# BEFORE THE
# PENNSYLVANIA PUBLIC UTILITY COMMISSION

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**
**v.**
**PECO ENERGY COMPANY - ELECTRIC DIVISION**

**DOCKET NO. R-2018-3000164**

**VOLUME I OF XI**

**Cover Letter**
**Index**
**Statement of Specific Reasons**
**Plain Language Statement of Reasons**
**Section 53.52 Filing Requirements**
**Customer Notice**
**PECO Verification**

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**March 29, 2018**

PECO
An Exelon Company

**Richard G. Webster, Jr.**
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**VIA HAND DELIVERY**

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: PECO Energy Company – General Base Rate Filing For Electric Operations Docket No. R-2018-3000164**

Dear Secretary Chiavetta:

**INTRODUCTION AND CONTENTS OF THE FILING**

Pursuant to Section 1308 of the Pennsylvania Public Utility Code, 66 Pa.C.S. § 1308, enclosed for filing on behalf of PECO Energy Company ("PECO" or the "Company") is PECO's Tariff Electric – Pa. P.U.C. No. 6 ("Tariff No. 6"). Tariff No. 6 sets forth proposed rates designed to produce an increase in the Company's annual distribution revenue of approximately $82 million based on data for a fully projected future test year ending December 31, 2019.

PECO's proposed rate increase reflects $71 million savings in 2019 from changes in federal income tax law made by the Tax Cuts and Jobs Act (the "TCJA"), which became effective on January 1, 2018. PECO is also proposing to refund the amount of PECO's reduced tax expense from the TCJA in 2018 to customers (which PECO projects to be approximately $68 million under its existing rates) expeditiously through a reconcilable surcharge mechanism proposed as part of these proceedings.

Tariff No. 6 contains revisions in, additions to, and deletions from, certain Rules and Regulations, rate schedules and riders in the Company's currently effective tariff. Tariff No. 6 also bears an issue date of March 29, 2018, and an effective date of May 28, 2018.

Along with Tariff No. 6, the Company is filing all the supporting data required by the Pennsylvania Public Utility Commission's ("PUC" or "Commission") regulations at 52 Pa. Code §§ 53.52 – 53.53, including the written direct testimony of eight witnesses, who are identified in PECO Statement No. 1, the Direct Testimony of Michael A. Innocenzo. A summary of the reasons for the proposed rate increase is set forth in the Company's Statement of Specific Reasons for Proposed Increase in Electric Rates.

The Company is filing one complete hard copy and one electronic copy, on the enclosed CD, of its entire filing.



## COUNSEL OF RECORD AND SERVICE ON THE COMPANY

PECO will be represented by the following counsel in this proceeding:

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PECO's attorneys are authorized to accept service on behalf of the Company in this proceeding. PECO requests that the Commission and all parties serve copies of all documents in this proceeding on its attorneys.

## USE OF ALTERNATIVE METHOD OF CUSTOMER NOTIFICATION

PECO hereby advises the Commission that it has elected to use the alternative method of customer notification set forth in the Commission's regulations at 52 Pa. Code § 53.45(b)(4). Consequently, as required by that regulation, PECO will notify its customers of the proposed rate increase through bill inserts along with paid advertisements in major local newspapers.[1] PECO also agrees to extend from 60 to 90 days the minimum period within which the filing of a complaint places the burden of proof upon the Company with respect to proposed rates, pursuant to 52 Pa. Code § 53.45(b)(4)(vi).

[1] In addition, PECO is posting notice of this filing at its Company headquarters pursuant to 52 Pa. Code § 53.45(b)(1), posting the filing to its website, and issuing a news release describing the proposed changes to local newspapers and to local radio and television stations, pursuant to 52 Pa. Code § 53.45(b)(2).

## REQUEST FOR CONFIDENTIAL TREATMENT OF PROPRIETARY INFORMATION

Certain Company responses to Commission filing requirements contain information that PECO considers to be proprietary and confidential. These pages have been marked ***Confidential,*** are enclosed in separate envelopes and have not been included in the electronic version of the filing.

PECO requests that the copies of the material that have been marked ***Confidential*** and are contained in the envelopes similarly marked ***Confidential*** be treated confidentially by the Commission, including its various Offices and Bureaus. In particular, the Company requests that the ***Confidential*** material be excluded from the Commission's public document folder and not otherwise be disclosed to the public. PECO intends to request the entry of an appropriate Protective Order from the presiding Administrative Law Judge(s) to maintain the confidentiality of such material if it is to be provided to parties in this case.

