

January 13, 2017

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Power Company Tariff Electric Pa. P.U.C. No. 36 – Rate Changes
in Compliance with Pennsylvania Power Company’s Default Service Plan,
Docket No. P-2013-2391375**

Dear Secretary Chiavetta:

Transmitted herewith for filing with the Pennsylvania Public Utility Commission ("Commission") is an original copy of Supplement No. 26 to Pennsylvania Power Company's ("Penn Power" or the "Company") Tariff Electric Pa. P.U.C. No. 36, which bears an issue date of January 13 2017. The tariff changes contained in Supplement No. 26 are proposed to be effective with service rendered on or after March 1, 2017.

The purpose of Tariff Supplement No. 26 is to reflect: (1) default service rate changes for the Residential Customer Class served under the Price to Compare Default Service Rider; and (2) default service rate changes for customers served under the Hourly Pricing Default Service Rider. These rate changes are consistent with the Commission's Order entered July 24, 2014 at Docket No. P-2013-2391375.

As support for the rate changes, the following schedules accompany this tariff filing:

- Schedule 1 provides supporting details for the changes to the Residential Class's default service rates stated in the tariff's Price to Compare Default Service Rate Rider.
- Schedule 2 provides supporting details for the change to the Hourly Pricing Default Service Reconciliation Charge rate contained in the Hourly Pricing Default Service Rider.

Enclosed please find an extra copy of this letter for you to date stamp and return in the enclosed stamped, addressed envelope in order to indicate receipt of this filing.

If you have any questions regarding the enclosed documents, please contact me at (610) 921-6525.

Sincerely,



Charles V. Fullem
Director of Rates & Regulatory Affairs-PA
610-921-6525

Enclosures

c: Certificate of Service
Paul Diskin, TUS

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Petition of Metropolitan Edison	:	Docket Nos. P-2013-2391368
Company, Pennsylvania Electric Company,	:	P-2013-2391372
Pennsylvania Power Company and West	:	P-2013-2391375
Penn Power Company for Approval of	:	P-2013-2391378
their Default Service Program	:	

CERTIFICATE OF SERVICE

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

VIA FIRST CLASS MAIL

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Dated: January 13, 2017



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Supplement No. 26
Electric Pa. P.U.C. No. 36

PENNSYLVANIA POWER COMPANY
READING, PENNSYLVANIA

Electric Service Tariff

Effective in

**The Territory as Defined on
Page Nos. 8 - 9 of this Tariff**

Issued: January 13, 2017

Effective: March 1, 2017

**By: Steven E. Strah, President
Reading, Pennsylvania**

NOTICE

This Supplement No. 26 makes changes to Riders H and I.
See Twenty-Third Revised Page 2.

LIST OF MODIFICATIONS

Riders

Rider H - Price to Compare Default Service Rate Rider rates have been changed and decreased (See Tenth Revised Page 123).

Rider I - Hourly Pricing Default Service Rider rates have been changed and decreased (See Eighth Revised Page 131).

RIDERS

RIDER H

PRICE TO COMPARE DEFAULT SERVICE RATE RIDER

A Price to Compare Default Service Rate (“PTC_{Default}”) shall be applied to each kWh of Default Service that Penn Power delivers to Customers under this rider as determined to the nearest one-thousandth of a cent per kWh. The PTC_{Default} rate shall be billed to Customers receiving Default Service from the Company under this rider. The rates shall be calculated according to the provisions of this rider.

(C)

For service rendered March 1, 2017 through May 31, 2017 the PTC_{Default} rates billed by Customer Class are as follows:

Commercial Customer Class (Rate GS (excluding Special Rate GSDS), Rate GM, Rate GS-Large, Rate PNP, PLS, SV, SVD, SM and LED):

\$0.07387 per kWh.

Residential Customer Class (Rate RS, and Rate GS – Volunteer Fire Company, Non-Profit Ambulance Service, Rescue Squad and Senior Center Service Rate):

(D)

\$0.05884 per kWh

(C) Change

(D) Decrease

RIDERS

Rider I (continued)

HP Cap-AEPS-Other Charge:

\$0.01517 per kWh representing the costs paid by the Company to the Supplier for Capacity, AEPS costs, and any other costs incurred by the Supplier multiplied by the HP Loss Multipliers. This charge is subject to quarterly adjustments.

