

PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street

Philadelphia, Pennsylvania 19101

For List of Communities Served, See Page 4.

Issued xxxxx

Effective December 1, 2012

**ISSUED BY: D. P. O'Brien – President
PECO Energy Distribution Company
2301 MARKET STREET
PHILADELPHIA, PA. 19101**

NOTICE.

**GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASSES 1,2,3
 LOADS UP TO 500KW**

Applicability: This adjustment shall apply to all customers taking default service from the Company with demands up to 500 kW. The rate contained herein shall be calculated to the nearest one hundredth of a cent. The GSA shall contain the cost of generation supply for each tariff rate.

Pricing: The rates below shall include the cost of procuring power to serve the default service customers plus associated administrative expenses incurred in acquiring power and gaining regulatory approval of any procurement strategy and plan. The pricing for default service will represent the estimate of the cost to serve the specific tariff rate for the next quarter. ~~There will be a tariff rate for the interim two month period April 1, 2013 through May 31, 2013 for alignment with the PJM planning year which will include recovery of estimated April 2013 and May 2013 costs.~~ The rates in this tariff shall be updated quarterly unless the balance of over/(under) recovery gets too large, at which time the Company can file for a shorter reconciliation period. The generation service charge shall be calculated using the following formula:

$$GSA(n) = (C-E+A)/S^{*1}/(1-T)^{*} (1-ALL)/(1-LL) \times PF + WC \text{ where;}$$

C = The sum of the amounts paid to the full requirements suppliers providing the power for the period the rate is in effect, the spot market purchases for the period the rate is in effect, plus the cost of any other energy acquired through short or long term contracts during the period being reconciled.

Cost shall include energy, capacity and ancillary services, distribution line losses, cost of complying with the Alternative Energy Portfolio Standards, and any other load serving entity charges other than network transmission service and costs assigned under the Regional transmission Expansion Plan. Ancillary services shall include any allocation by PJM to PECO default service associated with the failure of a PJM member to pay its bill from PJM as well as the load serving entity charges listed in the Supply Master Agreement Exhibit D as the responsibility of the supplier.

E = experienced over or under-collection calculated under the reconciliation provision of the tariff to be effective during the same period as the GSA.

A = Administrative Cost - This includes the cost of the auction or RFP monitor, consultants providing guidance on the development of the procurement plan, legal fees incurred gaining approval of the plan, and any other costs associated with designing and implementing a procurement plan. Also included in this component shall be the cost to implement real time pricing or other time sensitive pricing such as super-peak pricing that is required of the Company or is approved in its Act 129 filing.

S = Estimated sales for the period the rate is in effect for the classes to which the rate is applicable.

T = The currently effective gross receipts tax rate.

n = The procurement class for which the GSA is being calculated.

ALL = average line losses for the procurement class.

LL = line losses for the specific rate class provided in the Company's Electric Generation Supplier Coordination Tariff rule 6.6.

PF = Phase-out factor to implement the phase out of demand charges and declining blocks.

WC = 0.04¢/kWh to represent the cash working capital for power purchases.

In general the line loss adjustment is applicable to Procurement Class 2 and 3 only as those classes contain rate classes with three different line loss factors. Current charges:

Rate		Rate Design	Phase-Out Factor			GSA Price	Phase-In Price
			2011	2012	2013		
R	All kWh	GSA(1)	1.0400	x.xxxx	1.000	\$ 0.0987	\$ 0.1027
	1st 500 S	GSA(1)	1.0400	x.xxxx	1.000	\$ 0.0987	\$ 0.1027
	Over 500 S	GSA(1)	1.1777	x.xxxx	1.000	\$ 0.0987	\$ 0.1162
RH	1st 600 W	GSA(1)	1.0586	x.xxxx	1.000	\$ 0.0987	\$ 0.1045
	Over 600 W	GSA(1)	0.5550	x.xxxx	1.000	\$ 0.0987	\$ 0.0548
	1st 500 S	GSA(1)	1.0586	x.xxxx	1.000	\$ 0.0987	\$ 0.1045
	Over 500 S	GSA(1)	1.1985	x.xxxx	1.000	\$ 0.0987	\$ 0.1183
OP		GSA(1)	0.2775	x.xxxx	1.000	\$ 0.0987	\$ 0.0274
GS	Up to 100 kW						
	1st 80 hours use	GSA(2)	1.8353	x.xxxx	1.000	\$ 0.1010	\$ 0.1854
	Next 80 hrs - S	GSA(2)	0.9493	x.xxxx	1.000	\$ 0.1010	\$ 0.0959
	Up to 400 Hrs use	GSA(2)	0.6589	x.xxxx	1.000	\$ 0.1010	\$ 0.0666
	Over 400 Hrs use & 2000 kWh	GSA(2)	0.3805	x.xxxx	1.000	\$ 0.1010	\$ 0.0384
	Space Heating	GSA(2)	0.5532	x.xxxx	1.000	\$ 0.1010	\$ 0.0559
GS	101-500 kW						
	1st 80 hours use	GSA(3)	2.0378	x.xxxx	1.000	\$ 0.0931	\$ 0.1897
	Next 80 hrs - S	GSA(3)	1.0541	x.xxxx	1.000	\$ 0.0931	\$ 0.0981
	Up to 400 Hrs use	GSA(3)	0.7316	x.xxxx	1.000	\$ 0.0931	\$ 0.0881
	Over 400 Hrs use & 2000 kWh	GSA(3)	0.4225	x.xxxx	1.000	\$ 0.0931	\$ 0.0393
	Space Heating	GSA(3)	0.6143	x.xxxx	1.000	\$ 0.0931	\$ 0.0572

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GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASSES 1,2,3
 LOADS UP TO 500KW (CONTINUED)

PD	Up to 100 kW							
	Per KW	GSA(2)	1.0000	x.xxxx	1.000			\$ 8.01
	1st 150 hours use	GSA(2)	1.0000	x.xxxx	1.000	\$ 0.0993		\$ 0.0993
	Next 150 hours use	GSA(2)	0.9181	x.xxxx	1.000	\$ 0.0993		\$ 0.0912
	Additional kWh	GSA(2)	0.4806	x.xxxx	1.000	\$ 0.0993		\$ 0.0477
PD	101-500 kW							
	Per KW	GSA(3)	1.0000	x.xxxx	1.000			\$ 8.01
	1st 150 hours use	GSA(3)	1.0000	x.xxxx	1.000	\$ 0.0916		\$ 0.0916
	Next 150 hours use	GSA(3)	0.8413	x.xxxx	1.000	\$ 0.0916		\$ 0.0771
	Additional kWh	GSA(3)	0.4403	x.xxxx	1.000	\$ 0.0916		\$ 0.0403
HT	Up to 100 kW							
	Per KW	GSA(2)	1.0000	x.xxxx	1.000			\$ 11.85
	1st 150 hours use	GSA(2)	1.0000	x.xxxx	1.000	\$ 0.0953		\$ 0.0953
	Next 150 hours use	GSA(2)	0.7104	x.xxxx	1.000	\$ 0.0953		\$ 0.0677
	Additional kWh	GSA(2)	0.3723	x.xxxx	1.000	\$ 0.0953		\$ 0.0355
HT	101-500 kW							
	Per KW	GSA(3)	1.0000	x.xxxx	1.000			\$ 11.85
	1st 150 hours use	GSA(3)	1.0000	x.xxxx	1.000	\$ 0.0878		\$ 0.0878
	Next 150 hours use	GSA(3)	0.7284	x.xxxx	1.000	\$ 0.0878		\$ 0.0840
	Additional kWh	GSA(3)	0.3817	x.xxxx	1.000	\$ 0.0878		\$ 0.0335
		GSA(2)				\$ 0.0859		\$ 0.0859
POL		GSA(2)				\$ 0.0859		\$ 0.0859
SLS		GSA(2)				\$ 0.1010		\$ 0.1010
TLCL		GSA(2)				\$ 0.0859		\$ 0.0859
SLE		GSA(2)				\$ 0.0859		\$ 0.0859
AL		GSA(2)				\$ 0.0859		\$ 0.0859

*Price = GSA(n)*Phase-in Factor if applicable
 For the kW charge for HT, PD the factor is applied to the 2010 rate
 ** Prices shall exclude capacity from the Procurement Class 2 RFP results

Procedure: The GSA shall be filed 45 days before the effective date in conjunction with the Reconciliation Schedule

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RECONCILIATION

Applicability: This adjustment shall apply to all customers who received default service during the period the cost of which is being reconciled. Customers taking default service during the reconciliation period that leave default service prior to the assessment of the collection of the over/(under) adjustment shall still pay or receive credit for the over/(under) adjustment through the migration provision. The Company shall notify the Commission and parties to the Default Service Settlement 15 days in advance of the quarterly or monthly filing if the Migration Provision will be implemented in the filing.