## CERTIFICATE OF SERVICE

As indicated on the attached Certificate of Service, the Company has served copies of this filing on the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, and the Office of Small Business Advocate. The Company is also providing courtesy copies of the filing to the Commission's Law Bureau (Bohdan P. Pankiw, Chief Counsel), Office of Special Assistants (Cheryl Walker Davis, Director), and Bureau of Technical Utility Services (Paul T. Diskin, Director).

Respectfully submitted,

Richard G. Webster, Jr.

Enclosures

c: Certificate of Service (w/encls.)
Gladys M. Brown, Chairman (w/encls.)
Andrew G. Place, Vice Chairman (w/encls.)
John F. Coleman, Commissioner (w/encls.)
David W. Sweet, Commissioner (w/encls.)
Norman J. Kennard, Commissioner (w/encls.)

**PECO ENERGY 2018 ELECTRIC RATE CASE**
**DOCKET NO. R-2018-3000164**

**FILING INDEX**

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- **PECO Exhibit BSY-3: Principal Accounting Exhibit - HTY ended December 31, 2017**
- **PECO Exhibit BSY-4: Estimate of the Effects of Tax Law Changes for 2018**

**Volume IV** **PECO Statement No. 4: Direct Testimony of Scott A. Bailey**

- **PECO Exhibit SAB-1: Annual Depreciation Accruals Related to Utility Plant in Service at December 31, 2017**
- **PECO Exhibit SAB-2: Estimated Annual Depreciation Accruals Related to Utility Plant in Service for 2018**
- **PECO Exhibit SAB-3: Estimated Annual Depreciation Accruals Related to Utility Plant in Service for 2019**
- **PECO Exhibit SAB-4: 2013 Depreciation Study – Calculated Annual Depreciation Accruals Related to Electric and Common Plant as of December 31, 2013**

**Volume V** **PECO Statement No. 5: Direct Testimony of Paul R. Moul**

- **PECO Exhibit PRM-1: Cost of Capital and Fair Rate of Return**

**PECO Statement No. 6: Direct Testimony of Jiang Ding**

- **PECO Exhibit JD-1: Summary of Results**
- **PECO Exhibit JD-2: Total Class Allocation - Revenue Requirement By Rate Class**
- **PECO Exhibit JD-3: Revenue Requirement By Functional Classification**
- **PECO Exhibit JD-4: Unitized Functionally Classified Revenue Requirement**
- **PECO Exhibit JD-5: Customer-Related Revenue Requirement and Customer Charge**
- **PECO Exhibit JD-6: Night Service Rider - Related Costs**
- **PECO Exhibit JD-7: Development of External Allocation Factors**
- **PECO Exhibit JD-8: Development of the Unbundled Cash Working Capital Rate for the GSA**
- **PECO Exhibit JD-9: Development of Unbundled Cash Working Capital Rate for the TSC**
- **PECO Exhibit JD-10: Calculation of Rate HT High Voltage Discount**

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|---|---|
| **Volume VI** | **PECO Statement No. 7: Direct Testimony of Mark Kehl** |

- **PECO Exhibit MK-1: Proposed Revenue Allocation, Proposed Increases by Class and Class Rates of Return and Relative Rates of Return Under Proposed Rates**
- **PECO Exhibit MK-2: Relevant Tariff Pages (Blackline)**
- **PECO Exhibit MK-3: Comparison of Residential Customer Charges for Pennsylvania Electric Utilities**
- **PECO Exhibit MK-4: Details of the Universal Service Fund Charge Adjustment Calculation**
- **PECO Exhibit MK-5: Summary of Revenues at Present and Proposed Rates**
- **PECO Exhibit MK-6: Proof of Revenues at Present and Proposed Rates**

**PECO Statement No. 8: Direct Testimony of Richard A. Schlesinger**

**Volume VII** — **Section 53.53 – General Description of Utility Operations / Primary Statements of Rate Base and Operating Income**

**I-A-1 through II-E-2**

**Volume VIII** — **Section 53.53 – Rate of Return**

**III-A-1 through III-F-4**

**Section 53.53 – Rate Structure and Cost Allocation / Plant and Depreciation Supporting Data, Including Related Depreciation Study Report / Unadjusted Comparative Balance Sheets and Operating Income Statements**

