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PECO Energy Company
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March 30, 2012

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

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MAR 30 2012

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU*M-00930383*

Re: Docket No. R-00973953 -Nuclear Decommissioning Cost Adjustment (NDCA)

Dear Secretary Chiavetta:

As part of its restructuring and merger settlements, PECO is required to file the NDCA every five years with the Commission to reflect updated cost studies and fund balances as well as license extensions. The purpose of this filing is to reduce revenue recovered through the Nuclear Decommissioning Cost Adjustment (NDCA) to a credit of (\$5.42) million, in revenue annually, resulting in a decrease to the NDCA from \$0.0000 per kWh to a credit value of -\$0.0002 per kWh starting on January 1, 2013. The monthly bill for a typical residential customer (Rate R) using 500 kWh a month will decrease by \$0.10 or approximately 0.1% starting on January 1, 2013.

In addition to the supporting information required under §52 Pa. Code 53.52(a)(b) this filing includes:

- Attachment 1 - NDCA Calculation;
- Attachment 2 - Nuclear Decommissioning Costs Escalated to 2012 Dollars;
- Attachment 3 - Decommissioning Expenditures By Year;
- Attachment 4 - PECO Energy Nuclear Decommissioning Trust Fund Balances as of December 31, 2011;
- Attachment 5 - Annual Decommissioning Expense by Unit;
- Attachment 6 - PECO Energy Consolidated Income Statement for 12 Months Ending December 31, 2011;
- Attachment 7 - Sample Tariff Page

Please direct any questions with regard to the above to Mike Trzaska at 215-841-4611.

Would you please acknowledge the foregoing on the enclosed copy of this letter.

Sincerely,



Copies to: C. Walker-Davis, Director, Office of Special Assistants
P. T. Diskin, Director, Bureau of Technical Utility Services
M. C. Lesney, Director, Bureau of Audits
J. E. Simms, Director, Bureau of Investigation & Enforcement
Office of Consumer Advocate
Office of Small Business Advocate
McNees, Wallace & Nurick

Proposed Changes to Electric Tariff No. 4

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

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

The tariff change is required to satisfy the requirements of the Nuclear Decommissioning Cost Adjustment Clause (NDCA) as specified in Page 37 of the Company's Electric Tariff. The NDCA was established in the Company's Tariff as a result of the Restructuring Settlement, Docket No. R-00973953. The purpose of the NDCA is to provide for recovery of increased nuclear decommissioning costs related to the Company's Ownership interest in Nuclear Generation as of December 31, 1999.

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

As of February 29, 2012, PECO Energy served 1.58 million electric customers.

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

Shown below are the numbers of customers, by Tariff subdivision, whose bills will be affected by the change.

Rate R	1,247,330
Rate RH	171,580
Rate GS	148,713
Rate HT	2,550
Rate PD	560
Lighting	9,684
EP	5

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SECRETARY'S BUREAU

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

This change would decrease the NDCA from \$0.0000 per kWh to a credit value of -\$0.0002 per kWh, which will be incorporated in the charges of all customers to whom the NDCA is applicable. This change will be implemented with the first meter reading after January 1, 2013 per Paragraph 20 of the Restructuring Settlement.

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

The proposed change will allow PECO to lower the revenue requirement to cover the expense level associated with the adjusted annual expense accrual, resulting in no effect on net income for ratemaking purposes. The NDCA calculation indicates that the Company will reduce recovery by \$7.2 million per year (versus the current level), which equates to 0.194% of the most recent 12 months operating revenue.

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

None.

- (a)(7) **A list of factors considered by the utility in its determination to make a 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 a tariff change seeking a general rate increase as defined in 66 Pa. CS 1308.**

The Company's Electric Tariff, Page No. 37, requires that the NDCA must be calculated every five years with the assumption that the first calculation was performed on January 1, 1998. Therefore, the Company is required to perform this calculation and the subsequent filing for January 1, 2013 to meet the requirements of the Tariff.

