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**October 12, 2012**

**Rosemary Chiavetta, Secretary**  
**Pennsylvania Public Utility Commission**  
**Commonwealth Keystone Building**  
**400 North Street**  
**Harrisburg, PA 17120**

**Subject: Docket No. M-2012-2322896**  
**Tariff Electric - Universal Service Fund Charge – Section 1307 Mechanism**  
**Final Annual Rate Adjustment for 2012**

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is PECO's final annual rate adjustment of the Electric Universal Service Fund Charge ("USFC") for 2012. This filing is made in accordance with the USFC provisions of Paragraph 33 and 34 of the Joint Petition for Full Settlement (R00973953) as modified by Paragraph 35 of the PECO-Unicom Merger Settlement (Docket No. A-110550F0147) with the Commission's Order at Docket No's. R-00038535 & C-20031543 and consistent with the settlement in PECO's base rate case at Docket No. R-2010-2161575.

This filing, which includes actual data through September, supports a total USFC rate of \$0.0013/kWh. This charge will be added to the Variable Distribution Charge for rates R & RH effective January 1, 2013 through December 31, 2013. For a typical residential customer using 500 kWh per month, the new USFC rate would result in a \$0.90 increase (1.03%) to the monthly bill.

This filing also includes a revised C-factor (projected cost of CAP shortfall costs) to respond to the loss of discount for CAP residential heating customers ("CAP-RH"). CAP-RH customers would see a loss of discounts as a result of the Rate RH generation price blocks being eliminated on January 1, 2013. The RH generation price blocks are being eliminated in accordance with the phase-out plan approved in PECO's Default Service Provider Settlement at Docket No. P-2008-2062739. PECO has estimated the amount of the cost adjustment required to the C-factor to be \$2,798,682. The effect of the inclusion of these costs on the USFC is an increase of \$0.0002/kWh.

Rosemary Chiavetta, Secretary  
October 12, 2012  
Page 2

Concurrent with this Electric USFC Final Rate filing, PECO today is also submitting an Updated CAP Rate Discount filing. In that filing PECO proposes to modify the CAP-RH usage limits to address the impact that the elimination of the Rate RH generation price blocks will have on the CAP-RH customers. PECO proposes increasing the winter usage limits from 650 kWh to 1500 kWh for the months of November through April. For October and May, the limits would remain at 650 kWh. PECO requests that the Commission evaluate and render a final decision for both of these filings simultaneously as the cost recovery in the Electric USFC filing and the rate discounts in the CAP Discount filing are directly related.

This filing includes the following Exhibits:

- Exhibit 1 – USFC Calculation
- Exhibit 2 – Proposed USFC Tariff Sheets indicating the rate for 2013
- Exhibit 3 – Rate R Bill Comparison

Thank you for your assistance in this matter and please direct any questions regarding the above to Richard Schlesinger, Manager, Retail Rates (215) 841-5771.

Sincerely,



Richard G. Webster, Jr.  
Vice President  
Regulatory Policy & Strategy

w/enclosures

cc: The Honorable Robert F. Powelson, Chairman  
The Honorable John F. Coleman Jr., Vice Chairman  
The Honorable Wayne R. Gardner, Commissioner  
The Honorable James H. Cawley, Commissioner  
The Honorable Pamela A. Witmer, Commissioner  
Cheryl Walker-Davis, Esquire, Director - Office of Special Assistants  
Johnnie E. Simms, Director – Bureau of Investigation and Enforcement  
M. Carl Lesney, Director - Bureau of Audits  
Paul Diskin, Director – Bureau of Technical Utility Services  
Richard E. Wallace, Bureau of Audits  
Office of Consumer Advocate  
Harry Geller, Esquire – Pennsylvania Utility Law Project  
Thu B. Tran, Esquire – Community Legal Services of Philadelphia