**IV-A-1 through IV-E-2**

**V-A-1 through V-E-1**

**VI Statements A-B**

**Volume IX** — **Supplemental Data Responses – Cost of Service**

**SDR-COS-1 through SDR-COS-16**

**Supplemental Data Responses – General / Depreciation**

**SDR-DEP-1 through SDR-DEP-4**

**SDR-GEN-1 through SDR-GEN-3**

| | | |
|---|---|---|
| **Volume X** | **Supplemental Data Responses – O&M Expenses** | |
| | | **SDR-OM-1 through SDR-OM-44** |
| **Volume XI** | **Supplemental Data Responses – Rate Base / Rate of Return** | |
| | | **SDR-RB-1 through SDR-RB-24** |
| | | **SDR-ROR-1 through SDR-ROR-23** |
| | **Supplemental Data Responses – Revenue Requirement / Taxes** | |
| | | **SDR-RR-1 through SDR-RR-7** |
| | | **SDR-TAX-1 through SDR-TAX-10** |

**PECO ENERGY COMPANY**

**STATEMENT OF SPECIFIC REASONS FOR PROPOSED INCREASE IN ELECTRIC RATES**

PECO Energy Company ("PECO" or the "Company") is filing to increase its electric delivery rates by approximately $82 million, or 2.2% on the basis of total Pennsylvania jurisdictional operating revenue. In accordance with Section 1308 of the Public Utility Code, the tariff setting forth the Company's proposed rates bears an effective date of May 28, 2018. However, the Company anticipates that its requested increase will be suspended and investigated by the Pennsylvania Public Utility Commission ("PUC" or the "Commission") and, therefore, the Company does not expect that new Commission-approved rates will become effective until approximately January 1, 2019.

PECO's proposed rate increase reflects $71 million savings in 2019 from changes in federal income tax law made by the Tax Cuts and Jobs Act (the "TCJA"), which became effective on January 1, 2018. PECO is also proposing to refund the amount of PECO's reduced tax expense in 2018 which PECO projects to be approximately $68 million under its existing rates. The 2018 refund would be returned to customers expeditiously through a reconcilable surcharge mechanism proposed as part of these proceedings.

The reasons for the Company's proposed increase are summarized below.

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## Rate Increase

PECO last filed for an increase in electric base rates in March 2015.[1] Since rates were established in that case, PECO has continued to make substantial investments in new and replacement utility plant to ensure that customers can continue to receive the safe and reliable service they have come to expect. Between January 1, 2016 and December 31, 2019, the end of the fully projected future test year, PECO will have invested over $1.9 billion in additional electric distribution plant.

PECO has carefully managed bad debt expense, post-employment benefits and other operation and maintenance ("O&M") expenses. Indeed, when adjusted for major storms, PECO projects a 0.4% compound annual growth rate in O&M expense from 2016 through the end of 2019. These annual increases are well below the expected rate of inflation for the same period. The projected compound annual growth rate would increase to 1.7% if the variable expenses associated with major storms (using PECO's five-year average of historic storm damage expense) were included.

Notwithstanding PECO's aggressive cost-containment and management efforts, after three years, based on PECO's review of current and projected financial results, an increase in electric-delivery revenues is needed and cannot be achieved without an increase in rates. In fact, load growth from 2016 to 2017 has declined by 0.5%, notwithstanding the fact that the number of customers has increased by 0.8% during the same period. Load growth from 2017-2019 is expected to remain relatively flat with a compound annual growth rate of 0.1%

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[1] *PECO Energy Company General Base Rate Filing for Electric Operations*, Docket No. R-2015-2468981, filed on March 27, 2015.

notwithstanding customer growth of 0.8%.

Absent rate relief, the Company's overall rate of return at present rates is projected to be only 5.84% for the fully projected future test year, as shown on Schedule A-1 of PECO Exhibit BSY-1. More importantly, the indicated return on common equity under present rates is anticipated to be only 7.30%, which is inadequate by any reasonable standard and far less than required to provide the Company with a reasonable opportunity to attract capital.

Without the requested rate relief, PECO's financial results would deteriorate even further in 2020 and thereafter. This would jeopardize the Company's ability to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels. It would also have an adverse impact on PECO's credit-coverage ratios and negative implications with respect to maintaining the Company's current credit ratings, which would increase its financing costs.