This adjustment shall be calculated on a quarterly basis. There will be an interim adjustment calculated for alignment with the PJM planning year that will include over/under collections for the two month period October 1, 2012 through November 30, 2012 to be collected during the two month period April 1, 2013 through May 31, 2013 for Procurement Classes 1, 2 and 3. The reconciliation shall be separate for each procurement class. Any resulting over or under recovery shall be assessed on an equal cents per kilowatt-hour basis to all customers in the relevant procurement group. Any over/(under) recovery shall be collected in the first quarter after the reconciliation is calculated. For purposes of this rider the reconciliation shall be calculated 45 days after the end of the quarter. The over or under recovery shall be calculated using the formula below. The calculation of the over/(under) recovery shall be done separately for the following procurement classes – Class 1 – Residential, Class 2 – Small C&I < 100 kW, and Class 3 – Medium C&I 101 kW to 500 kW and Class 4 Large C&I over 500 kW.

Reconciliation Formula

$E_N = \Sigma O/(U) + I$
Migration Provision $E_M = [\Sigma O/(U) + I]/S/(1-GRT)*(1-ALL)/(1-LL)$

Where:

- E = experienced over or under collection plus associated interest
- N = Procurement class
- M = Migration Rider
- O/(U) = The monthly difference between revenue billed to the procurement class and the cost of supply as described below in Cost and Administrative Cost

Revenue = amount billed to the tariff rates applicable to the procurement class including approved Real Time Price or other time sensitive rates for the period being reconciled through the GSA.

Cost = The sum of the amounts paid to all of the full requirements suppliers providing the power for the period being reconciled, the spot market purchases for the period being reconciled, plus the cost of any other energy acquired through short or long term contracts during the period being reconciled. Cost shall include energy, capacity and ancillary services. Ancillary services shall include any allocation by PJM to PECO default service associated with the failure of a PJM member to pay its bill from PJM as well as those costs listed in the Supply Master Agreement as the responsibility of the seller.

Administrative Cost = This includes the cost of the auction or RFP monitor, consultants providing guidance on the development of the procurement strategy, legal fees incurred gaining approval of the strategy, and any other costs associated with designing and implementing a procurement plan. Also included in this component shall be the cost to implement real time pricing or other time sensitive pricing such as super-peak pricing that is required of the Company or approved in its Act 129 filing.

Full Requirements Supply = A product purchased by the Company that includes a fixed price for all energy consumed. The only cost added by the Company to the full requirements price is for gross receipts tax, distribution line losses, and administrative cost.

Ancillary Services = The following services in the PJM OATT- reactive support, frequency control, operating reserves, supplemental reserves, imbalance charges, PJM annual charges, any PJM assessment associated with non-payment by members, and any other load serving entity charges not listed here but contained in Exhibit D of the Supply Master Agreement.

Capacity = The amount charged to PECO by PJM for capacity for its default service load under the reliability pricing model (RPM)
I = interest on the over or under collection where a rate of 8% is used on over-collection and 6% on under-collections.

S = estimated default service retail sales in kWh for the period the cost of which is being reconciled.

ALL = the average line losses in a procurement class as a percent of generation

LL = the average line losses for a particular rate (e.g. HT, PD, GS) as provided in the Electric Generation Supplier Coordination Tariff rule 6.6

GRT = The current gross receipts tax rate

Procurement Class – set of customers for which the company has a common procurement plan

Procedural Schedule

The Company shall file within 45 days after the end of the quarter the calculation of the over/under collection and the proposed adjustment to the GSA. The over/under collection adjustment shall then be effective no earlier than the first day in the upcoming quarter such that the recovery shall lag by one quarter. Quarterly adjustments shall be effective on July 1, October 1, January 1, and April 1 of each year. The first reconciliation, however shall be effective on July 1, 2011 and shall be recovered over 12 months. Monthly only customers shall be effective the first of the month. For Procurement Classes 1, 2 and 3, the calculation of the over/under collection and the proposed adjustment to the GSA that includes the interim two month period October 1, 2012 through November 30, 2012 shall be calculated and filed 45 days before the effective date of April 1, 2013.