The Energy Policy Act of 2005 (Public Law 108-59) included federal income tax provisions, that modified the federal income tax rules for qualified decommissioning trust funds. Pending issuance of Treasury Regulations explaining parameters around the transfer of amounts to a qualified decommissioning trust fund and the cost of service requirement, PECO's recovery of additional nuclear decommissioning costs should continue to be predicated on the following assumptions that have been used for calculating the amount to be included in cost of service and historically have been used for purpose of maximizing the use of qualified decommissioning trust funds.

Specific factors considered, among others, include the qualified and non-qualified fund balances as well as the estimates of nuclear decommissioning costs derived from comprehensive studies performed by TLG Services, Inc. (TLG) using estimating practices generally accepted in the nuclear industry and supported by U.S. Nuclear Regulatory Commission regulation. These are relevant factors set forth on the applicable tariff page. In addition, PECO's estimates are based on the following factors to derive the annual expense accrual needed to provide adequate funding for the nuclear decommissioning activities for the former PECO units:

1. Annual Expense Accrual. PECO's proposed reduction of the NDCA to a credit value of $-\$0.0002$ per kWh is based on a total annual cost of service ratemaking allowance for nuclear decommissioning expense of \$23.455 million (net of any applicable gross receipts or other applicable taxes), which is the sum of the Annual Expense Accruals derived for each of the former PECO nuclear units as follows:

<u>Units</u>	<u>Annual Expense Accrual (\$)</u>
Limerick 1	8,232,400
Limerick 2	13,104,544
Peach Bottom 1	2,117,789
Peach Bottom 2	0
Peach Bottom 3	0
Salem 1	0
Salem 2	0
TOTAL	<u>23,454,733</u>

The \$0.00 Annual Expense Accrual for Salem 1 and Salem 2 from the Base Accruals for those units set forth in the present Page No. 37 to the Company's Electric Service Tariff (\$2.651 mm and \$2.509 mm) is in large part caused by the estimated effect that the 20-year operating license extension granted by the U.S Nuclear Regulatory Commission on June 30, 2011, would have on trust fund earnings based on current trust fund levels for those units.

2. Factors used in Calculating Annual Accruals. PECO's Annual Accruals for the former PECO units were derived using the following:

a. **Real Rate of Return.** The settlement would provide specifically that the calculated annual accruals permitted for ratemaking purposes is predicated on a 3 percent real rate of return of earnings on the trust fund balances for each Unit. This assumption is unchanged from that used by the Commission in PECO's Restructuring Settlement at Docket No. R-00973953, order entered on May 14, 1998 and the settlement of PECO's 2003 NDCA filing at Docket No. R-00038102 et al, order entered September 9, 2003.

b. **Assumed after tax rate of return to be earned by funds.** 6.5 percent.

c. **Methodology used to convert present to future dollars.** The present or current values of fund balances are escalated using a 6.5% after-tax rate of return. Costs are escalated 3.5%. Therefore, a real rate of return of 3% is used for converting from present or current dollars to future dollars.

d. **Period of Collection.** The amount of decommissioning costs included in the cost of service per unit and the proposed period of collection is:

<u>Unit</u>	<u>Cost of Service</u> <u>(\$mm)</u>	<u>Period of Collection</u>
Limerick 1	8.232	1/1/2013 – 2023
Limerick 2	13.105	1/1/2013 – 2028
Peach Bottom 1	2.118	1/1/2013 – 2032
Peach Bottom 2	0.000	1/1/2013 – 2032
Peach Bottom 3	0.000	1/1/2013 – 2033
Salem 1	0.000	1/1/2013 – 2035
Salem 2	0.000	1/1/2013 – 2039

e. **Description of the proposed method of decommissioning** (for example, prompt dismantlement, safe storage):

<u>Unit</u>	<u>Method of Decommissioning</u>
Limerick 1	Decon
Limerick 2	Decon
Peach Bottom 1	Delayed Decon
Peach Bottom 2	Decon
Peach Bottom 3	Decon
Salem 1	Decon
Salem 2	Decon

f. **Estimated year in which substantial decommissioning costs will first be incurred:**