The requested rates would produce a 7.79% return on the Company's claimed measures of value and a return on its common equity of 10.95%. These return levels are recommended by Mr. Paul R. Moul (PECO Statement No. 5), the Company's cost-of-capital consultant and an expert on the subject of rate of return. Mr. Moul's rate of return recommendations are set forth in PECO Exhibit PRM-1 and are summarized in the following table:

| | Ratio | Cost Rate | Weighted Cost |
|---|---|---|---|
| Long-Term Debt | 46.61% | 4.16% | 1.94% |
| Common Equity | 53.39% | 10.95% | 5.85% |
| Total | 100% | | 7.79% |

Mr. Moul proposes a 10.95% return on common equity for this case based on his analysis of the Company's cost of capital and its superior management performance, as described in the testimony of Mr. Michael A. Innocenzo, PECO's Senior Vice President and Chief Operating Officer (PECO Statement No. 1).[2]

**Supporting Data**

PECO is filing all of the supporting data required by the Commission's regulations, including data for the historic test year ("HTY") ended December 31, 2017, the future test year ("FTY") ending December 31, 2018, and the fully projected future test year ("FPFTY") ending December 31, 2019. Because the Company is basing its claim principally on the level of operations for the FPFTY, the discussion that follows will address FPFTY data.

The revenue and expense claims for the FPFTY have been prepared in accordance with accepted practices of the Commission. Operating revenues at present rates were derived from budgeted revenues for PECO's electric operations for the year ending December 31, 2019, adjusted in the manner shown on Schedule D-5 of PECO Exhibit BSY-1. Principal revenue adjustments include the removal of revenues related to portions of the Company's

[2] Effective March 31, 2018, Mr. Innocenzo will become President and Chief Executive Officer of PECO.

business that are not subject to the jurisdiction of the Commission, decreased revenues resulting from the implementation of Act 129 energy efficiency programs, the removal of revenues billed under the surcharges (i.e., non-base rate revenue) that recover the cost of implementing the Company's energy efficiency and conservation programs pursuant to Act 129, and the annualization of changes in number of customers.

Pro forma FPFTY operating expenses were developed from PECO's 2019 budget for electric operations. Budgeted expenses, which were prepared based on business activities and related cost elements such as payroll, employee benefits, etc., were distributed to FERC accounts based on the distribution experienced by the Company during the HTY. The budget data, as distributed to FERC accounts, were annualized or normalized in accordance with established Commission ratemaking practices and other appropriate adjustments were made, all of which are included in Schedule D of PECO Exhibit BSY-1. The necessary adjustments were made to the appropriate FERC accounts.

Annual depreciation expense for electric and common plant in service at December 31, 2019, was calculated using the remaining life method, which the Commission has previously approved for PECO's electric operations. PECO's claim for the estimated annualized depreciation accrual is set forth in Schedule D-17 of PECO Exhibit BSY-1 and is described in PECO Statement No. 3.

Income taxes were calculated using procedures commonly accepted by the Commission and reflect the tax rates and other tax changes enacted by the TCJA. The interest expense deduction was synchronized with the Company's measures of value and claimed weighted average cost of long-term debt. The normalization method was used to reflect the tax-book timing differences associated with the use of accelerated methods of tax depreciation to the extent permitted by the Commission and appellate precedent. In addition, there are adjustments to other tax-book differences and flow-through amounts. Tax expense was reduced to reflect the amortization of the unamortized investment tax credits and to flow back "excess" accumulated deferred tax liabilities created by the reduction in the federal corporate income tax rate as of January 1, 2018. The income tax expense claims for the FPFTY at present rate and proposed rate revenue levels are shown on PECO Exhibit BSY-1, Schedule D-18.

PECO's measures of value reflect the Company's balances of electric plant at December 31, 2019, including common plant used in, and appropriately allocated to, electric operations, as shown in Section C of PECO Exhibit BSY-1. The estimated original cost of gross plant at December 31, 2019 was developed by taking the original cost of gross plant at January 1, 2018, and adding the 2018 and 2019 estimated plant additions and subtracting the 2018 and 2019 estimated plant retirements. The estimated accumulated book reserve at December 31, 2019 was calculated in similar fashion. Specifically, the accumulated book reserve at December 31, 2017 was brought forward to December 31, 2019 by adding the 2018 and 2019 estimated annual depreciation accrual; subtracting the 2018 and 2019 estimated plant retirements; and adding 2018 and 2019 estimated cost of removal net of salvage that is closed to the accumulated book reserve. The unamortized balance of Automated Meter Reading ("AMR") investment, a pension asset, materials and supplies and cash working capital were included in the determination of the measures of value, while accumulated deferred Federal income taxes, a 13-month average of customer advances, and a 13-month average of customer deposits were deducted from measures of value.

