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December 3, 2013

VIA ELECTRONIC FILING

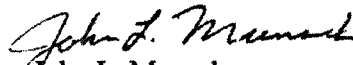
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: Review of Long-Term Infrastructure Improvement Plan
Docket No. L-2012-2317274**

Dear Secretary Chiavetta:

Enclosed please find the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company to the Proposed Rulemaking Order of the Commission entered March 14, 2013, concerning utilities' Long-Term Infrastructure Improvement Plans.

Very truly yours,


John L. Munsch
Attorney

JLM:dml

Enclosure

cc: Assistant Counsel David E. Screven, Law Bureau (*Via Email*)
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Review of Long-Term Infrastructure Improvement Plan : Docket No. L-2012-2317274

COMMENTS OF METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY,
PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY
TO THE PROPOSED RULEMAKING ORDER ENTERED MARCH 14, 2013

I. INTRODUCTION AND BACKGROUND

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company ("Companies") submit Comments to the above-docketed Proposed Rulemaking Order entered March 14, 2013, by the Pennsylvania Public Utility Commission. In the March 14, 2013, Proposed Rulemaking the Commission adopted a proposed order setting forth regulations for filing a Long-Term Infrastructure Improvement Plan as part of utilities' distribution system improvement charges. The Commission requested that comments regarding the Proposed Rulemaking be submitted within 45 days of publication in the *Pennsylvania Bulletin*. The Proposed Rulemaking was published in the *Pennsylvania Bulletin* October 19, 2013. 43 Pa.B. 6206.

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 (Act 11) authorizing electric distribution companies and certain other utilities to petition for a distribution system improvement charge ("DSIC"). 66 Pa.C.S. §1353. The DSIC is a ratemaking mechanism that allows for the recovery of prudently incurred costs related to the repair, improvement and replacement of eligible utility infrastructure through a surcharge that is subject

to reconciliation and audit. A precondition to obtaining approval of a DSIC is the filing and approval of a long-term infrastructure improvement plan (“LTIIIP”). 66 Pa.C.S. §§ 1352 and 1353(b)(3).

Furthermore, section 1356 of Act 11, 66 Pa.C.S. §1356, provides that a utility with an approved DSIC must file an Annual Asset Optimization Plan (“AAO plan”). The AAO plan elements are as follows: (1) a description of all eligible property repaired, improved and replaced in the preceding 12 months and (2) a detailed description of all facilities to be improved in the upcoming 12 months. The AAO plan is intended to provide the Commission and the public with an overall status report regarding a utility's progress in making infrastructure improvements pursuant to its Commission-approved LTIIIP.

II. COMPANIES' COMMENTS

The Companies offer the following Comments to the Proposed Rulemaking at Commission Docket L-2012-2317274 published in the Pennsylvania Bulletin October 19, 2013. 43 Pa.B. 6206.

A. Section 121.2 - Definitions.

Section 121.5 provides different procedures to modify an LTIIIP that depend on whether the modification is considered “major” or “minor.” Section 121.2 defines a “major” modification using four criteria. The Companies suggest that the first two criteria, contained in subsections (i) and (ii), are too general and should be eliminated. The criteria in subsections (i) and (ii) about eliminating or changing the schedule for “a category of eligible property” are too general because in both subsections a “category of eligible property” could be a relatively insignificant category of property but, under the proposed regulation, would nevertheless

constitute a “major” modification. The Companies suggest that the final two criteria, subsections (iii) and (iv), would cover other circumstances which the Commission may view as major modifications. Criteria (iii) is “[i]ncreases the total estimated cost of the LTIP by more than 15%,” and criteria (iv) is “[o]therwise reflects a substantial change to the current Commission-approved LTIP.”

B. Section 121.4 - Filing and Commission Review procedures.

Section 121.4 (a) provides procedures for filing the LTIP with the Commission and states that copies of the LTIP filing be served on “parties in the utility’s most recent base rate case.” The Commission should clarify that the term “parties” includes only the statutory advocates and those persons who formally intervened and participated in the base rate proceeding. The term should not include entities that offer letters or comments, or participated in public input proceedings, but did not participate as formal parties.

