**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held June 14, 2017

Commissioners Present:

Gladys M. Brown, Chairman

Andrew G. Place, Vice Chairman

John F. Coleman, Jr.

Robert F. Powelson

David W. Sweet

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| Petition of Metropolitan Edison Company for Approval  of Modification of its Long-Term Infrastructure Improvement Plan | P-2015-2508942 |
| Petition of Pennsylvania Electric Company for Approval  of Modification of its Long-Term Infrastructure Improvement Plan | P-2015-2508936 |
| Petition of Pennsylvania Power Company for Approval of Modification of its Long-Term Infrastructure Improvement Plan | P-2015-2508931 |

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Commission for consideration are the Petitions of Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), and Pennsylvania Power Company (Penn Power) (collectively FirstEnergy, or FirstEnergy Companies) for approval of Modification of their Long-Term Infrastructure Improvement Plans (LTIIPs).[[1]](#footnote-1) The Petitions were filed on March 1, 2017. Copies of the Petitions were served on the statutory advocates and parties of record from the original LTIIP filings.

No entity has intervened or filed comments.

FirstEnergy is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principal office in Akron, Ohio. FirstEnergy furnishes electric service within its authorized service territory through-out the commonwealth.

Each of the FirstEnergy Companies are considered a “public utility” within the meaning of Section 102 of the Public Utility Code, 66 Pa. C.S. §§ 102, and, with respect to their provision of electric service, an “electric distribution company,” as defined in 66 Pa. C.S. § 2201 and are subject to the regulatory jurisdiction of the Commission. The FirstEnergy Companies’ original LTIIPs were filed on October 19, 2015, and approved on February 11, 2016.[[2]](#footnote-2)

**BACKGROUND**

On February 14, 2012,Governor Thomas Wingett Corbett signed into lawAct 11 of 2012 (Act 11),[[3]](#footnote-3) which amends Chapters 3, 13 and 33 of Title 66. Act 11, *inter alia*, provides utilities with the ability to implement a Distribution System Improvement Charge (DSIC) to recover reasonable and prudent costs incurred to repair improve or replace certain eligible distribution property that is part of the utility’s distribution system. The eligible property for the utilities is defined in 66 Pa. C.S. §1351. Act 11 states that as a precondition to the implementation of a DSIC, a utility must file an LTIIP with the Commission that is consistent with 66 Pa. C.S. §1352. The Commission’s LTIIP Regulations are codified at 52 Pa. Code Chapter 121.

On April 5, 2012, the Commission held a working group meeting for discussion and feedback from stakeholders regarding its implementation of Act 11. On May 10, 2012, the Commission issued a Tentative Implementation Order addressing and incorporating input from the stakeholder meeting. Stakeholders filed comments to the Tentative Implementation Order on June 6, 2012. On August 2, 2012, the Commission issued the Final Implementation Order, at Docket No. M‑2012‑2293611, establishing procedures and guidelines necessary to implement Act 11.

The Final Implementation Order adopts the requirements established in 66 Pa. C.S. § 1352, provides additional standards that each LTIIP must meet, and gives guidance to utilities for meeting the Commission’s standards. The Final Implementation Order of Act 11 requires the inclusion of eight elements in the LTIIP.

The FirstEnergy Companies’ original LTIIPs addressed the required elements of an LTIIP at the time they were approved. Therefore, we will only discuss the proposed changes from the original LTIIPs to the instant modified LTIIPs.

**FIRSTENERGY COMPANIES’ LTIIP MODIFICATIONS**

**Discussion**

Each of the FirstEnergy Companies’ LTIIP modifications are for the remaining four year years of the original plans, spanning the years 2017-2020. The primary reason for the LTIIP modifications is the enactment and the effect of Pennsylvania’s Act No. 40, 66 Pa. C.S. § 1301.1, which became effective August 11, 2016. [[4]](#footnote-4) 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 (50) percent to support reliability or infrastructure related to the rate-base eligible capital investment as determined by the commission…” FirstEnergy notes that 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 FirstEnergy Companies’ distribution base rate proceeding.[[5]](#footnote-5) FirstEnergy seeks to apply the portion of its “differential” to reliability and infrastructure improvements through its LTIIP Modification for recovery through its approved DSIC tariff.