As is evident from the foregoing and the extensive supporting data filed by the Company, the proposed increase is just and reasonable and is the minimum increase necessary to enable the Company to earn a reasonable return on the fair value of its property that is used and useful in the public service, to maintain the integrity of its existing capital, and to attract new capital.

## Rate Structure and Rate Design

As Mr. Mark Kehl (PECO Statement No. 7) explains, in developing its rate-structure proposal, the Company considered the results of a cost of service study performed by Ms. Jiang Ding (PECO Statement No. 6). While the cost of service study was used as a guide, the Company also considered the principle of gradualism that has traditionally been applied in Pennsylvania. Accordingly, the proposed rates were designed to mitigate the impact on each major rate class, to the extent practicable, while still making meaningful movement toward the system average rate of return.

PECO proposes certain changes in rate design, which include principally: (1) aligning fixed distribution/customer charges with, or closer to, customer-classified costs; and (2) increasing the voltage discounts for customers served at 69 kV or higher to provide an offset to those customers to reflect an appropriate allocation of distribution substation costs. Certain other changes in rate design and in the rules, regulations and riders set forth in the Company's tariff are described in the testimony of Mr. Kehl and Mr. Richard A. Schlesinger (PECO Statement No. 8).

**Community Involvement**

PECO also has a strong and continuing tradition of community involvement. The Company's corporate citizenship efforts are designed to improve the quality of life for the people who live and work in PECO's service territory, and include support for education and the environment, sponsorships, employee volunteer activities, and executive involvement on outside nonprofit boards.

**Summary**

The requested increase in revenues is the minimum necessary to enable the Company to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels; to maintain the integrity of PECO's existing capital; to attract additional capital at reasonable costs; and to have an opportunity to achieve a fair rate of return on its investment in property dedicated to public service. The Company's proposed revenue allocation and rate design are just, reasonable and non-discriminatory. Accordingly, the Company's proposed rates, rules and terms of service should be permitted to become effective as filed.

**PLAIN LANGUAGE STATEMENT OF REASONS FOR PECO ENERGY COMPANY'S REQUEST TO INCREASE ELECTRIC RATES**

PECO Energy Company ("PECO" or the "Company") has asked the Pennsylvania Public Utility Commission ("PUC") to increase its electric distribution rates by $82 million, or 2.2% of its total electric operating revenues. Although the new rates are proposed to become effective on May 28, 2018, the Company expects that they will be suspended for investigation by the PUC until approximately January 1, 2019.

PECO's proposed rate increase reflects $71 million savings in 2019 from changes in federal income tax law made by the Tax Cuts and Jobs Act (the "TCJA"), which became effective on January 1, 2018. PECO is also proposing to expeditiously refund the amount of PECO's reduced tax expense in 2018 to customers (estimated to be $68 million under PECO's existing rates) through a reconcilable surcharge mechanism proposed as part of these proceedings.

The main reasons PECO is asking for an increase in rates are:

- PECO last filed for an increase in electric base rates in March 2015. During the last three years, PECO has carefully managed bad debt expense, post-employment benefits and other operation and maintenance expenses. However, unavoidable increases have occurred in several areas, including employee wages and salaries and the effects of inflation on material and contracting costs. In addition, PECO's customer load has declined since 2015.

- Between January 1, 2016 and December 31, 2019, the end of the fully projected future test year, PECO will have invested over $1.9 billion in additional electric distribution plant.

- Without the requested rate relief, the Company's financial results would deteriorate further in 2019 and thereafter. This would jeopardize the Company's ability to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels. It would also have a negative effect on PECO's ability to maintain its current credit ratings, which would increase its financing costs.

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PECO is filing all of the supporting data required by the PUC's regulations, as well as the written statements of eight witnesses and numerous exhibits. All of the data and other information supporting PECO's rate increase have been prepared in ways that the PUC has approved in the past for PECO and other utilities.

In summary, the proposed increase in revenues is the minimum necessary to enable the Company to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels.

**Proposed Changes to Electric Service Tariff No. 6**

Information furnished with the filing of rate changes under
52 Pa. Code, Section 53.52

**(a) Applicable to changes in terms and conditions of service rendered.**

**(a)(1) The specific reason for each change.**

The specific reasons for the rate increase are summarized in the Company's Statement of Reasons, which is included as part of the Company's filing.