The data provided in the reconciliation shall be audited on an annual basis by the PaPUC Bureau of Audits.

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PECO Energy Company

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Provision for Surcharge Recovery of Alternative Energy Portfolio Standard Costs

The energy charge for electric service for all rate schedules shall include:

- \$x xxxx per kWh for Procurement Class 1;
- \$x xxxx per kWh for Procurement Class 2;
- \$x xxxx per kWh for Procurement Class 3;
- \$x xxxx per kWh for Procurement Class 4

recovery of the costs associated with compliance with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act"). The rate associated with the recovery of these costs shall change once per year on June 1 with the exception of the first charge, which shall go into effect on January 1, 2011. The rate shall be calculated in the manner described below for procurement class 1, 2, 3 and 4.

Transition to Recovery in the GSA – Effective June 1, 2013, all AEPS cost shall be recovered in the GSA. In order to transition to this recovery mechanism, no AEPS rate will be filed for April 1, 2013, and costs otherwise recovered under that rate will be included in the GSA. On April 1, 2013, the Company shall file an AEPS over/under statement for the 13 months ended February 2013, and any over/under recovery balance shall be combined with the over/under balance in the corresponding GSA at the end of February 2013 for recovery through the reconciliation provision of the GSA. Over/under recoveries occurring during the March 2013 to May 2013 period shall be combined with the corresponding GSA over/under recovery in future GSA reconciliations.

Calculation of the AEPS Charge:

The AEPS charge per kWh shall be computed to the nearest one hundredth of a cent in accordance with the formula below:

$$AEPS\ Charge\ (n) = [(C-E)/S + RCC/S]/(1-T)$$

In calculating the AEPS Charge above, the following definitions shall apply:

AEC – Alternative Energy Credit, as such credit is defined by the Act.

AEPS – Alternative Energy Portfolio Standard.

AEPS Charge(n) – The charge for procurement class n, including over/(under) recovery and associated interest determined to the nearest one hundredth of a cent that will recover the cost of complying with the Act.

Alternative Compliance Payment (ACP) – Amount paid by the Company to meet its AEPS compliance target when there are not sufficient alternative resources available, which shall be \$45 per megawatt hour.

Alternative Energy – Energy generated by Alternative Energy Sources, as defined by the Act.

C – The projected total cost of complying with the Act for the calculation period for each procurement class.

Costs include the amount paid for Alternative Energy and/or AECs purchased for compliance with the Act (including the cost of banked AECs to be used by PECO during a compliance period), the cost of administering and conducting any procurement of Alternative Energy and/or AECs, payments to the AEC program administrator for its costs of administering an alternative energy credits program, payments to a third party for its costs in operating an AEC registry, any charge levied by PECO's regional transmission operator to ensure that alternative energy sources are reliable, a credit for the sale of any AECs sold during the calculation period, and the cost of Alternative Compliance Payments that are deemed recoverable by the Commission, plus any other direct or indirect cost of acquiring Alternative Energy and/or AECs and complying with the AEPS statute.

E – The under/(over) collection of AEPS costs for each procurement class in the reconciliation period.

Interest on any over/(under) recovery shall be at the statutory rate of 6%.

Calculation/Application Period – A projected 12-month period commencing on June 1 of the filing year and ending on May 31 of the following year.

Filing date – The AEPS charge shall be filed each year on April 1 with the exception of the first AEPS charge filing which shall be made on November 1, 2010.

Application Year – The year in which the monthly AEPS charge is billed to customers.

Reconciliation Period – The 12-month period ending January 31 of the filing year with the exception of the first reconciliation period which shall be for the 13 months ending January 31, 2012.

TDC – Rate cap costs or cost deferred in accordance with the AEPS Statute during the Cost Recovery Period.

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PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street
Philadelphia, Pennsylvania 19101

For List of Communities Served, See Page 4.