# EXHIBIT 1

**PECO - Electric**

**Calculation of USFC Rate Effective January 1, 2013**

	<u>Amount</u>	<u>\$/KWH</u>	
(1) C = Projected Recoverable CAP Costs	\$ 1,835,880	\$0.00015	p. 2 of 4
(2) L = Incremental LIURP expenditures (a)	\$ 2,500,000	\$0.00021	
(3) E = Experienced & Estimated Net Over/(Under)			
a. Over/(Under)	\$ (11,124,601)	(\$0.00092)	p. 3 of 4
b. Interest	\$ (280,707)	(\$0.00002)	p. 4 of 4
c. Audit Adjustment Finding (b)	\$ 5,668	\$0.00000	
	<u>\$ (11,399,640)</u>	<u>(\$0.00094)</u>	
(4) Net Recoverable (C + L - E)	\$ 15,735,519	\$0.00130	
(5) S = Projected Rate R, RH Sales for Computation Period	12,103,290,541		
(6) USFC: (4) / (5)	\$0.0013		

(a) As per settlement Document No. P-2008-2062739.

(b) Reflects adjustment per audit report of The Universal Service Fund Charge For The Twelve Months Ended December 31, 2008, issued on December 20, 2011 at Docket # D-2010-2157122.

# PECO - 2013 USFC Electric C-Factor Calculation

C-Factor Month	Estimated CAP Discounts (c) (Shortfall)	Estimated R/RH Sales (a) (kWh)	Estimated Shortfall Recovered in Base Rates	Shortfall o/(u) Base Recovery	Shortfall o/(u) Base Recovery @ 0.73 (b)
	(1)	(2)	(3) = (2) * \$0.0068	(4) = (1) - (3)	(5) = (4) * 0.73
Jan-13	\$ 7,620,133	1,202,726,383	\$ 8,178,539	\$ (558,407)	\$ (407,637)
Feb-13	\$ 7,142,276	1,022,820,633	\$ 6,955,180	\$ 187,096	\$ 136,580
Mar-13	\$ 6,921,322	947,563,794	\$ 6,443,434	\$ 477,889	\$ 348,859
Apr-13	\$ 6,656,663	778,192,459	\$ 5,291,709	\$ 1,364,954	\$ 996,416
May-13	\$ 6,183,574	793,869,326	\$ 5,398,311	\$ 785,262	\$ 573,241
Jun-13	\$ 6,433,826	1,032,245,787	\$ 7,019,271	\$ (585,445)	\$ (427,375)
Jul-13	\$ 7,211,321	1,362,330,158	\$ 9,263,845	\$ (2,052,524)	\$ (1,498,342)
Aug-13	\$ 7,899,738	1,232,941,006	\$ 8,383,999	\$ (484,261)	\$ (353,511)
Sep-13	\$ 8,000,495	877,521,336	\$ 5,967,145	\$ 2,033,349	\$ 1,484,345
Oct-13	\$ 6,354,809	811,111,123	\$ 5,515,556	\$ 839,253	\$ 612,655
Nov-13	\$ 6,844,549	899,505,078	\$ 6,116,635	\$ 727,914	\$ 531,377
Dec-13	\$ 7,548,574	1,142,463,458	\$ 7,768,752	\$ (220,177)	\$ (160,729)
	\$ 84,817,279	12,103,290,541	\$ 82,302,376	\$ 2,514,903	\$ 1,835,880
				<b>Estimated Recovery C-Factor</b>	<b>\$ 1,835,880</b>

(a) Non-CAP kWh. Based on 9/1/12 sales forecast.  
(b) Per settlement factor approved at Docket No. R-2010-2161575.  
(c) Shortfall has been adjusted by \$2,798,682. This is in response to the phase-out of the residential heat (Rate RH) energy price blocks. RH usage limit has been raised to 1,500 kWh per month for the months of November through April.