<u>Unit</u>	<u>Year</u>
Limerick 1	2024
Limerick 2	2029
Peach Bottom 1	2033
Peach Bottom 2	2033
Peach Bottom 3	2034
Salem 1	2036
Salem 2	2040

g. Estimated year in which decommissioning costs will be substantially complete:

<u>Unit</u>	<u>Year</u>
Limerick 1	2050
Limerick 2	2050
Peach Bottom 1	2037
Peach Bottom 2	2057
Peach Bottom 3	2057
Salem 1	2068
Salem 2	2068

h. Total estimated cost of decommissioning expressed in current dollars and future dollars and cost per year in both current and future dollars)

Unit Estimated Cost of Decommissioning
(in \$1,000 as of 1/1/2012)

Limerick 1	692,283
Limerick 2	868,480
Peach Bottom 1	199,184
Peach Bottom 2	331,171
Peach Bottom 3	370,657
Salem 1	307,404
Salem 2	329,118

Unit Estimated Cost of Decommissioning
(in 1,000s of Future Dollars)

Limerick 1	1,468,559
Limerick 2	1,836,440
Peach Bottom 1	423,912
Peach Bottom 2	846,424
Peach Bottom 3	958,867
Salem 1	987,382
Salem 2	1,103,761

Unit Required Annual Accrual
(in \$1,000/yr)

Limerick 1	8,232
Limerick 2	13,105
Peach Bottom 1	2,118
Peach Bottom 2	0
Peach Bottom 3	0
Salem 1	0
Salem 2	0

- i. The Company's ownership interest in nuclear generation as of December 31, 1999:

<u>Unit</u>	<u>Ownership Interest</u>
Limerick 1	100.00%
Limerick 2	100.00%
Peach Bottom 1	100.00%
Peach Bottom 2	42.49%
Peach Bottom 3	42.49%
Salem 1	42.59%
Salem 2	42.59%

- (a)(8) Studies undertaken by the utility in order to draft its proposed change. This paragraph does not apply to a portion of the tariff change seeking a general rate increase as defined in 66 Pa. C.S. 1308.**

See attachments 2-5. The cost figures were derived from nuclear decommissioning estimates performed by TLG Services, Inc. for each of the former PECO units and U.S. Nuclear Regulatory Commission Regulations. The trust fund balances were derived from the books of account for each of the qualified and non-qualified trust fund balances established for each of the former PECO units in accordance with U.S. NRC and U.S. Department of Revenue Internal Revenue Service regulations. The annual accruals for each unit were derived using the sinking fund methodology as required by the Company's Electric Tariff, Page No. 37.

- (a)(9) Customer polls taken and other documents, which indicate customer acceptance and desire for the proposed change. If the poll or other documents reveal discernable public opposition; an explanation of why the change is in the public interest shall be provided.**

None.

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

The Company proposes to notify its customers in the first billing cycle when the NDCA is applied to the bills.

- (a)(11) F.C.C., FERC, or Commission orders or ruling applicable to the filing.**

PECO's Restructuring Settlement, Docket No. R-00973953, Order entered on May 14, 1998 (authorizing the NDCA);
 PECO Merger Settlement, Docket No. A-110550F0147, Order entered June 22, 2000 (authorizing modifications to the NDCA);
 PaPUC Secretarial Letter dated May 3, 2001 (clarifying the real rate of return used for calculating the decommissioning expense accrual);
 PECO's 2003 NDCA Filing Settlement, Docket No. R-00038102, Order entered on September 9, 2003 and
 10 CFR Section 50.75, "Reporting and Recordkeeping for Decommissioning Planning".

(b)(1) The specific reasons for the increase or decrease.

The decrease in the NDCA is the result of subtracting the Annual Expense Accruals derived from the current study from the Base Annual Expense Accruals, as set forth at Page No. 37 to PECO's Electric Tariff. Attachment 1 provides a calculation of the NDCA and shows a NDCA revenue requirement of approximately -\$5.422 million per year, which is 95% of the difference between the Adjusted Annual Accrual of \$23.455 million and the Base Accrual of \$29.162 million. Attachment 2 provides the 2012 decommissioning cost estimates. Attachment 3 provides the detailed future decommissioning expenditures for each nuclear unit. Attachment 4 provides the qualified and non-qualified trust fund balances for each nuclear unit as of December 31, 2011. Attachment 5 provides the annual expenses by unit which sum to \$23.455 million.