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**ISSUED BY: D. P. O'Brien – President
PECO Energy Distribution Company
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NOTICE.

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**GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASSES 1,2,3
 LOADS UP TO 500KW**

Applicability: This adjustment shall apply to all customers taking default service from the Company with demands up to 500 kW. The rate contained herein shall be calculated to the nearest one hundredth of a cent. The GSA shall contain the cost of generation supply for each tariff rate.

Pricing: The rates below shall include the cost of procuring power to serve the default service customers including the cost of complying with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act") plus associated administrative expenses incurred in acquiring power and gaining regulatory approval of any procurement strategy and plan. The pricing for default service will represent the estimate of the cost to serve the specific tariff rate for the next quarterly period, beginning with the three months ended August 31, 2013. The rates in this tariff shall be updated quarterly on June 1, September 1, December 1 and March 1 commencing June 1, 2013. If the balance of over/(under) recovery gets too large, the Company can file a reconciliation that will mitigate the subsequent impact. The generation service charge shall be calculated using the following formula:

$$GSA(n) = (C-E+A)/S*1/(1-T)* (1-ALL)/(1-LL) + AEPS/S*1/(1-T) + WC \text{ where:}$$

C = The sum of the amounts paid to the full requirements suppliers providing the power for the quarterly period, the spot market purchases for the quarterly period, plus the cost of any other energy acquired for the quarterly period. Cost shall include energy, capacity and ancillary services, distribution line losses, default service supplier cost of complying with the Alternative Energy Portfolio Standards, and any other load serving entity charges other than network transmission service and costs assigned under the Regional transmission Expansion Plan. Ancillary services shall include any allocation by PJM to PECO default service associated with the failure of a PJM member to pay its bill from PJM as well as the load serving entity charges listed in the Supply Master Agreement Exhibit D as the responsibility of the supplier. This component shall include one half of the proceeds and costs from the exercise of Auction Revenue Rights granted to PECO by PJM.

AEPS = The projected total cost of complying with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act") not included in the C component above for the quarterly period for each procurement class. Costs include the amount paid for Alternative Energy and/or Alternative Energy Credits ("AEC's") purchased for compliance with the Act, the cost of administering and conducting any procurement of Alternative Energy and/or AECs, payments to the AEC program administrator for its costs of administering an alternative energy credits program, payments to a third party for its costs in operating an AEC registry, any charge levied by PECO's regional transmission operator to ensure that alternative energy sources are reliable, a credit for the sale of any AECs sold during the calculation period, and the cost of Alternative Compliance Payments that are deemed recoverable by the Commission, plus any other direct or indirect cost of acquiring Alternative Energy and/or AECs and complying with the AEPS statute.

E = experienced over or under-collection calculated under the reconciliation provision of the tariff to be effective annually for the period June 1 of the current year through May 31 of the following year beginning with the June 1, 2013 through May 31, 2014 annual period.

A = Administrative Cost - This includes the cost of the Independent Evaluator, consultants providing guidance on the development of the procurement plan, legal fees incurred gaining approval of the plan, and any other costs associated with designing and implementing a procurement plan including the cost of pricing forecast necessary for estimating cost recoverable under this tariff. Also included in this component shall be the cost to implement real time pricing or other time sensitive pricing such as super-peak pricing that is required of the Company or is approved in its Act 129 filing. Administrative Cost also includes any other costs incurred to implement retail market enhancements directed by the Commission in its Retail Market Investigation at Docket No. I-2011-2237952 that are not recovered from EGSS. Capital costs associated with implementing the Company's Default Service Plan shall generally be amortized over five years and earn a return on the unamortized balance at the Company's cost of capital. The cost of capital shall be based upon the capital structure and cost of debt and preferred stock in the Company's most recent Quarterly Earnings Report filed with the Commission. The return on equity shall be at the rate allowed in the Smart Meter Surcharge.

S = Estimated sales for the period the rate is in effect for the classes to which the rate is applicable. Annual estimated sales are used for the E factor for the effective period June 1 of the current year through May 31 of the following year beginning with the June 1, 2013 through May 31, 2014 annual period.

T = The currently effective gross receipts tax rate.

n = The procurement class for which the GSA is being calculated.