E-Factor Calculation

E-Factor Period	Total CAP Discounts (Shortfall) (1)	Billed R/RH Sales (kWh) (2)	CAP Revenues Recovered In Base Rates (e) (3) = (2) * \$0.0068 kWh	Base Recovery o(u) Actual (4) = (3) - (1)	Base Recovery o(u) Actual (e) (5) = (4) * 0.73	C-Factor Revenue (6) = (2) * (\$0.00) (7) = (2) * \$0.0001	L-Expenditures (8)	L-Factor Recovery o(u) Recovery (9) = (7) - (8)	Total C & L Factor o(u) Recovery (10) = (5) + (9) * (9)	E-Factor Rate (11)	E-Factor Revenue (12) = (2) * (11)	Total CAP Revenues (E+L+C) o(u) Recovery (13) = (10) + (12)	Cumulative Recovery o(u) (14)
Balance (a)													
Jan-11 (b)	\$ 3,447,067	682,149,197	\$ 4,638,615	\$ 1,191,547	\$ 869,829	\$ -	\$ -	\$ 68,215	\$ 938,044	-\$0.0001	\$ (68,215)	\$ 869,829	\$ 1,227,030
Feb-11	\$ 6,833,637	1,126,711,798	\$ 7,661,640	\$ 828,003	\$ 604,442	\$ -	\$ -	\$ 112,671	\$ 717,114	-\$0.0001	\$ (112,671)	\$ 604,442	\$ 2,096,859
Mar-11	\$ 6,406,831	913,961,295	\$ 6,214,937	\$ (191,894)	\$ (140,083)	\$ -	\$ -	\$ 91,396	\$ (48,687)	-\$0.0001	\$ (91,396)	\$ (140,083)	\$ 2,701,302
Apr-11	\$ 6,251,398	811,631,566	\$ 5,519,095	\$ (732,303)	\$ (534,581)	\$ -	\$ 27,835	\$ 53,328	\$ (481,253)	-\$0.0001	\$ (53,328)	\$ (906,566)	\$ 1,998,803
May-11	\$ 5,959,693	715,956,709	\$ 4,887,146	\$ (1,092,547)	\$ (797,560)	\$ -	\$ 9,007	\$ 62,569	\$ (734,991)	-\$0.0001	\$ (62,569)	\$ (806,566)	\$ 1,192,237
Jun-11	\$ 7,189,558	1,020,069,671	\$ 6,936,474	\$ (253,084)	\$ (184,751)	\$ -	\$ 102,007	\$ (200,155)	\$ (394,906)	-\$0.0001	\$ (102,007)	\$ (486,913)	\$ 705,324
Jul-11	\$ 8,441,541	1,287,964,699	\$ 8,758,160	\$ 316,619	\$ 231,132	\$ -	\$ 315,461	\$ (186,666)	\$ 44,467	-\$0.0001	\$ (186,666)	\$ (84,330)	\$ 620,994
Aug-11	\$ 8,666,812	1,407,661,706	\$ 9,572,100	\$ 905,288	\$ 660,860	\$ -	\$ 216,018	\$ (75,252)	\$ 585,608	-\$0.0001	\$ (75,252)	\$ 444,842	\$ 1,065,835
Sep-11	\$ 7,935,478	1,048,599,547	\$ 7,130,477	\$ (805,001)	\$ (587,651)	\$ -	\$ 104,860	\$ (210,290)	\$ (797,941)	-\$0.0001	\$ (104,860)	\$ (902,801)	\$ 163,034
Oct-11	\$ 7,025,156	820,773,982	\$ 5,581,263	\$ (1,443,893)	\$ (1,054,042)	\$ -	\$ 130,688	\$ (48,611)	\$ (1,102,653)	-\$0.0001	\$ (62,077)	\$ (1,164,730)	\$ (1,021,696)
Nov-11	\$ 6,835,181	771,300,825	\$ 5,244,844	\$ (1,590,336)	\$ (1,160,946)	\$ -	\$ 137,484	\$ (60,354)	\$ (1,221,299)	-\$0.0001	\$ (77,130)	\$ (1,298,429)	\$ (2,320,125)
Dec-11	\$ 7,379,362	956,845,417	\$ 6,506,549	\$ (872,813)	\$ (637,154)	\$ -	\$ 46,195	\$ 49,490	\$ (587,664)	-\$0.0001	\$ (595,685)	\$ (683,348)	\$ (3,003,473)
	\$ 82,371,714	11,563,426,232	\$ 78,631,298	\$ (3,740,415)	\$ (2,730,503)	\$ -	\$ 1,500,000	\$ (343,657)	\$ (3,074,160)		\$ (1,156,343)	\$ (4,230,503)	