HP Administrative Charge:

\$0.00002 per kWh representing the administrative costs incurred by the Company associated with providing Hourly Pricing Service.

HP Uncollectibles Charge:

\$0.00002 per kWh representing the default service-related uncollectible accounts expense associated with Hourly Pricing Default Service. This charge is subject to annual adjustment on June 1 of each year.

HP Reconciliation Charge:

The HP Reconciliation Charge Rate (“E_{HP}”) shall be applied to each kWh of Default Service that Penn Power delivers to Customers under this rider as determined to the nearest one-thousandth of a cent per kWh. The E_{HP} rate shall be included as a non-bypassable component billed to Customers receiving Default Service from the Company under this rider. The rate shall be calculated according to the provisions of this rider.

(C)

For service rendered March 1, 2017 through May 31, 2017, the E_{HP} rate is as follows:

(D)

HP Reconciliation Charge Rate = \$0.02823 per kWh

(C) Change
(D) Decrease

Pennsylvania Power Company
Price to Compare Default Service Rate Calculation
Residential Class: For the Default Service Period March 1, 2017 through May 31, 2017

**Line
No.**

	Number of Tranches	Clearing Price	Weighted Clearing Price	
	Fixed Price Tranche Purchases (\$ per MWh)			
1	1	\$ 78.47	\$ 78.47	
2	1	56.87	56.87	
3	1	72.32	72.32	
4	1	55.50	55.50	
5	1	69.93	69.93	
6	<u>1</u>	<u>52.95</u>	<u>52.95</u>	
7	Total	6	\$ 386.04	
8	Total Average Fixed Price Tranche	\$ 64.34		
9	Times Fixed Portion of Load	<u>95%</u>		
10	Total Fixed Price Cost (Line 8 X Line 9)		\$ 61.12	
11	Average Variable Hourly Price Tranche	\$ 30.65		
12	Capacity, Anc. Serv. and AEPS Adder (\$20/MWh)	<u>20.00</u>		
13	Variable Hourly Priced Cost (Line 11 + Line 12)	\$ 50.65		
14	Times Variable Portion of Load	<u>5%</u>		
15	Total Variable Hourly Priced Cost (Line 13 X Line 14)		\$ 2.53	
16	Price to Compare Weighted Average Price ((Line 10 + Line 15) / 1000)		\$ 0.06366	
17	Times PTC Loss _{Current}		<u>1.0661</u>	
18	Price to Compare Weighted Average Price, including line losses (Line 16 X Line 17)		\$ 0.06786	<i>per kWh</i>
19	<u>PTC</u> Administrative Charge		\$ 0.00009	<i>per kWh</i>
20	PTC _{Current} before PA Gross Receipts Tax (Line 18 + Line 19)		\$ 0.06795	
21	PA Gross Receipt Gross-Up [1/(1-T) (5.9% Gross Receipts Tax)]		<u>1.062699</u>	
22	PTC_{Current} Residential Class including PA Gross Receipts Tax (Line 20 X Line 21)		\$ 0.07221	<i>per kWh</i>
23	E Reconciliation Rate, including PA Gross Receipts Tax (Page 2, Line 8)		\$ (0.01337)	<i>per kWh</i>
24	PTC_{Default} Residential Class (Line 22 + Line 23)		\$ 0.05884	<i>per kWh</i>

(A) All Price to Compare computations will be pursuant to the terms of the Company's "Price to Compare Default Service Rate Rider".
(B) All Adders are subject to Quarterly Updates

Pennsylvania Power Company
Computation of Residential Class Price to Compare Default Service Rate Reconciliation Factor
Rate Effective March 1, 2017 through May 31, 2017