ALL = average line losses for the procurement class.

LL = line losses for the specific rate class provided in the Company's Electric Generation Supplier Coordination Tariff rule 6.6.

WC = 0.04¢/kWh to represent the cash working capital for power purchases.

Auction Revenue Rights (ARR) - Allocated annually by PJM to Firm transmission customers, the ARRs allow a Company to select rights to specific transmission paths in order to avoid congestion charges.

In general the line loss adjustment is applicable to Procurement Class 2 and 3 only as those classes contain rate classes with three different line loss factors. Current charges:

GSA 1	GSA 2	GSA 3
Rate R xx	Rate GS xx	Rate GS xx
Rate RH xx	Rate PD xx	Rate PD xx
Rate OP xx	Rate HT xx	Rate HT xx
	Rate POL xx	
	Rate SLS xx	
	Rate TLCL xx	
	Rate SLE xx	
	Rate AL xx	

Procedure: For Procurement Classes 1, 2 and 3 the GSA shall be filed 45 days before the effective dates of June 1, September 1, December 1 and March 1 in conjunction with the Reconciliation Schedule.

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Effective June 1, 2013

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Rate	
R	All kWh
	1st 500 S
	Over 500 S
RH	1st 600 W
	Over 600 W
	1st 500 S
	Over 500 S
OP	
GS	Up to 100 kW
	1st 80 hours use
	Next 80 hrs - S
	Up to 400 Hrs use
	Over 400 Hrs use & 200
	Space Heating
GS	101-500 kW
	1st 80 hours use
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PECO Energy Company

**GENERATION SUPPLY ADJUSTMENT FOR PROCUREMENT CLASS 4
 LOADS GREATER THAN 500KW**

Applicability: This adjustment shall apply to all customers taking default service from the Company with demands greater than 500kw.
 Hourly Pricing Service

Pricing: The rates below shall include the cost of procuring power to serve the default service customers plus associated administrative expenses incurred in acquiring power and gaining regulatory approval of any procurement strategy and plan. The rates for GSA 4 Hourly shall be effective the first of each month. If the balance of over/(under) recovery gets too large due to billing lag, the Company can file a reconciliation that will mitigate the subsequent impact. The cost for this hourly service rate shall be as follows:

Generation Supply Cost (GSC) = (C+R+AS+AC-E)/(1-T)+WCA where;
 C= The PJM day ahead hourly price multiplied by the customers usage in the hour summed up for all hours in the month

$\Sigma PJM_{DA} \times usage / (1-LL)$
 PJM_{DA} – PJM on day ahead hourly price.

Usage - electricity used by an end use customer.

R = The PJM reliability pricing model (RPM) charge for month for the customer. The RPM charge shall be the customers peak load contribution as established for PJM purposes multiplied by the current RPM monthly charge and the PJM established reserve margin adjustment.

PLC x (1+ RM) x P_{RPM} x Bill Days

PLC = peak load contribution

RM = reserve margin adjustment per PJM

P_{RPM} = capacity price per MW-day

AC = Administrative Cost - This includes an allocation of the cost of the Independent Evaluator, consultants providing guidance on the development of the procurement strategy, legal fees incurred gaining approval of the plan, and any other costs associated with designing and implementing a procurement plan divided by the total default service sales and then multiplied by the customers usage for the month. Administrative Cost also includes any other costs incurred to implement retail market enhancements directed by the Commission in its Retail Market Investigation at Docket No. I-2011-2237952 that are not recovered from EGSs. Capital costs associated with implementing the Company's Default Service Plan shall generally be amortized over five years and earn a return on the unamortized balance at the Company's cost of capital. The cost of capital shall be based upon the capital structure and cost of debt and preferred stock in the Company's most recent Quarterly Earnings Report filed with the Commission. The return on equity shall be at the rate allowed in the Smart Meter Surcharge.

A / S x Usage

A = administrative cost
 S = Default service sales

AS = The cost, on a \$/MWH basis, of acquiring ancillary services from PJM and of complying with the Alternative Energy Portfolio Standard, multiplied by the customers usage for the month and divided by (1-LL). Congestion charges including one half of the proceeds and costs from the exercise of ARR's shall be included in this component. Ancillary services shall be those included in the Supply Master Agreement as being the responsibility of the supplier.

