



Brian D. Crowe
Director
Regulatory &
Governmental Affairs

Telephone 215.841.5316
Fax 215.841.6447
www.exeloncorp.com
brian.crowe@exeloncorp.com

An Exelon Company

PECO Energy Company
P.O. Box 8699
2301 Market Street
Philadelphia, PA 19101-8699

DOCUMENT
FOLDER

March 1, 2001

R-00973953
P-00971265

RECEIVED

MAR 1 2001

A PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

BY FEDERAL EXPRESS

Mr. James McNulty, Secretary
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17105-3265

Re: Tariff Electric - Pa. P. U. C. No. 3 Supplement No. 26 Issued March 1, 2001,
Effective March 11, 2001 - Revising Intangible Transition Charges (ITC) and
Securitization Rate Reductions (SRR) to Reflect Refinancing of \$805 Million
of Securitization Bonds

Dear Mr. McNulty:

PECO Energy Company encloses for filing with the Commission eight copies of Supplement No. 26 - Tariff Electric - PA. P.U.C. No. 3. This filing, which is to become effective on March 11, 2001, is in accordance with the provisions of the Final Order concerning the Application of PECO Energy Company for Approval of its Restructuring Plan under Section 2806 of the Public Utility Code, et al. at Docket Nos. R-00973953 and P-00971265, entered May 14, 1998 ("Final Order"). The Final Order authorized PECO Energy to issue Transition Bonds and refinance such bonds. The Company has refinanced a portion of Series A-3 and A-5 bonds in the amount of \$805,460,000. The Final Order authorizes the Company to implement new Intangible Transition Costs (ITC) and Securitization Rate Reductions (SRR) on ten days notice to the Commission. In accordance with the Final Order and as indicated on the attached tariff page (Fifth Revised Page No. 32) the net effect of the ITC and SRR on customer bills will be zero.

Please acknowledge receipt of the foregoing on the enclosed extra copy of this letter.

Sincerely,

cc: C. F. Hoffman, Director of Trial Staff
Office of Consumer Advocate
Office of Small Business Advocate
R. Bennett, Fixed Utility Services
R. F. Wilson, Manager, Fixed Utility Services
R. A. Rosenthal, Director, Fixed Utility Services

PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street
Philadelphia, Pennsylvania 19101

RECEIVED

MAR 1 2001

A PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

For List of Communities Served, See Page 4.

Issued: March 1, 2001

Effective: March 11, 2001

DOCUMENT
FOLDER

ISSUED BY: K. G. LAWRENCE - President
PECO Energy Distribution Company
2301 MARKET STREET
PHILADELPHIA, PA. 19101

DOCKETED
MAR 15 2001

NOTICE.

LIST OF CHANGES MADE BY THIS SUPPLEMENT

CHANGES

Net Securitization Adjustment (Fifth Revised Page No. 32)
Changes ITC & SRR credits.

TABLE OF CONTENTS

List of Communities Served	4
How to Use Loose-Leaf Tariff	5
Definition of Terms and Explanation of Abbreviations	6 ³ ,7 ³ ,8,9
RULES AND REGULATIONS:	
1. The Tariff	10 ³
2. Service Limitations	10 ³
3. Customer's Installation	11 ³
4. Application for Service	12 ⁴
5. Credit	13 ³
6. Private-Property Construction	14 ³
7. Extensions	15 ¹
8. Rights-of-Way	16
9. Introduction of Service	17
10. Company Equipment on Customer's Premises	17
11. Tariff and Contract Options	18 ³
12. Service Continuity	18 ³ ,19
13. Customer's Use of Service	20 ⁴
14. Metering	20 ⁴
15. Demand Determination	21 ³
16. Meter Tests	22 ³
17. Billing and Standard Payment Options	22 ³ ,23 ³
18. Payment Terms & Termination of Service	24 ³
19. Unfulfilled Contracts	24 ³
20. Cancellation by Customer	25
21. General	26 ¹
22. Direct Access Phase-In Procedures	26 ¹
23. EGS Switching	27 ³
24. Load Data Exchange	28
STATE TAX ADJUSTMENT CLAUSE	29 ³
COMPETITIVE TRANSITION CHARGE (CTC)	30 ¹ ,31
NET SECURITIZATION ADJUSTMENT	32 ³
NUCLEAR DECOMMISSIONING COST ADJUSTMENT CLAUSE (NDCA)	33 ¹
UNIVERSAL SERVICE FUND CHARGE (USFC)	34 ¹
RATES:	
Rate R Residence Service	35 ⁸ ,36 ²
Rate RT Residence Time-of-Use Service	37 ⁸ ,38 ²
Rate R-H Residential Heating Service	39 ⁷ ,40 ²
Rate CAP Customer Assistance Program	41 ⁸ ,42 ²
Rate OP Off-Peak Service	43 ⁷
Rate R-S Renewable Energy Service	44 ² ,44A
Rate GS General Service	45 ⁷ ,46 ³ ,47 ³
Rate PD Primary-Distribution Power	48 ⁷
Rate HT High-Tension Power	49 ⁶ ,50 ²
Rate POL Private Outdoor Lighting	51 ⁵ ,52 ³
Rate SL-P Street Lighting in City of Philadelphia	53 ² ,54 ¹ ,55 ⁴
Rate SL-S Street Lighting-Suburban Counties	56 ⁵ ,57 ¹
Rate SL-E Street Lighting Customer-Owned Facilities	58 ³ ,59
Rate TL Traffic Lighting Service	60 ²
Rate BLI Borderline Interchange Service	61
Rate EP Electric Propulsion	62 ⁷ ,63
Rate AL Alley Lighting in City of Philadelphia	64 ²
RIDERS:	
Applicability Index of Riders	65 ⁴
Auxiliary Service Rider	66,67 ³ ,68 ¹
Capacity Reservation Rider	69
Casualty Rider	70
Construction Rider	71
Cooling Thermal Storage HT Rider	72
Curtailment HT Rider	73 ⁴
Economic Efficiency Rider (EER)	74,75

Net Securitization Adjustment (NSA)

In addition to the net charges provided for in this tariff, values as indicated in the table below will be applied to all service on their effective date.