E-Factor Period	Total CAP Discounts (Shortfall) (1)	Billed R/RH Sales (kWh) (2)	CAP Revenues Recovered In Base Rates (e) (3) = (2) * \$0.0068 kWh	Base Recovery o(u) Actual (4) = (3) - (1)	Base Recovery o(u) Actual (e) (5) = (4) * 0.73	C-Factor Revenue (6) = (2) * (\$0.0004) (7) = (2) * \$0.0002	L-Expenditures (8)	L-Factor Recovery o(u) Recovery (9) = (7) - (8)	Total C & L Factor o(u) Recovery (10) = (5) + (9) * (9)	E-Factor Rate (11)	E-Factor Revenue (12) = (2) * (11)	Total CAP Revenues (E+L+C) o(u) Recovery (13) = (10) + (12)	Cumulative Recovery o(u) (14)
Jan-12	\$ 7,200,642	1,172,070,669	\$ 7,970,080	\$ 769,439	\$ 561,690	\$ (488,828)	\$ 1,998	\$ 232,416	\$ 325,278	-\$0.0003	\$ (351,621)	\$ (26,344)	\$ (3,029,817)
Feb-12	\$ 6,703,608	989,237,341	\$ 6,726,814	\$ 23,206	\$ 16,940	\$ (395,695)	\$ 167,179	\$ 30,668	\$ (348,086)	-\$0.0003	\$ (296,771)	\$ (644,857)	\$ (3,674,674)
Mar-12	\$ 6,373,843	845,507,563	\$ 5,749,451	\$ (624,391)	\$ (456,900)	\$ (338,203)	\$ 89,347	\$ 79,754	\$ (714,255)	-\$0.0003	\$ (253,652)	\$ (987,907)	\$ (4,662,581)
Apr-12	\$ 6,103,160	716,336,218	\$ 4,871,066	\$ (1,232,074)	\$ (899,414)	\$ (286,534)	\$ 261,685	\$ (118,418)	\$ (1,304,367)	-\$0.0003	\$ (214,901)	\$ (1,519,287)	\$ (6,181,868)
May-12	\$ 6,082,044	702,515,491	\$ 4,777,105	\$ (1,304,938)	\$ (952,605)	\$ (281,006)	\$ 52,746	\$ 87,758	\$ (1,145,854)	-\$0.0003	\$ (210,755)	\$ (1,356,609)	\$ (7,518,457)
Jun-12	\$ 7,061,242	925,109,789	\$ 6,280,746	\$ (770,496)	\$ (562,462)	\$ (370,044)	\$ 73,927	\$ 111,095	\$ (821,411)	-\$0.0003	\$ (277,533)	\$ (1,088,944)	\$ (8,617,401)
Jul-12	\$ 7,315,023	1,331,046,127	\$ 9,051,114	\$ 1,736,090	\$ 1,267,346	\$ (532,418)	\$ 116,635	\$ 149,574	\$ 884,502	-\$0.0003	\$ (398,314)	\$ 485,188	\$ (8,132,213)
Aug-12	\$ 7,348,279	1,348,179,614	\$ 9,174,421	\$ 1,826,143	\$ 1,333,084	\$ (539,872)	\$ 326,954	\$ (57,118)	\$ 736,295	-\$0.0003	\$ (404,754)	\$ 331,541	\$ (7,800,672)
Sep-12	\$ 6,959,751	1,144,226,579	\$ 7,780,741	\$ 820,990	\$ 599,323	\$ (457,691)	\$ 189,852	\$ 28,993	\$ 170,625	-\$0.0003	\$ (343,268)	\$ (172,643)	\$ (7,973,315)
Oct-12 (c)	\$ 6,683,681	813,010,928	\$ 5,528,474	\$ (1,155,206)	\$ (843,301)	\$ (325,204)	\$ 162,802	\$ (162,918)	\$ (1,331,423)	-\$0.0003	\$ (243,903)	\$ (1,575,326)	\$ (9,548,641)
Nov-12 (c)	\$ 6,736,703	913,809,876	\$ 6,213,907	\$ (292,796)	\$ (381,641)	\$ (365,924)	\$ 192,078	\$ (9,316)	\$ (756,481)	-\$0.0003	\$ (274,143)	\$ (1,030,624)	\$ (10,579,265)
Dec-12 (c)	\$ 7,430,771	1,136,022,659	\$ 7,724,954	\$ 294,183	\$ 214,753	\$ (454,409)	\$ 227,205	\$ 35,126	\$ (204,530)	-\$0.0003	\$ (340,807)	\$ (545,336)	\$ (11,124,601)
	\$ 81,998,747	12,038,072,824	\$ 81,858,895	\$ (138,852)	\$ (102,092)	\$ (4,615,228)	\$ 2,000,000	\$ 407,815	\$ (4,508,706)		\$ (3,811,422)	\$ (6,121,128)	

(a) Balance total is from USFC Electric & Supplemental Filing.