$((PJM_{AS} \times Usage * 1 / (1-LL)) + AEPS / S_{AEPS} \times Usage)$

PJM_{AS} = \$/MWH charged by PJM for ancillary services

AEPS = cost of complying with the alternative energy portfolio standard

S_{AEPS} = sales for which AEPS cost is incurred

If the supplier provides the ancillary services and AEPS cost then the customer shall be charged the supplier's rate for these services times usage and divided by (1-LL).

Auction Revenue Rights (ARR) – Allocated annually by PJM to Firm transmission customers, the ARR's allow a Company to select rights to specific transmission paths in order to avoid congestion charges.

LL = line loss factor as provided in the Company's Electric Generation Supplier Coordination Tariff Rule 6.8 based upon the customers distribution rate class adjusted to remove losses included in the PJM LMP

T = The currently effective gross receipts tax rate

E = $\Sigma O(U)/S_4 \times usage$ where

E = over/under recovery as calculated in the reconciliation

S₄ = Procurement class four sales

WC = 0.04¢/kWh for working capital associated with power purchases

WCA = individual customer sales x WC

Procedure: The "E" factor shall be updated monthly in conjunction with the Reconciliation. Monthly reconciliations shall be recovered over a one month period after the occurrence of a quarter.

Tariff Rate	GS	PD	HT	EP
Hourly Pricing Adder* (cents/kWh)	x.xx	x.xx	x.xx	x.xx

* Includes administrative cost (AC), ancillary service charge (AS), E factor (E) and working capital (WC).

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PECO Energy Company

RECONCILIATION

Applicability: This adjustment shall apply to all customers who received default service during the period the cost of which is being reconciled. Customers taking default service during the reconciliation period that leave default service prior to the assessment of the collection of the over/(under) adjustment shall still pay or receive credit for the over/(under) adjustment through the migration provision. The Company shall notify the Commission and parties to the Default Service Settlement 15 days in advance of the applicable filing if the Migration Provision will be implemented in the filing.

This adjustment shall be calculated on an annual basis for Procurement Classes 1, 2 and 3. The reconciliation period will be March 1 of the previous year through February 28 or 29 (leap year) of the current year commencing March 1, 2013 with the associated effective period of June 1 of the current year through May 31 of the following year commencing with June 1, 2014. An interim adjustment will be calculated that will include the three month period December 1, 2012 through February 28, 2013 to be collected during the twelve month period June 1, 2013 through May 31, 2014. For Procurement Class 4 Hourly, the adjustment shall be calculated on a monthly basis with recovery commencing after the occurrence of a quarter. The reconciliation shall be separate for each procurement class. Any resulting over or under recovery shall be assessed on an equal cents per kilowatt-hour basis to all customers in the relevant procurement group. Any over/(under) recovery shall be collected after the occurrence of three months from the end of the reconciliation period. For purposes of this rider the reconciliation shall be calculated 45 days before the effective date of recovery. The over or under recovery shall be calculated using the formula below. The calculation of the over/(under) recovery shall be done separately for the following procurement classes – Class 1 – Residential, Class 2 – Small C&I < 100 kW, and Class 3 – Medium C&I 101 kW to 500 kW and Class 4 Large C&I over 500 kW.

Reconciliation Formula

$$E_N = \Sigma O(U) + I$$

$$\text{Migration Provision } E_M = [\Sigma O(U) + I] / S(1 - GRT)^*(1 - ALL)/(1 - LL)$$

Where:

E = experienced over or under collection plus associated interest

N = Procurement class

M = Migration Rider

O(U) = The monthly difference between revenue billed to the procurement class and the cost of supply as described below in Cost, AEPS and Administrative Cost.

Revenue = amount billed to the tariff rates applicable to the procurement class including approved Real Time Price or other time sensitive rates for the period being reconciled through the GSA.

Cost = The sum of the amounts paid to all of the full requirements suppliers providing the power for the period being reconciled, the spot market purchases for the period being reconciled, plus the cost of any other energy acquired for the period being reconciled. Cost shall include energy, capacity and ancillary services, as well as one half the proceeds and cost of auction revenue rights for Procurement Classes 1, 2 and 3. Ancillary services shall include any allocation by PJM to PECO default service associated with the failure of a PJM member to pay its bill from PJM as well as those costs listed in the Supply Master Agreement as the responsibility of the seller.