(b)(2) The operating income statement of the utility for a 12-month period, the end of which may not be more than 120 days prior to the filing. Water and wastewater utilities with annual revenues under \$100,000 and municipal corporations subject to Commission jurisdiction may provide operating income statements for a 12 month period, the end of which may not be more than 180 days prior to filing.

See attachment 6 for PECO's operating income statement for the 12 months ending December 31, 2011.

(b)(3) A calculation of the number of customers, by tariff subdivision, whose bills will be increased.

None.

(b)(4) A calculation of the total increase, in dollars, by tariff subdivision, projected on an annual basis.

None.

(b)(5) A calculation of the number of customers, by tariff subdivision, whose bills will be decreased.

See response to 53.52 (a)(3).

(b)(6) A calculation of the total decreases, in dollars, by tariff subdivision, projected to an annual basis.

The annual effect for the period covered under this filing will result in a decrease of \$7.2 million annually for recovery of nuclear decommissioning costs associated with former PECO owned plants starting in January 2013. A breakdown of the decrease, by tariff subdivision, is as follows:

<u>Rate</u>	<u>MWh sales for 2013</u>	<u>Decrease in Decommissioning Expense (\$000)</u>
Rate R	10,371,035	\$ 2,074
Rate RH	2,835,798	\$ 567
Rate GS	8,216,295	\$ 1,643
Rate HT	12,653,108	\$ 2,531
Rate PD	963,912	\$ 193
Rate EP	746,239	\$ 149
Street Lighting	198,121	\$ 40

Nuclear Decommissioning Cost Adjustment (NDCA) Calculation

$$\text{NDCA} = \frac{\text{PaPUC Authorized Decommissioning Expense Adjustment}}{\text{Total Pennsylvania Jurisdictional Sales for Calculation Year}}$$

Adjusted Annual Accrual = Total Nuclear Decommissioning Annual Requirement
 Adjusted Annual Accrual = \$23,455 M

PaPUC Authorized Decommissioning Expense Adjustment
 = (Adjusted Annual Accrual - Base Accrual) * 0.95
 = (\$23,455 M - \$29,162 M) * 0.95
 = -\$5,422 M

Total Pa. Jurisdictional Sales for Calculation Year (2013) = 35,984,508,116 kWh

$$\text{NDCA} = \frac{-\$5,421,904}{35,984,508,116 \text{ kWh}}$$

NDCA = -\$0.0002 per kWh

Nuclear Decommissioning Costs Escalated to 2012 Dollars
(\$ thousands)

<u>Unit</u>	<u>2012 Estimates</u>
Limerick 1	\$ 692,283
Limerick 2	\$ 868,480
Peach Bottom 1	\$ 199,184
Peach Bottom 2	\$ 331,171
Peach Bottom 3	\$ 370,657
Salem 1	\$ 307,404
Salem 2	\$ 329,118

Limerick 1
Decommissioning Expenditures By Year
(\$ thousands)

<u>Year</u>	<u>Decommissioning Expenditure</u>
2024	\$ 12,458
2025	\$ 72,703
2026	\$ 42,318
2027	\$ 27,584
2028	\$ 29,630
2029	\$ 31,654
2030	\$ 33,908
2031	\$ 36,324
2032	\$ 133,589
2033	\$ 244,972
2034	\$ 179,616
2035	\$ 100,033
2036	\$ 76,147
2037	\$ 73,162
2038	\$ 47,007
2039	\$ 10,077
2040	\$ 10,824
2041	\$ 11,563
2042	\$ 12,387
2043	\$ 18,233
2044	\$ 21,761
2045	\$ 23,269
2046	\$ 24,926
2047	\$ 26,701
2048	\$ 28,655
2049	\$ 103,194
2050	\$ 35,863
	<u>\$ 1,468,559</u>