Line No.	Description	Amounts
1	Cumulative Residential Class (Over) / Under Collection as of December 31, 2016 (See Page 3, Line 14)	\$ (1,017,237)
2	Adjustment for projected Residential Class (Over) / Under Collection through May 2017	(1,356,877)
3	Adjustment for projected Residential Class E-factor revenue for the remainder of the Default Service Quarter beginning December 1, 2016	<u>(1,120,534)</u>
4	Total Cumulative Residential Class (Over) / Under Collection, as adjusted (Lines 1 + 2 + 3)	\$ (3,494,647)
5	Projected Residential Class kilowatt hour sales - March 1, 2017 - May 31, 2017 (Line 12)	277,720,249 kWh
6	Residential Class Reconciliation Rate before PA Gross Receipts Tax (Line 4 / Line 5)	\$ (0.01258) per kWh
7	PA Gross Receipt Gross-Up [1/(1-T) (5.9% Gross Receipts Tax)]	<u>1.062699</u>
8	Residential Class Reconciliation Factor Rate including PA Gross Receipts Tax (Line 6 X Line 7)	<u>\$ (0.01337) per kWh</u>
Projected Residential Class kilowatt hour sales March 1, 2017 through May 31, 2017		
9	Mar-17	114,419,852
10	Apr-17	89,648,414
11	May-17	<u>73,651,983</u>
12	Total Projected Residential Class kWh Sales	<u>277,720,249</u>

Pennsylvania Power Company
Residential Class Price to Compare Default Service Rate Reconciliation
October 1, 2016 through December 31, 2016

Line No.	Description	Oct-16	Nov-16	Dec-16
1	Cumulative (Over)/Under Collection at Beginning of Month	\$ 1,322,451	\$ 608,243	\$ (836,612)
2	Gross Default Service Plan Revenues	\$ 7,029,917	\$ 6,234,571	\$ 8,347,913
3	Less: Gross Receipts Tax (Line 2 x 5.9%)	<u>414,765</u>	<u>367,840</u>	<u>492,527</u>
4	PTC _{Rev} Net Default Service Plan Revenues	\$ 6,615,152	\$ 5,866,731	\$ 7,855,387
	<u>Expenses</u>			
5	DS _{Exp1} Amortization of Start Up Costs	\$ -	\$ -	\$ -
6	DS _{Exp2} Cost to provide Default Service	5,915,416	4,443,677	7,671,049
7	DS _{Exp2} Cost of Network Integration Transmission Service (NITS)	<u>(3,029)</u>	<u>(555)</u>	<u>105</u>
8	Total Expenses	\$ 5,912,387	\$ 4,443,122	\$ 7,671,154
9	Prior Period E-factor Amortization	\$ 99,173	\$ 99,172	\$ 440,817
10	Current Month (Over)/Under Collection (Line 8 + Line 9 - Line 4)	\$ (603,592)	\$ (1,324,437)	\$ 256,584
11	Months to the Midpoint of the Next Reconciliation Period	6.5	5.5	4.5
12	Current Month Interest Rate	3.5%	3.5%	3.8%
13	DS _{Int} Interest on Current Month Deferral (Line 10 X Line 11 X (Line 12/12))	<u>\$ (11,443)</u>	<u>\$ (21,246)</u>	<u>\$ 3,608</u>
14	Cumulative (Over) / Under Collections at End of Month Including Interest (Line 1 - Line 9 + Line 10 + Line 13)	<u>\$ 608,243</u>	<u>\$ (836,612)</u>	<u>\$ (1,017,237)</u>

Pennsylvania Power Company
Hourly Pricing Default Service Rate Calculation (for Illustrative Purposes Only)
Industrial Class: For the Default Service Period March 1, 2017 through May 31, 2017

**Line
No.**

1	HP Energy Charge = $\sum (\text{kWh}_t \times (\text{LMPT} + \text{HPOth}) \times \text{HP}_{\text{Loss Multiplier}}$	
2	$\sum (\text{kWh}_t \times (\text{LMP}_t + \text{HPOth}))$	kWh for each hour in billing period
3		LMP = Real Time PJM Load Weighted average LMP for ATSI Zone for each hour
4	<hr/> HP Energy Charge (Line 1 x Line 2)	HP _{Oth} = \$.004 per kWh for Ancillary Services
5	x HP Loss Multiplier	t = An hour in the Billing Period GS Small, Medium, Large = 1.0515 GP = 1.0171 TP = 1.0007
6	<hr/> HP Energy Charge (Line 4 x Line 5)	
7	HP Cap-AEPS-Other Purchases (\$/MWh)	Price
8	January 2016 (June 16 through May 17)	\$ 15.17 \$/MWh
9	x HP Loss Multiplier	\$ 0.01517 per kWh GS Small, Medium, Large = 1.0515 GP = 1.0171 TP = 1.0007
10	<hr/> HP Cap-AEPS-Other Purchases (\$/MWh) (Line 8 x Line 9)	
11	HP Administrative Charge	\$ 0.00002 per kWh
12	HP Uncollectibles Charge	\$ 0.00002 per kWh
13	HP Reconciliation Charge	<u>\$ 0.02823 per kWh</u>
14	Hourly Pricing Service Charge (Lines 6 + 10 + 11 + 12 + 13)	<u><u>\$ x.xxxxx</u></u>

