

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17105-3265**

**Re: Transmission Service  
Charge – PECO Energy  
Company – Effective  
January 1, 2012**

**Public Meeting: December 15, 2011  
2273476-AUD  
Docket No. M-2011-2273476**

**STATEMENT OF COMMISSIONER JAMES H. CAWLEY**

At its Public Meeting today, the Commission adopted the Bureau of Audits' recommendation to approve PECO Energy Company's (PECO) Supplement No. 28 to Tariff Electric – Pa. P.U.C. No. 4, submitted on November 16, 2011, reflecting the proposed Transmission Service Charge (TSC) rate computations for TSC-1 (Residential), TSC-2 (Small Commercial and Industrial), TSC-3 (Large Commercial and Industrial), and TSC-4 (Street Lighting) to become effective January 1, 2012.

By Order entered December 21, 2010, the Commission approved a Joint Petition for Partial Settlement (Settlement) at Docket No. R-2010-2161575, establishing, among other matters, a Transmission Service Charge (TSC) Rider. The TSC Rider permits PECO to recover from its default service customers all applicable transmission service related costs incurred under the Pennsylvania-New Jersey-Maryland Interconnection (PJM) Open Access Transmission Tariff (OATT) to provide energy service to those customers.

The TSC Rider provides for an *annual adjustment* of the TSC rates, with a filing to be made by December 1<sup>st</sup> of each year for rates going into effect the following January 1<sup>st</sup>. The annual filing permits PECO to update its projected transmission costs as well as to permit PECO to reflect, in the adjusted TSC rates, any over or under collection of actual TSC costs, including interest, incurred during the twelve month reconciliation period ending October 31<sup>st</sup> of each year.

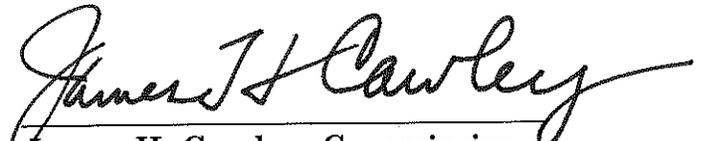
PECO is proposing a TSC Rate of \$0.0074 per kWh, inclusive of Gross Receipts Tax (GRT), for the Residential (R) rate schedule. The proposed Residential (R) rate represents an increase of \$0.0001 per kWh, or 1.37%, when compared to the current rate of \$0.0073 per kWh, inclusive of GRT, that became effective January 1, 2011, despite an actual projected drop in unit transmission costs. The reason for the increase in rates is the inclusion of an under collection of approximately \$6.5 million, including interest, in the proposed rates. This represents an under-recovery of about 7.6%.

Similarly, the proposed TSC-2 rate of \$2.57 per kW represents an increase of \$0.75 per kW when compared to the rate of \$1.82 per kW that became effective January 1, 2011. This represents a 41.2% increase in the TSC-2 rate applicable to small commercial and industrial customers, and resulted from a 10% under-recovery of transmission costs, based on an approximate \$5.1 million under-recovery, including interest.

These two examples illustrate potential problems associated with annually adjusted rates. If quarterly TSC rate changes were incorporated, such under-recoveries could likely have been more effectively avoided, and associated interest charges could have been minimized to customers.

In future Default Service Plans, I encourage EDCs to address under and over recoveries more concurrently, rather than allowing large imbalances to accrue under annual rate changes and annual reconciliations. The Commission has given EDCs the tools to adjust rates appropriately and timely. They should closely monitor revenues and costs, and effectively use quarterly price and reconciliation adjustment tools.

DATE: December 15, 2011

  
James H. Cawley, Commissioner