Limerick 2
Decommissioning Expenditures By Year
(\$ thousands)

<u>Year</u>	<u>Decommissioning Expenditure</u>
2029	\$ 67,192
2030	\$ 170,317
2031	\$ 276,458
2032	\$ 241,616
2033	\$ 189,198
2034	\$ 200,609
2035	\$ 120,610
2036	\$ 89,110
2037	\$ 96,582
2038	\$ 60,642
2039	\$ 9,974
2040	\$ 10,714
2041	\$ 11,445
2042	\$ 12,260
2043	\$ 18,047
2044	\$ 21,538
2045	\$ 23,031
2046	\$ 24,671
2047	\$ 26,429
2048	\$ 28,362
2049	\$ 102,139
2050	\$ 35,497
	<u>\$ 1,836,440</u>

Peach Bottom 1
Decommissioning Expenditures By Year
(\$ thousands)

<u>Year</u>	<u>Decommissioning Expenditure</u>
2033	\$ 61,964
2034	\$ 100,329
2035	\$ 107,294
2036	\$ 91,409
2037	\$ 62,917
	<u>\$ 423,912</u>

Peach Bottom 2
Decommissioning Expenditures By Year
(\$ thousands)

<u>Year</u>	<u>Decommissioning Expenditure</u>
2033	\$ 27,007
2034	\$ 87,390
2035	\$ 112,560
2036	\$ 97,910
2037	\$ 67,835
2038	\$ 72,667
2039	\$ 50,211
2040	\$ 8,604
2041	\$ 37,335
2042	\$ 30,103
2043	\$ 26,964
2044	\$ 6,644
2045	\$ 7,098
2046	\$ 7,603
2047	\$ 8,145
2048	\$ 8,891
2049	\$ 13,012
2050	\$ 13,939
2051	\$ 14,932
2052	\$ 16,027
2053	\$ 17,134
2054	\$ 18,355
2055	\$ 19,662
2056	\$ 24,182
2057	\$ 52,215
	<u>\$ 846,424</u>

Peach Bottom 3
Decommissioning Expenditures By Year
(\$ thousands)

<u>Year</u>	<u>Decommissioning Expenditure</u>
2034	\$ 30,253
2035	\$ 71,032
2036	\$ 117,504
2037	\$ 123,884
2038	\$ 97,955
2039	\$ 104,932
2040	\$ 70,733
2041	\$ 41,928
2042	\$ 43,622
2043	\$ 38,473
2044	\$ 6,452
2045	\$ 6,893
2046	\$ 7,383
2047	\$ 7,909
2048	\$ 8,614
2049	\$ 12,584
2050	\$ 13,448
2051	\$ 14,371
2052	\$ 15,387
2053	\$ 16,411
2054	\$ 17,538
2055	\$ 18,741
2056	\$ 23,000
2057	\$ 49,821
	<u>\$ 958,867</u>

Salem 1
Decommissioning Expenditures By Year
(\$ thousands)

<u>Year</u>	<u>Decommissioning Expenditure</u>
2036	\$ 20,398
2037	\$ 73,145
2038	\$ 102,866
2039	\$ 93,787
2040	\$ 77,113
2041	\$ 82,380
2042	\$ 40,534
2043	\$ 4,454
2044	\$ 4,784
2045	\$ 5,111
2046	\$ 26,269
2047	\$ 53,380
2048	\$ 25,429
2049	\$ 6,649
2050	\$ 7,123
2051	\$ 7,630
2052	\$ 8,194
2053	\$ 8,755
2054	\$ 9,379
2055	\$ 10,047
2056	\$ 10,790
2057	\$ 11,529
2058	\$ 12,350
2059	\$ 13,230
2060	\$ 14,209
2061	\$ 15,182
2062	\$ 16,263
2063	\$ 17,421
2064	\$ 18,710
2065	\$ 19,680
2066	\$ 21,081
2067	\$ 29,067
2068	\$ 120,441
	<u>\$ 987,382</u>