(b) Proration for the month of January.

(c) Estimated.

(d) Residential Non-CAP Sales.

(e) Per settlement factor approved at Docket No. R-2010-216157.

Total Recovery E-Factor \$ (11,124,601)

## PECO - 2012 USFC Electric Interest Calculation

E-Factor Period	R/RH Sales (d) (kWh) (1)	C & L Factor O/(U) Recovery (2)	Interest Rate (3)	Interest Time Factor (4)	Interest Owed/ (Interest to be Recouped) (5) = (2) * (3) * (4)	Interest Refund Rate (6)	Interest Collection/(Refund) (7) = (1) * (6)	Total Interest (8) = 5 + 7	Cumulative Interest Interest Owed/ (Interest to be Recouped) (9) = (8) + Prev. (9)
Balance (a)									
Jan-11 (b)	682,149,197	938,044	6%	18/12	\$ 84,424	\$0.0000	\$ -	\$ 84,424	\$ 98,548
Feb-11	1,126,711,798	717,114	6%	17/12	\$ 60,955	\$0.0000	\$ -	\$ 60,955	\$ 182,972
Mar-11	913,961,295	(48,687)	6%	16/12	\$ (3,895)	\$0.0000	\$ -	\$ (3,895)	\$ 243,927
Apr-11	811,631,586	(481,253)	6%	15/12	\$ (36,094)	\$0.0000	\$ -	\$ (36,094)	\$ 240,032
May-11	715,756,709	(734,991)	6%	14/12	\$ (51,449)	\$0.0000	\$ -	\$ (51,449)	\$ 203,938
Jun-11	1,020,069,671	(384,906)	6%	13/12	\$ (25,019)	\$0.0000	\$ -	\$ (25,019)	\$ 152,488
Jul-11	1,287,964,699	44,467	6%	12/12	\$ 2,668	\$0.0000	\$ -	\$ 2,668	\$ 127,470
Aug-11	1,407,661,706	585,608	6%	11/12	\$ 32,208	\$0.0000	\$ -	\$ 32,208	\$ 130,138
Sep-11	1,048,599,547	(797,941)	6%	10/12	\$ (39,897)	\$0.0000	\$ -	\$ (39,897)	\$ 162,346
Oct-11	820,773,982	(1,102,653)	6%	9/12	\$ (49,619)	\$0.0000	\$ -	\$ (49,619)	\$ 122,449
Nov-11	771,300,625	(1,221,299)	6%	8/12	\$ (48,852)	\$0.0000	\$ -	\$ (48,852)	\$ 72,830
Dec-11	956,845,417	(587,664)	6%	7/12	\$ (20,568)	\$0.0000	\$ -	\$ (20,568)	\$ 23,978
	<b>11,563,426,232</b>	<b>(3,074,160)</b>			<b>(95,139)</b>			<b>(95,139)</b>	<b>3,409</b>
Jan-12	1,172,070,659	325,278	6%	18/12	\$ 29,275	\$0.0000	\$ -	\$ 29,275	\$ 32,684
Feb-12	989,237,341	(348,086)	6%	17/12	\$ (29,587)	\$0.0000	\$ -	\$ (29,587)	\$ 3,097
Mar-12	845,507,563	(714,255)	6%	16/12	\$ (57,140)	\$0.0000	\$ -	\$ (57,140)	\$ (54,043)
Apr-12	716,336,218	(1,304,367)	6%	15/12	\$ (97,827)	\$0.0000	\$ -	\$ (97,827)	\$ (151,871)
May-12	702,515,491	(1,145,854)	6%	14/12	\$ (80,210)	\$0.0000	\$ -	\$ (80,210)	\$ (232,081)
Jun-12	925,109,769	(821,411)	6%	13/12	\$ (53,392)	\$0.0000	\$ -	\$ (53,392)	\$ (285,472)
Jul-12	1,331,046,127	884,502	6%	12/12	\$ 53,070	\$0.0000	\$ -	\$ 53,070	\$ (232,402)
Aug-12	1,349,179,614	736,295	6%	11/12	\$ 40,496	\$0.0000	\$ -	\$ 40,496	\$ (191,906)
Sep-12	1,144,226,579	(170,625)	6%	10/12	\$ 8,531	\$0.0000	\$ -	\$ 8,531	\$ (183,375)
Oct-12 (c)	813,010,928	(1,331,423)	6%	9/12	\$ (59,914)	\$0.0000	\$ -	\$ (59,914)	\$ (243,289)
Nov-12 (c)	913,809,876	(756,481)	6%	8/12	\$ (30,259)	\$0.0000	\$ -	\$ (30,259)	\$ (273,548)
Dec-12 (c)	1,136,022,659	(204,530)	6%	7/12	\$ (7,159)	\$0.0000	\$ -	\$ (7,159)	\$ (280,707)
	<b>12,038,072,824</b>	<b>(4,509,706)</b>			<b>(284,116)</b>			<b>(284,116)</b>	<b>(280,707)</b>
							<b>Net Interest</b>		<b>\$</b>