**(a)(2) The total number of customers served by the utility.**

The total number of customers on PECO's system as of December 31, 2017 is 1,634,149.

**(a)(3) A calculation of the number of customers, by tariff subdivision, whose bills will be affected by the change.**

A breakdown of customers by tariff subdivision is provided below:

| Rate | Customers |
|---|---|
| R | 1,285,891 |
| RH | 184,025 |
| GS | 151,552 |
| POL | 2,571 (included in GS) |
| PD | 450 |
| HT | 2,662 |
| EP | 5 |
| SLS | 319 |
| SLE | 607 |
| TL | 8,637 |
| AL | 1 |

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**(a)(4) The effect of the change on the utility's customers.**

Refer to PECO Statement No. 7, the Direct Testimony of Mark Kehl and accompanying exhibits.

**(a)(5) The effect, whether direct or indirect, of the proposed change on the utility's revenue and expenses.**

The proposed changes will increase total revenues and total expenses. For details on specific changes, see the direct testimony of Benjamin S. Yin, PECO Statement No. 3.

**(a)(6) The effect of the change on the service rendered by the utility.**

No changes are expected in the service rendered by the Company. The proposed change will enable the Company to recover its costs and earn a fair return on its investment in used and useful property and, in that way, will facilitate the Company's on-going efforts to maintain and enhance its levels of safety, reliability and customer service.

**(a)(7) A list of factors considered by the utility in its determination to make the change. The list shall include a comprehensive statement as to why these factors were chosen and the relative importance of each. This subsection does not apply to a portion of the tariff change seeking a general rate increase as defined in 66 Pa.C.S. Section 1308 (relating to voluntary changes in rates).**

The changes being made to rate design are discussed in the direct testimony of Mark Kehl, PECO Statement No. 7. PECO Statement No. 8, the direct testimony of Richard A. Schlesinger, discusses changes to Rules and Regulations, Section 1307 surcharge mechanisms and certain Riders that are set forth in the proposed tariff.

**(a)(8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of tariff change seeking a general rate increase defined in Pa.C.S. Section 1308.**

No studies were undertaken.

**(a)(9) Customer polls taken and other documents, which indicate customer acceptance and desire for the proposed change.**

No customer polls were conducted.

**(a)(10) Plans the utility has for introducing or implementing the changes with respect to its customers.**

The Company plans to implement the changes upon approval by the Commission. The methods of notification to the customers will include a press release and a bill insert.

**(a)(11) F.C.C., or FERC or Commission orders or rulings applicable to the filings.**

No FERC or Commission orders or rulings are directly applicable. To the extent that any FERC or Commission order or ruling may be relevant, it is discussed in the direct testimony submitted as part of the Company's filing.

**(b) Applicable to changes in rates.**

**(b)(1) Specific reasons for each change**

Refer to the Company's Statement of Reasons included with this filing.

**(b)(2) Utility's operating income statement ending not more than 120 days prior to filing date- historic year**

Refer to PECO Statement No. 3, Exhibits BSY-1, BSY-2 and BSY-3, Schedules B-2 to B-5.

**(b)(3) Number of customers, by tariff subdivision, whose bills will be increased**

Refer to response to (a)(3) for the number of customers whose bills will be increased.

**(b)(4) Total increases, in dollars, by tariff subdivision, projected to an annual basis**

Refer to PECO Statement No. 7, Exhibit MK-1, for the requested information.

**(b)(5) Number of customers, by tariff subdivision, whose bills will be decreased**

None.

**(b)(6) Total decreases, in dollars, by tariff subdivision, projected to an annual basis**

None.

**(c) Applicable to changes where increase for any tariff subdivision exceeds 3% of utility's operating revenue OR bills of more than 5% of customers will increase.**

**(c)(1) Rate of return for historic year and anticipated for future year.**

Refer to PECO Exhibits BSY-1, BSY-2 and BSY-3, Schedule A-1.

**(c)(2) Detailed balance sheet at the end of the historic year.**

Refer to PECO Exhibits BSY-1, BSY-2 and BSY-3, Schedule B-1.

**(c)(3) Summary, by detailed plant accounts, of book value of property of utility at end of historic year**

Refer to PECO Exhibits BSY-1, BSY-2 and BSY-3, Schedule C-2.