Salem 2
Decommissioning Expenditures By Year
(\$ thousands)

<u>Year</u>	<u>Decommissioning Expenditure</u>
2040	\$ 46,356
2041	\$ 100,167
2042	\$ 130,293
2043	\$ 112,107
2044	\$ 109,742
2045	\$ 107,006
2046	\$ 54,868
2047	\$ 64,619
2048	\$ 30,775
2049	\$ 6,123
2050	\$ 6,559
2051	\$ 7,026
2052	\$ 7,546
2053	\$ 8,062
2054	\$ 8,637
2055	\$ 9,252
2056	\$ 9,936
2057	\$ 10,616
2058	\$ 11,373
2059	\$ 12,183
2060	\$ 13,084
2061	\$ 13,980
2062	\$ 14,976
2063	\$ 16,042
2064	\$ 17,229
2065	\$ 18,122
2066	\$ 19,412
2067	\$ 26,766
2068	\$ 110,906
	<u>\$ 1,103,761</u>

PECO Energy Nuclear Decommissioning Trust Fund Balances
As of December 31, 2011
 (\$)

<u>Unit</u>	<u>Qualified Fund</u>	<u>Non-Qualified Fund</u>	<u>TOTAL</u>
Limerick 1	\$ 251,886,119	\$ 4,654,479	\$ 256,540,598
Limerick 2	\$ 260,783,853	\$ 5,601,699	\$ 266,385,551
Peach Bottom 1	\$ 52,180,000	\$ 14,233,110	\$ 66,413,111
Peach Bottom 2	\$ 125,597,598	\$ 19,328,311	\$ 144,925,909
Peach Bottom 3	\$ 132,259,027	\$ 25,125,198	\$ 157,384,225
Salem 1	\$ 153,968,186	\$ 11,708,216	\$ 165,676,402
Salem 2	\$ 132,372,897	\$ 8,215,443	\$ 140,588,340
	<u>\$ 1,109,047,680</u>	<u>\$ 88,866,456</u>	<u>\$ 1,197,914,136</u>

Annual Decommissioning Expense By Unit
(\$)

<u>Unit</u>	<u>Annual Expense</u>
Limerick 1	\$ 8,232,400
Limerick 2	\$ 13,104,544
Peach Bottom 1	\$ 2,117,789
Peach Bottom 2	\$ -
Peach Bottom 3	\$ -
Salem 1	\$ -
Salem 2	\$ -
	<u>\$ 23,454,733</u>

**PECO ENERGY CONSOLIDATED
INCOME STATEMENT
TWELVE MONTHS ENDED DECEMBER 31, 2011**

	12 Months Ended 12/31/2011
<u>Operating Revenues</u>	
Retail	3,458,081,700
Wholesale	32,280,500
Other	224,284,900
Intercompany	5,171,900
Nonconsolidated Affl - Revenue	-
Total Operating Revenues	3,719,819,000
<u>Operating Expenses</u>	
Purchased Power	1,051,751,100
Intercompany Purchased Power	495,402,800
Purchased Power Nonconsol Affl	-
Fuel-	316,833,900
Intercompany Fuel	-
Operating and Maintenance	697,758,700
Business Srvs Contracted Srvs	92,151,200
EDSS Contracted Services	-
Codeblock Map Error	-
Interco Operating and Maint	3,809,100
Oper&Maint NonConsol Affiliate	-
Goodwill Impairment	-
Intangible Asset Impairment	-
Depreciation and Amortization	201,769,000
Taxes Other Than Income	204,895,700
Total Operating Expenses	3,064,371,500
Total Operating Income	655,447,500
<u>Other Income and Deductions</u>	
Interest Exp, Net of Amts Cap	(122,685,000)
Intercompany Interest Expense	-
Interest Expense Non Con Affl	(11,912,500)
Distributions on Pfd Sec Subs	-
Equity in Earnings of Uncons	264,700
Earnings of Consolidated Cos	-
Intercompany Interest Income	169,500
Other, Net	13,246,800
Total Other Income and Deductions	(120,916,500)
Inc Before Inc Tax & Oth Items	534,531,000
Income Taxes	146,137,900
Net Income	388,393,100
Preferred Stock Dividends	3,695,800
Net Income On Common Stock	384,697,300

PECO Energy Company

NUCLEAR DECOMMISSIONING COST ADJUSTMENT CLAUSE (NDCA)

The NDCA provides for the recovery of nuclear of decommissioning costs related to the Company's Ownership interest in Nuclear Generation as of 12/31/99. The NDCA shall be charged to all customers taking service under this Tariff. The adjustment shall be a cents per kWh charge calculated to the nearest one hundredth of one cent.