AEPS = The total cost of complying with the Alternative Energy Portfolio Standards Act ("AEPS" or the "Act") not included in the Cost component above for the reconciliation period for Procurement Classes 1, 2 and 3. For Procurement Class 4 Hourly, these costs are included in ancillary services. Costs include the amount paid for Alternative Energy and/or Alternative Energy Credits ("AEC's") purchased for compliance with the Act, the cost of administering and conducting any procurement of Alternative Energy and/or AECs, payments to the AEC program administrator for its costs of administering an alternative energy credits program, payments to a third party for its costs in operating an AEC registry, any charge levied by PECO's regional transmission operator to ensure that alternative energy sources are reliable, a credit for the sale of any AECs sold during the calculation period, and the cost of Alternative Compliance Payments that are deemed recoverable by the Commission, plus any other direct or indirect cost of acquiring Alternative Energy and/or AECs and complying with the AEPS statute.

Administrative Cost = This includes the cost of the Independent Evaluator, consultants providing guidance on the development of the procurement strategy, legal fees incurred gaining approval of the strategy, and any other costs associated with designing and implementing a procurement plan including the cost of pricing forecast necessary for estimating cost recoverable under this tariff. Also included in this component shall be the cost to implement real time pricing or other time sensitive pricing such as super-peak pricing that is required of the Company or approved in its Act 129 filing. Administrative Cost also includes any other costs incurred to implement retail market enhancements directed by the Commission in its Retail Market Investigation at Docket No. I-2011-2237952 that are not recovered from EGSs. Capital costs associated with implementing the Company's Default Service Plan shall generally be amortized over five years and earn a return on the unamortized balance at the Company's cost of capital. The cost of capital shall be based upon the capital structure and cost of debt and preferred stock in the Company's most recent Quarterly Earnings Report filed with the Commission. The return on equity shall be at the rate allowed in the Smart Meter Surcharge.

Full Requirements Supply = A product purchased by the Company that includes a fixed price for all energy consumed. The only cost added by the Company to the full requirements price is for gross receipts tax, distribution line losses, and administrative cost.

Ancillary Services = The following services in the PJM OATT: reactive support, frequency control, operating reserves, supplemental reserves, imbalance charges, PJM annual charges, any PJM assessment associated with non-payment by members, and any other load serving entity charges not listed here but contained in Exhibit D of the Supply Master Agreement. Also included shall be one half of the proceeds and cost from the exercise of auction revenue rights for Procurement Class 4 Hourly Service.

Auction Revenue Rights (ARR) – Allocated annually by PJM to Firm transmission customers, the ARRs allow a Company to select rights to specific transmission paths in order to avoid congestion charges.

Capacity = The amount charged to PECO by PJM for capacity for its default service load under the reliability pricing model (RPM)

I = interest on the over or under collection where a rate of 8% is used on over-collection and 6% on under-collections.

S = estimated default service retail sales in kWh for the period the cost of which is being reconciled

ALL = the average line losses in a procurement class as a percent of generation

LL = the average line losses for a particular rate (e.g. HT, PD, GS) as provided in the Electric Generation Supplier Coordination Tariff rule 6.6

GRT = The current gross receipts tax rate

Procurement Class – set of customers for which the company has a common procurement plan

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RECONCILIATION

(CONTINUED)

Procedural Schedule

The Company shall file the calculation of the over/under collection for the period being reconciled and the proposed adjustment to the GSA (C) 45 days before the effective date as described below. The over/under collection adjustment for Procurement Classes 1, 2 and 3 shall be effective for the annual period of June 1 of the current year through May 31 of the following year commencing with June 1, 2013. For Procurement Class 4 Hourly, the over/under collection adjustment shall be effective no earlier than the first day in the upcoming quarter such that the recovery shall lag by one quarter. For Procurement Classes 1, 2 and 3 the GSA will be effective on June 1, September 1, December 1 and March 1 commencing June 1, 2013. GSA 4 Hourly rates shall be effective the first of each month. The data provided in the reconciliations shall be audited on an annual basis by the PaPUC Bureau of Audits.

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