**(c)(4) Respective amount of the depreciation reserve applicable to each detailed plant account**

Refer to PECO Exhibits BSY-1, BSY-2 and BSY-3, Schedule C-3.

**(c)(5) Statement of operating income, setting forth the operating revenues and expenses by detailed accounts - historic year**

Refer to PECO Exhibits BSY-1, BSY-2 and BSY-3, Schedules B-2 to B-5.

**(c)(6) Description of any major change in the operating or financial condition of utility occurring between the date of the balance sheet at end of the historic year and filing date**

There have been no major changes in the Company's operating or financial condition since the date of the balance sheet and the filing date of Electric Service Tariff No. 6. Refer to PECO Statement No. 2, the Direct Testimony of Phillip S. Barnett, for a discussion of the Company's financial condition

# NOTICE OF PROPOSED ELECTRIC RATE CHANGES

To Our Customers:

PECO is filing a request with the Pennsylvania Public Utility Commission (PUC) to increase your electric rates as of May 28, 2018. This notice describes the Company's electric rate request, the PUC's role, and what actions you can take.

PECO has requested an overall electric rate increase of $82 million per year. If the Company's entire request is approved, the total monthly bill for a residential customer using 700 kWh would increase by $3.28 from $102.65 to $105.93 or by 3.2%.

The total monthly bill for a commercial customer using 10,000 kWh would increase from $859.09 to $870.15 or by 1.3%. The total monthly bill for an industrial customer using 200,000 kWh would increase from $14,769.32 to $14,963.31 or by 1.3%.

To find out your customer class or how the requested increase may affect your electric bill, contact PECO at 1-800-494-4000. The electric rates requested by the Company may be found in Electric Tariff No. 6. You may examine the material filed with the PUC, which explains the requested increase and the reasons for it. A copy of this material is kept at PECO's office. Upon request, the Company will send you the Statement of Reasons for Electric Tariff No. 6, explaining why the electric rate increase has been requested. A copy can also be viewed by visiting peco.com/rates.

The state agency which approves electric rates for public utilities is the PUC. The PUC will examine the requested electric rate increase and can prevent existing rates from changing until it investigates and/or holds hearings on the request. The Company must prove that the requested electric rates are reasonable. After examining the evidence, the PUC may grant all, some, or none of the request or may reduce existing electric rates. The PUC may change the amount of the electric rate increase or decrease requested by the utility for each customer class. As a result, the electric rate charged to you may be different than the electric rate requested by the Company and shown above.

(Over)

There are three ways to challenge a Company's request to change its electric rates:

**1.** You can file a formal complaint. If you want a hearing before a judge, you must file a formal complaint. By filing a formal complaint, you assure yourself the opportunity to take part in hearings about the electric rate increase request. All complaints should be filed with the PUC before June 29, 2018. If no formal complaints are filed the Commission may grant all, some or none of the request without holding a hearing before a judge.

**2.** You can send the PUC a letter telling why you object to the requested electric rate increase. Sometimes there is information in these letters that makes the PUC aware of problems with the Company's service or management. This information can be helpful when the PUC investigates the electric rate request.

Send your letter or request for a formal complaint form to the:

Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17105-3265

Complaint forms can also be accessed at the PUC website in Adobe Acrobat format: http://www.puc.state.pa.us/general/onlineforms/pdf/official_complaint_form_final.pdf.

**3.** You can be a witness at a public input hearing. Public input hearings are held if the Commission opens an investigation of the Company's electric rate increase request and if there is a large number of customers interested in the case. At these hearings you have the opportunity to present your views in person to the PUC judge hearing the case and the Company representatives. All testimony given "under oath" becomes part of the official electric rate case record. These hearings are held in the service area of the Company.

For more information, call the PUC at 1-800-692-7380. You may leave your name and address so you can be notified of any public input hearings that may be scheduled in this case.

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## VERIFICATION

I, Richard G. Webster, Jr., hereby declare that I am the Vice President of Regulatory Policy and Strategy of PECO Energy Company; that as such I am authorized to make this verification on its behalf; that the facts set forth in the foregoing tariff filing are true and correct to the best of my knowledge, information and belief, and that I make this verification subject to the penalties of 18 Pa. C.S. § 4904 pertaining to false statements to authorities.

RGW

Richard G. Webster, Jr.
Vice President of Regulatory Policy and Strategy of PECO Energy Company

Dated: March 29, 2018

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