The Company's Ownership interest in nuclear generation as of December 31, 1999 consists of the following:

Peach Bottom 1	100%
Peach Bottom 2	42.49%
Peach Bottom 3	42.49%
Salem 1	42.59%
Salem 2	42.59%
Limerick 1	100%
Limerick 2	100%

Formula

The following formula shall be used to determine the NDCA.

$$NDCA = \frac{\text{PaPUC Authorized Decommissioning Expense Adjustment}}{\text{Total Pennsylvania Jurisdictional Sales for Calculation Year}}$$

Where:

PaPUC Authorized Decommissioning Expense Adjustment (Adjusted Annual Accrual - Base Accrual) x .95 = the Adjusted Annual Accrual in the Calculation Year less the Base Accrual. As of January 1, 2013, the NDCA shall be a credit value of \$0.0002/kWh and will be added to the distribution charge for Rates POL and SL-S, the service location distribution charge for Rate SL-E, and the Variable Distribution Service Charges for all other customers. (C)

Total Pennsylvania Retail Jurisdictional Sales = total kWh sales under this Tariff for the calculation year including sales for distribution.

Calculation Year = year in which the Company proposes a change to the NDCA. To the extent a new cost study, performed every five years, indicates the Company requires an adjustment in the rate, the Company shall change the NDCA to reflect such new expense level. In calculating the annual expense the Company shall use the sinking fund methodology.

Adjusted Annual Accrual = accrual necessary to fund the Adjusted Obligation.

Adjusted Obligation = Gross Decommissioning Obligation reduced by \$50 million for ratemaking purposes.

Gross Decommissioning Obligation – The total decommissioning cost obligation as approved by the Commission as expressed in escalated future dollars.

Methodology for Calculating Expense

The base period expense shall be based upon the decommissioning costs set forth in the table below. The Company shall use a sinking fund methodology to determine the appropriate level of decommissioning expense. The assumptions shall be consistent with NRC policy and requirements.

The Base Accrual shall consist of the following levels for each unit.

Peach Bottom 1	\$2,992,000
Peach Bottom 2	2,588,000
Peach Bottom 3	5,976,000
Salem 1	2,651,000
Salem 2	2,509,000
Limerick 1	4,403,000
Limerick 2	8,043,000
Total	\$29,162,000

Frequency of Calculation

The annual expense shall be recalculated every five years. The Company shall adjust the NDCA to reflect the new expense level 60 days after filing the new study and the associated rate calculation with the PaPUC. The first calculation of the NDCA shall be considered to have taken place on January 1, 1998.

Completion of Decommissioning

In the event that the actual expenditures necessary to accomplish full decommissioning of the PECO Interest are less than the full balance in the funds established for such purpose, PECO shall be entitled to a release of such funds to PECO for the purpose of sharing the amount between ratepayers and shareholders. In the event that such release is granted, PECO's shareholders shall be entitled to retain: (1) the first \$50 million of the net after-tax amount; and (2) 5 percent of the remaining net after-tax amount of the released funds.

(C) Denotes Change

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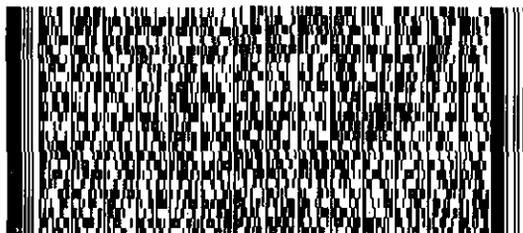
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