(a) Balance total is from USFC Electric & Supplemental Filing.  
 (b) Proration for the month of January.  
 (c) Estimated.  
 (d) Residential Non-CAP Sales.

# EXHIBIT 2

# PECO Energy Company

Electric Service Tariff

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**COMPANY OFFICE LOCATION**

2301 Market Street  
Philadelphia, Pennsylvania 19101

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For List of Communities Served, See Page 4.

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Issued October 12, 2012

Effective January 1, 2013

**ISSUED BY: C. L. Adams – President & CEO  
PECO Energy Distribution Company  
2301 MARKET STREET  
PHILADELPHIA, PA. 19101**

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# NOTICE.

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**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

**Provision for Recovery of Universal Service Fund Charge - 4th Revised Page No. 38**

Reflects annual update to USFC. The USFC also reflects a cost adjustment due to the phase-out of Rate RH per docket No. P-2008-2062739.

**Rate R –Residence Service – 7th Revised Page No. 41**

Variable Distribution Charge increased to reflect annual update to USFC. The USFC also reflects a cost adjustment due to the phase-out of Rate RH per docket No. P-2008-2062739.

**Rate RH – Residential Heating Service – 7th Revised Page No. 43**

Variable Distribution Charge increased to reflect annual update to USFC. The USFC also reflects a cost adjustment due to the phase-out of Rate RH per docket No. P-2008-2062739.

**PECO Energy Company**

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**PROVISIONS FOR RECOVERY OF UNIVERSAL SERVICE FUND CHARGE (USFC)**

Variable Distribution Service Charge rates for electric service in Residential Rate Schedule R and RH of this Tariff shall include \$0.0013 per kWh for recovery of Universal Service Fund Cost (USFC), calculated in the manner set forth below pursuant to Section 2804 (8) of the Competition Act. The USFC rate for electric service shall be increased or decreased annually, to reflect changes in the level of Universal Service Fund costs, net of base rate recoveries, in the manner described below: (I)

**COMPUTATION OF USFC.**

The USFC per kWh (\$0.0000), shall be computed to the nearest one-hundred cent (0.01¢) in accordance with the formula set forth below:

$$\text{USFC} = \frac{(C+L -E-I)}{(S)}$$

The USFC, so computed, shall be included in distribution rates charged to Customers for service pursuant to the rate schedules identified above. The amount of USFC, per kWh, will vary, if appropriate, based upon annual filings by the Company.

In computing the USFC, per kWh, pursuant to the formula above, the following definitions shall apply:

**Reconcilable Customer Assistance Program (CAP) Costs** – The difference between discounts provided to CAP customers (CAP revenue shortfalls) recovered through base rates and total CAP discounts, net of a 27% offset factor.

**USFC** – Universal Service Fund Charge determined to the nearest one-hundredth cent (0.01¢) to be included in the rate for each kWh of Variable Distribution Service Charge calculated under Rate Schedules R and R-H to recover Reconcilable CAP Costs plus certain LIURP related expenditures.

