
New Castle	14
Zelienople	14
Total	**42**

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

Replace Overhead Conductor

Description
Replace aging small overhead conductor and in some cases upgrade single and two phase conductor to three phase.

Identification and Justification
This type of conductor limits the ability to transfer load between substations due to their low ampacity ratings and/or the high rate at which voltage drops across them when transferring load from distant substations. The smaller conductor is also generally older and more likely to be in poor condition. Replacing the conductor is designed to improve energy efficiency, increase capacity, improve operation flexibility, as well as improve condition. This program aims to improve CAIDI and SAIDI. The following guidelines will be used to prioritize the conductor replacement:

- Reliability history of the circuit (SAIDI, SAIFI, and CAIDI)
- Field inspections

Age of Infrastructure
The average age of overhead conductor in Penn Power is 47 years old, with the smaller conductor being older than this average age.

Schedule

Actual/Planned Miles of Conductor Replacement						
	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	-	-	-	4	4	**8**
Actual/Modified	-	2	2	11	11	**26**

Actual/Planned Annual Expenditures (in millions)

	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	$-	$-	$-	$2.81	$2.81	**$5.62**
Actual/Modified	$-	$0.50	$0.50	$2.81	$2.81	**$6.62**

Anticipated Locations (2017 - 2020)

Operations Center	**Total**
Mercer	12
New Castle	7
Zelienople	7
Total	**26**

Comments

This program has been expanded in 2017 through 2020 as compared to the Company's approved LTIIP. Also, after further engineering review, it was determined that additional miles could be completed in 2019 and 2020 for the same budgeted amount.

Replace Substation Equipment

Description
Replace obsolete or poor condition substation equipment, such as circuit breakers, station transformers, or regulators, and auxiliary equipment such as arresters, insulators, switches, bus or conductors.

Identification and Justification
This program is designed to improve SAIDI, SAIFI, and CAIDI by preventing an in-service equipment failure, which could result in a long duration outage. In some instances, spare parts are no longer manufactured for older pieces of equipment. If a failure were to occur, the equipment would need to be replaced, which may result in a longer duration outage than if it were able to be repaired. Additionally, certain substation equipment has reached a condition where it may have a higher probability of failure. Replacing these types of devices with new equipment improves reliability of the substation and reduces the probability of equipment failure. Auxiliary equipment such as switches, insulators, busses and conductors within the station will be reviewed to determine if the condition warrants upgrade and replacement for improved station reliability. With equipment replacement, higher capacity replacements will also be considered providing greater load carrying, and transfer capability to pick-up additional load from adjoining feeders and stations at times of their outage, reducing outage duration to customers. The following guidelines will be used to prioritize the replacements:

- Reliability history of the station and feeders (SAIDI, SAIFI, and CAIDI)
- Field inspections
- Maintenance records
- Reliability/failure records of similar type equipment in the system

Age of Infrastructure
The age of the equipment is not the determining factor for replacement. The condition, track record of failures of similar equipment in the system, maintenance issues and ability to obtain spare parts for failures are key considerations for determining the replacements.

Schedule

Actual/Planned Units of Equipment						
	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	-	-	-	-	-	-
Actual/Modified	-	6-10	8-12	12-16	12-16	**38-54**

Actual/Planned Annual Expenditures (in millions)

	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	$-	$-	$-	$-	$-	**$-**
Actual/Modified	$-	$0.90	$1.34	$2.07	$2.07	**$6.38**

Anticipated Locations (2017 - 2020)
Locations for the program will be determined using the methodology detailed above.

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

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 Penn Power 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 Penn Power collects 38% 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	12-15	12-15	12-15	12-15	12-15	**60-75**
Actual/Modified	6	6-10	6-10	6-10	6-10	**30-46**

Actual/Planned Annual Expenditures (in millions)

	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	$1.21	$1.21	$1.21	$1.21	$1.21	**$6.05**
Actual/Modified	$0.14	$0.71	$0.71	$0.71	$0.71	**$2.98**

Anticipated Locations (2017 - 2020)
The location of the work varies and is driven by the construction schedules of PennDOT and other government entities.

Comments
Using an updated average number of highway relocation projects, Penn Power has reduced the number of planned projects.

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. The following guidelines will be used to prioritize the cable replacement:

- Reliability history of the circuit (SAIDI, SAIFI, and CAIDI)
- Field inspections

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	-	-	-	39,600	39,600	**79,200**
Actual/Modified	-	25,000	20,000	39,600	39,600	**124,200**

Actual/Planned Annual Expenditures (in millions)

	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	$-	$-	$-	$2.18	$2.18	**$4.36**
Actual/Modified	$-	$1.20	$0.96	$2.18	$2.18	**$6.52**

Anticipated Locations (2017 - 2020)

Operations Center	**Total**
Mercer	12,420
New Castle	12,420
Zelienople	99,360
Total	**124,200**

Comments

This program has been expanded into 2017 and 2018 as compared to the Company's approved LTIIP.

Wood Pole Replacement/Reinforcement

Description
Replacement of poles identified as non-restorable and reinforcement of poles identified as restorable during the annual Penn Power distribution pole inspection process.

Identification and Justification
This program is the systematic replacement/reinforcement of wood poles that have been identified as either non-restorable (degraded beyond restorable condition) or restorable (able to be steel reinforced to meet original strength characteristics), by a qualified inspector. 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. Penn Power inspects approximately 10,700 poles per year, from which a historical trend indicated a 2.5% rejection rate.

Age of Infrastructure
In general, the age of the poles that will be replaced or reinforced will not be known until they are identified through the inspection process. The average age of all poles across Penn Power is 39 years old.

Schedule

Actual/Planned Pole Replacements/Reinforcements						
	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	270	270	270	270	270	**1,350**
Actual/Modified	171	270	270	270	270	**1,251**

Actual/Planned Annual Expenditures (in millions)

	2016	**2017**	**2018**	**2019**	**2020**	**Total**
Approved	$1.38	$1.38	$1.38	$1.38	$1.38	**$6.90**
Actual/Modified	$0.74	$1.38	$1.38	$1.38	$1.38	**$6.26**

Anticipated Locations (2017 - 2020)
Project locations are directly linked to the distribution pole inspection plan and are identified yearly. Penn Power will endeavor to combine construction activities with other programs identified elsewhere in this infrastructure improvement plan with wood pole replacements or reinforcements in order to maximize efficiencies and crew utilization.

Comments
Penn Power has expanded this category to include pole reinforcements as well as pole replacements due to a lower than anticipated number of pole replacements.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Pennsylvania Power Company	:	
For Approval of Modification of its Long-	:	**Docket No. P-20115-2508931**
Term Infrastructure Improvement Plan	:	

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

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 Citizens 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

Align top of FedEx Express shipping label here.

net
ping

ORIGIN ID:CVAA (724) 836-6440
STACY MOYER
FIRST
800 CABIN HILL DRIVE

GREENSBURG, PA 15601
UNITED STATES US

SHIP DATE: 01MAR17
ACTWGT: 1.00 LB
CAD: 8924375/INET3850

BILL SENDER

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

(717) 772-7777 REF JACK MUNSCH (5036418)
INV
PO DEPT

FedEx Express

THU - 02 MAR 3:00P
STANDARD OVERNIGHT

TRK# 0201 7785 3312 9622

XH MDTA

17120
PA-US MDT