In addition, clarification is requested for Section 121.4 (f) which provides that the Commission will order a utility to file a new or revised LTIP if the Commission finds that the LTIP does not meet the criteria of Section 121.4. The Section should be reworded to make it clear that the utility remains in control of its LTIP once filed and that the utility may determine to withdraw its DSIC in the event that it determines that changes to the LTIP proposed by the Commission or other parties are inappropriate. That is, it should remain the utility’s decision to amend the proposed LTIP or to withdraw its DSIC.

C. Section 121.5 - Modifications to and expiration of an LTIP.

Subsection 121.5 implies that once an LTIP is filed by a utility, a plan must always be in place regardless of whether the utility determines to continue or discontinue a DSIC mechanism.

As with the Companies' comments concerning Section 121.4 the Commission should clarify that the determination to use a DSIC remains with the utility.

D. Section 121.6 - Annual Asset Plan filings.

The Companies seek clarification of the term "interested parties" as used in subsection 121.6 (a). As noted earlier in comments to Section 121.4, the Commission should clarify that the term "parties" includes only the statutory advocates and those persons who formally intervened and participated in the most recent base rate proceeding.

The Companies suggest that the term "adverse comments" be removed from Section 121.6 (e). The AAP plan is an annual informational report to the Commission and is not subject to public comment. The AAP plan filing is not an adversarial or formal proceeding. The use of the term "adverse comments" indicates that any "adverse comments" will turn the filing into an adversarial proceeding. Only formal adverse filings by Commission staff or statutory parties would initiate a formal proceeding.

Subsection 121.6 (b)(3) requires that a utility with an approved DSIC shall file "[s]ystem reliability data for the prior 5 years." The Companies suggest that the reliability information requirement, as applied to electric distribution companies, may be redundant of other Commission regulations. Specifically, Commission regulations covering electric service reliability at 52 Pa. Code §57.191(a)(3) already require electric distribution companies to file an annual table of each of the electric reliability indices (SAIFI, CAIDI, SAIDI) for the EDC's service territory for each of the preceding three calendar years.

E. Section 121.8 – Enforcement of LTIP Implementation.

Section 121.8 implies that Act 11 creates separate, identifiable penalty provisions outside the pre-existing statutory framework of the Public Utility Code. The existing penalty

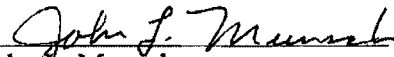
provisions of Chapter 33 of the Public Utility Code provide adequate penalty measures for violations of the Public Utility Code, including Act 11, and should not be augmented by Commission regulations not anticipated in Act 11. The Companies point out that the only measure specifically identified in Act 11 that can remotely be considered a penalty is provided at 66 Pa. C.S. §1352(b)(2). That measure is the termination of a utility's DSIC if the DSIC is found to be noncompliant with Act 11.

III. CONCLUSION

The Companies have stated in prior Comments that Act 11, if properly implemented, may provide an important change in ratemaking for Pennsylvania electric utilities through the statutory enabling of a DSIC mechanism. The Companies suggest that the Commission should proceed to implement DSIC process provided in Act 11 to encourage long-term infrastructure improvement in Pennsylvania. The Companies look forward to working with the Commission and stakeholders to the successful implementation of Act 11 in keeping with the goals of Act 11.

Respectfully submitted,

Date: December 3, 2013

By: 
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Pennsylvania Power Company, and
West Penn Power Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Review of Long-Term Infrastructure :
Improvement Plan : **Docket No. L-2012-2317274**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the entities listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

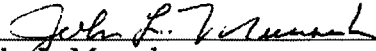
Service by first class mail, as follows:

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Office of Consumer Advocate
555 Walnut Street – 5th Floor
Harrisburg, PA 17101-1923

Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Date: December 3, 2013


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