FirstEnergy notes the annual incremental amounts, as a result of Act 40, by which the FirstEnergy Companies’ LTIIPs expenditures will be increased for each of the remaining years are approximately $8.19 million for Met-Ed, $3.32 million for Penelec, and $2.45 million for Penn Power.[[6]](#footnote-6) In its most recent base rate case, FirstEnergy acknowledged that it would amend its LTIIPs to apply its Act 40 differentials. The instant modified LTIIPs reflect the incorporation of those annual differentials. The LTIIP Modifications will allow the FirstEnergy Companies to continue to strengthen, upgrade, and modernize their distribution system through various infrastructure improvement initiatives.

Table 1, below, details the increased annual expenditures for each of the FirstEnergy Companies for their modified LTIIPs. The FirstEnergy Companies’ total expected LTIIP expenditure modifications for 2017 thru 2020 can be summarized as:

* Met-Ed’s previous approval was $36.2 million versus the proposed $68.26 million
* Penelec’s previous approval was $45.85 million versus the proposed $59.55 million
* Penn Power’s previous approval was $42.17 million versus the proposed $51.77 million

**Table 1 – FirstEnergy Companies Previously Approved and Proposed Modification Annual Expenditures Comparison:**



Tables 2 through 4, below, detail the proposed modified annual LTIIP expenditures for each of the FirstEnergy Companies by eligible property infrastructure initiatives, as compared to the original LTIIPs. New eligible property infrastructure initiative categories are noted as are whether the expenditures are an increase, or decrease in each category.

**Table 2 – Met-Ed Approved and Proposed Annual Expenditures Comparison**



**Table 3 – Penelec Approved and Proposed Annual Expenditures Comparison**



**Table 4 – Penn Power Approved and Proposed Annual Expenditures Comparison**



Tables 5 through 7, below, compare each of the FirstEnergy Companies’ original LTIIP infrastructure initiative amounts and/or projects with the proposed modified LTIIP amounts and/or projects.

**Table 5 – Met-Ed Approved and Proposed Annual Schedule Comparison**



**Table 6 – Penelec Approved and Proposed Annual Schedule Comparison**



**Table 7 – Penn Power Approved and Proposed Annual Schedule Comparison**



Tables 8 through 10, below, compare the FirstEnergy Companies’ modified LTIIP project locations with the previously approved project locations.

**Table 8 – Met-Ed Approved and Proposed Annual Project Locations Comparison**



**Table 9 – Penelec Approved and Proposed Annual Project Locations Comparison**



**Table 10 – Penn Power Approved and Proposed Annual Project Locations Comparison**



**Disposition**

Upon review of FirstEnergy’s modified LTIIPs, the Commission finds the changes incorporated due to the Act 40 enactment are reasonable, cost-effective and designed to maintain efficient, safe, adequate, reliable and reasonable service to customers and the requirements of the Final Implementation Order have been fulfilled. The additional expenditures and infrastructure initiatives should help FirstEnergy as it strives to achieve consistent benchmark reliability metrics.

**CONCLUSION**

The Commission finds that the FirstEnergy Companies’ Long-Term Infrastructure Improvement Plan Modifications and the manner in which they were filed conform to the requirements of Act 11 and our Final Implementation Order and the Petitions should be granted; **THEREFORE,**

**IT IS ORDERED:**

1. That the Petition for Approval of Modification of its Long-Term Infrastructure Improvement Plan filed by Metropolitan Edison Company is approved, consistent with this Order.

2. That the Petition for Approval of Modification of its Long-Term Infrastructure Improvement Plan filed by Pennsylvania Electric Company is approved, consistent with this Order.

3. That the Petition for Approval of Modification of its Long-Term Infrastructure Improvement Plan filed by Pennsylvania Power Company is approved, consistent with this Order.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: June 14, 2017

ORDER ENTERED: June 14, 2017

1. The FirstEnergy companies also include West Penn Power Company (West Penn). However, West Penn is not seeking a modification of its LTIIP and therefore the instant Order only refers to the three companies mentioned. [↑](#footnote-ref-1)
2. *See Petition of Metropolitan Edison Company for Approval of their Long-Term Infrastructure Improvement Plan*, Order entered February 11, 2016, at Docket No. P-2015-2508942. [↑](#footnote-ref-2)
3. <http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2012/0/0011..HTM> [↑](#footnote-ref-3)
4. Act of June 12, 2016. P.L 332, No. 40. [↑](#footnote-ref-4)
5. *See PA. PUC v. Metropolitan Edison Company*, Order Entered January 19, 2017, at Docket No. R-2016-2537349. [↑](#footnote-ref-5)
6. *See Met-Ed Statement No. 2-S*, the *Supplemental Testimony of Richard D’Angelo*, page 6, lines 24 and 25, at Docket No. R-2016-2537349. [↑](#footnote-ref-6)