- (A) All Hourly Pricing Service Charge computations will be pursuant to the terms of the Company's "Hourly Pricing Default Service Rider".
(B) All Adders are subject to Quarterly Updates

Pennsylvania Power Company
Computation of Industrial Class Hourly Pricing Default Service Rate Reconciliation Factor
Rate Effective March 1, 2017 through May 31, 2017

Line No.	Description	Amounts
1	Cumulative Industrial Class (Over) / Under Collection as of December 31, 2016 (See Page 3, Line 14)	\$ 742,324
2	Projected Industrial Class kilowatt hour sales - March 1, 2017 - May 31, 2017 (Line 11)	27,946,486 kWh
3	Industrial Class Reconciliation Rate before PA Gross Receipts Tax (Line 1 / Line 2)	\$ 0.02656 per kWh
4	Industrial Class Reconciliation Rate Adjustment Factor	<u>100.00%</u>
5	Industrial Class Reconciliation Rate before PA Gross Receipts Tax, as adjusted (Line 3 X Line 4)	\$ 0.02656 per kWh
6	PA Gross Receipt Gross-Up [1/(1-T) (5.9% Gross Receipts Tax)]	<u>1.062699</u>
7	Industrial Class Reconciliation Factor Rate including PA Gross Receipts Tax (Line 5 X Line 6)	<u>\$ 0.02823 per kWh</u>

Projected Industrial Class kilowatt hour sales March 1, 2017 through May 31, 2017

8	Mar-17	9,075,985
9	Apr-17	9,482,595
10	May-17	<u>9,387,906</u>
11	Total Projected Industrial Class kWh Sales	<u>27,946,486</u>

**Pennsylvania Power Company
Industrial Class Hourly Pricing Default Service Rate Reconciliation
October 1, 2016 through December 31, 2016**

Line No.	Description	Oct-16	Nov-16	Dec-16
1	Cumulative (Over)/Under Collection at Beginning of Month	\$ 787,155	\$ 641,519	\$ 532,102
2	Gross Default Service Plan Revenues	\$ 552,071	\$ 442,504	\$ 464,174
3	Less: Gross Receipts Tax (Line 2 x 5.9%)	<u>32,572</u>	<u>26,108</u>	<u>27,386</u>
4	PTC _{HPRrev} Net Default Service Plan Revenues	\$ 519,499	\$ 416,396	\$ 436,788
	<u>Expenses</u>			
5	DS _{HPExp1} Amortization of Start Up Costs	\$ -	\$ -	\$ -
6	DS _{HPExp2} Cost to provide Default Service	378,380	310,240	640,456
7	DS _{HPExp2} Cost of Network Integration Transmission Service (NITS)	<u>-</u>	<u>-</u>	<u>-</u>
8	Total Expenses	\$ 378,380	\$ 310,240	\$ 640,456
9	Prior Period E-factor Amortization	\$ (97,157)	\$ (97,157)	\$ 262,385
10	Current Month (Over)/Under Collection (Line 8 + Line 9 - Line 4)	\$ (238,276)	\$ (203,313)	\$ 466,053
11	Months to the Midpoint of the Next Reconciliation Period	6.5	5.5	4.5
12	Current Month Interest Rate	3.5%	3.5%	3.8%
13	DS _{HPInt} Interest on Current Month Deferral (Line 10 X Line 11 X (Line 12/12))	<u>\$ (4,517)</u>	<u>\$ (3,261)</u>	<u>\$ 6,554</u>
14	Cumulative (Over) / Under Collections at End of Month Including Interest (Line 1 - Line 9 + Line 10 + Line 13)	<u>\$ 641,519</u>	<u>\$ 532,102</u>	<u>\$ 742,324</u>