**C** - Cost in dollars of the Reconcilable CAP Costs for the projected period.

**L**– Incremental LIURP related expenditures of \$1 Million in 2010, \$1.5 million in 2011, \$2.0 Million in 2012, and \$2.5 Million in 2013 as approved in the Joint Petition of Settlement of Docket No. P-2008-2062739.

**E** - the net (overcollection) or undercollection of Universal Service Fund Charges. The net overcollection or undercollection shall be determined for the most recent period, beginning with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. Included in the "E" factor will be Reconcilable CAP Costs, and LIURP related expenditures.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous USFC.

**I** – Interest on any over or under recovery balance. Interest shall be computed monthly at a 6% annual simple interest rate from the month that the overcollection or undercollection occurs to the mid-point of the recovery period.

**S** - projected kWh of electric service to be billed under Rate R and Rate RH (exclusive of CAP Rider) during the projected period when rates will be in effect.

**FILING WITH PENNSYLVANIA PUBLIC UTILITY COMMISSION; AUDIT; RECONCILIATION.**

The Company's annual USFC filing and its annual reconciliation statement shall be submitted to the Commission 120 days prior to new rates being effective January 1 of each year, or at such time as the Commission may prescribe. The USFC mechanism is subject to annual audit review by the Bureau of Audits.

(I) Denotes Increase

**RATE R RESIDENCE SERVICE**

**AVAILABILITY.**

Single-phase service in the entire territory of the Company to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for the domestic requirements of its members when such service is supplied through one meter. Service is also available for related farm purposes when such service is supplied through one meter in conjunction with the farmhouse domestic requirements.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date must be individually metered for their basic service supply. Centrally supplied master metered heating, cooling or water heating service may be provided if such supply will result in energy conservation.

The term "residence service" includes service to: (a) the separate dwelling unit in an apartment house or condominium, but not the halls, basement, or other portions of such building common to more than one such unit; (b) the premises occupied as the living quarters of five persons or less who unite to establish a common dwelling place for their own personal comfort and convenience on a cost-sharing basis; (c) the premises owned by a church, and primarily designated or set aside for, and actually occupied and used as, the dwelling place of a priest, rabbi, pastor, rector, nun or other functioning Church Divine, and the resident associates; (d) private dwellings in which a portion of the space is used for the conduct of business by a person residing therein; (e) farm purpose uses by an individual employing the natural processes of growth for the production of grain, stock, dairy, poultry, garden truck, or other agricultural products.

The term does NOT include service to: (a) Premises institutional in character including Clubs, Fraternities, Orphanages or Homes; (b) premises defined as a rooming house or boarding house in the Municipal Code for Cities of the First Class enacted by Act of General Assembly; (c) a premises containing a residence unit but primarily devoted to a professional or other office, studio, or other gainful pursuit; (d) farms operated principally to sell, prepare, or process products produced by others, or farms using air conditioning for climatic control in conjunction with growth processes (except those customers receiving such service as of August 2, 1969); (e) electric furnaces or welding apparatus other than a transformer type "limited input" arc welder with an input not to exceed 37-1/2 amperes at 240 volts.

**CURRENT CHARACTERISTICS.** Standard single-phase secondary service.

**MONTHLY RATE TABLE.**

FIXED DISTRIBUTION SERVICE CHARGE: \$7.17

VARIABLE DISTRIBUTION SERVICE CHARGE:

All kWhs            6.18¢ per kWh

(I)

ENERGY SUPPLY CHARGE:

Refer to the Generation Supply Adjustment Procurement Class 1.

TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE: per the Transmission Service Charge.

MINIMUM CHARGE: The minimum charge per month will be the Fixed Distribution Service Charge.

STATE TAX ADJUSTMENT CLAUSE, NUCLEAR DECOMMISSIONING COST ADJUSTMENT, UNIVERSAL SERVICE FUND CHARGE, Transmission Service Charge, PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, SMART METER COST RECOVERY SURCHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS APPLY TO THIS RATE.

PAYMENT TERMS. Standard.

(I) Denotes Increase

**RATE R-H RESIDENTIAL HEATING SERVICE**

**AVAILABILITY.**

Single-phase service to the dwelling and appurtenances of a single private family (or to a multiple dwelling unit building consisting of two to five dwelling units, whether occupied or not), for domestic requirements when such service is provided through one meter and where the dwelling is heated by specified types of electric space heating systems. The systems eligible for this rate are (a) permanently connected electric resistance heaters where such heaters supply all of the heating requirements of the dwelling, (b) heat pump installations where the heat pump serves as the heating system for the dwelling and all of the supplementary heating required is supplied by electric resistance heaters, and (c) heat pump installations where the heat pump serves as the heating system for the dwelling and all of the supplementary heating required is supplied by non-electric energy sources and/or by electric energy sources served on Rate O-P Off-Peak Service. All space heating installations must meet Company requirements. This rate schedule is not available for commercial, institutional or industrial establishments.

Wood, solar, wind, water, and biomass systems may be used to supply a portion of the heating requirements in conjunction with service provided hereunder. Any customer system of this type that produces electric energy may not be operated concurrently with service provided by the Company except under written agreement setting forth the conditions of such operation as provided by and in accordance with the provisions of the Auxiliary Service Rider.

Each dwelling unit connected after May 10, 1980 except those dwelling units under construction or under written contract for construction as of that date, must be individually metered.

**CURRENT CHARACTERISTICS.** Standard single-phase secondary service.

**MONTHLY RATE TABLE.**

FIXED DISTRIBUTION SERVICE CHARGE: \$7.17

VARIABLE DISTRIBUTION SERVICE CHARGE:

SUMMER MONTHS. (June through September)

6.18¢ per kWh for all kWh.

(I)

WINTER MONTHS. (October through May)

4.24¢ per kWh for all kWh

(I)

ENERGY SUPPLY CHARGE:

Refer to the Generation Supply Adjustment Procurement Class 1

**TRANSMISSION SERVICE FOR CUSTOMERS RECEIVING DEFAULT SERVICE:** per the Transmission Service Charge

**MINIMUM CHARGE.** The minimum charge per month will be the Fixed Distribution Service Charge.

STATE TAX ADJUSTMENT CLAUSE, NUCLEAR DECOMMISSIONING COST ADJUSTMENT, UNIVERSAL SERVICE FUND CHARGE PROVISION FOR THE RECOVERY OF ENERGY EFFICIENCY AND CONSERVATION PROGRAM COSTS, SMART METER COST RECOVERY SURCHARGE, PROVISION FOR THE TAX ACCOUNTING REPAIR CREDIT AND PROVISION FOR THE RECOVERY OF CONSUMER EDUCATION PLAN COSTS APPLY TO THIS RATE.

**COMBINED RESIDENTIAL AND COMMERCIAL SERVICE.** Where a portion of the service provided is used for commercial purposes, the appropriate general service rate is applicable to all service; or, at the option of the customer, the wiring may be so arranged that the residential service may be separately metered and this rate is then applicable to the residential service only.

**PAYMENT TERMS.** Standard.

(I) Denotes Increase

# EXHIBIT 3

**PECO**  
**BILL COMPARISON with USFC at**  
**\$0.0013 kWh**

**Residential Rate R - 500 KWH (a)**

	2012 w/ Current (0.0005) kWh USFC Charge	2013 w/ Proposed (b) \$0.0013 kWh USFC Charge	Difference (\$)	Difference (%)
<b>FIXED DISTRIBUTION CHARGE</b>	\$ 7.17	\$ 7.17		
<b>TRANSMISSION CHARGE ALL KWH</b>	\$ 4.80	\$ 4.80		
<b>DISTRIBUTION CHARGE ALL KWH</b>	\$ 27.35	\$ 28.25		
<b>AEPS ALL KWH</b>	\$ 0.35	\$ 0.35		
<b>GSA 1ST 500 KWH</b>	\$ 47.35	\$ 47.35		
<b>SUB TOTAL</b>	\$ 87.02	\$ 87.92		
<b>STATE TAX ADJUSTMENT CLAUSE -0.05%</b>	\$ (0.02)	\$ (0.02)		
<b>TOTAL</b>	\$ 87.00	\$ 87.90	\$ 0.90	1.03%

(a) Based on PECO Electric Tariff Rates as of 10/1/12.

(b) Calculation is for demonstration purposes only.