The NSA is comprised of two separate factors, the Securitization Rate Reduction (SRR) and the Intangible Transition Charge (ITC) which will always net to zero in accordance with the terms of the Joint Petition for Full Settlement. The factors as described below will initially become effective on 10 days notice to the Commission. The SRR and ITC will be recalculated as follows:

- (1) whenever new Transition Bonds are issued as evidenced by the issuance date of the bonds.
- (2) annually, to reconcile unamortized Qualified Transition Expense (QTE) principal balance.

Securitization Rate Reduction (SRR)

The SRR is a credit to the Company's base rate charges, expressed as a percentage of such charges, reflecting a revenue requirement reduction arising from the Company's securitization of generation-related costs.

Intangible Transition Charge (ITC)

The ITC is a charge that is added to, and expressed as a percentage of, the Company's PaPUC jurisdictional base rate charges (i.e. distribution and CTC) reflecting the revenue requirement necessary to amortize the QTE principal balance. The ITC will be recalculated as follows:

Effective Rate Table

Rate Class	(a), (b)	(a), (b)	NSA
	SRR	ITC	
R (d)	(24.00%)	24.00%	0
RT	(24.00%)	24.00%	0
R-H(d)	(24.48%)	24.48%	0
OP	(1.54%)	1.54%	0
GS	(45.38%)	45.38%	0
PD	(49.24%)	49.24%	0
HT	(57.75%)(c)	57.75% (c)	0
POL	(0.39%)	0.39%	0
SL-P	(3.79%)	3.79%	0
SL-S	(6.18%)	6.18%	0
SL-E	(0.00%)	0.00%	0
TL	(44.14%)	44.14%	0
EP	(50.72%)	50.72%	0

- (a) Applied to Variable Distribution and Transition Charges
 (b) Rate is modified for special contract customers with discounted CTC rates.
 (c) Not applicable to on peak LILR.
 (d) includes applicable CAP rates.

(C) Indicates Change

Brian D. Crowe
Director
Regulatory &
Governmental Affairs

Telephone 215.841.5316
Fax 215.841.6447
www.exeloncorp.com
brian.crowe@exeloncorp.com

PECO Energy Company
P.O. Box 8699
2301 Market Street
Philadelphia, PA 19101-8699

ORIGINAL

March 30, 2001

DOCKETED
APR 04 2001
DOCUMENT
FOLDER**RECEIVED**

MAR 30 2001

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Post Office Box 3265
Harrisburg, PA 17105-3265

Re: Approval of its Electric Restructuring Plan Under Section 2806 of the
Public Utility Code – Docket No. R-00973953

Dear Secretary McNulty:

PECO Energy Company hereby requests the confirmation of one aspect of the Commission's Order in the Company's Electric Restructuring proceeding. In that proceeding the Commission ultimately determined that the appropriate annual nuclear decommissioning funding level was \$29,162,000. (See attached tariff page.) This amount was calculated by the OCA witness in the case. The OCA witness stated that he used the Company's earnings rate and the cost escalation rates. The Company is seeking confirmation that the \$29,162,000 annual funding level is based upon an earnings rate of 6.5% and an escalation rate of approximately 3.5% (GDP deflator) for a real earnings rate of 3%. Attachment A provides a copy of the OCA witness testimony that develops the \$29,162,000 as well as the earnings rate and PECO Energy Company exhibits supporting the escalation rate.

This confirmation is necessary as in preparing a filing for the NRC regarding the financial assurance for decommissioning it has come to the Company's attention that the NRC only allows a 2% real earnings rate on decommissioning funds unless the state regulator determines a different level is appropriate. As noted above, the Company's allowance of \$29,162,000 was based upon a 3% real earnings rate. In order to use the 3% in our filing with the NRC, the Company needs a confirmation from the Commission that the 3% real rate was the level used in the restructuring case.

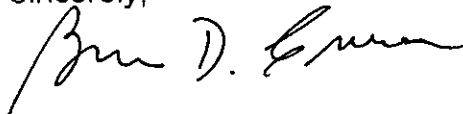
Mr. James J. McNulty
March 30, 2001
Page 2

Accordingly, PECO hereby requests that the Commission confirm through a letter to the Company that the Company's nuclear decommissioning funding level of \$29,162,000, authorized by the Commission in the Electric Restructuring case, was based upon an earnings rate of 6.5% and a cost escalation rate of approximately 3.5% (GDP deflator) as presented in testimony in the restructuring proceeding.

This confirmation is only intended to verify the assumptions used in the development of the \$29,162,000 decommissioning expense level and in no manner limits the Commission's ability to change such assumptions in future proceedings.

Please acknowledge receipt of the foregoing on the enclosed copy of this letter.

Sincerely,



Brian D. Crowe
Director
Regulatory & Governmental Affairs

Enclosures

x:\rates\cohn\decommissioning

ATTACHMENT A

PECO Energy Company

NUCLEAR DECOMMISSIONING COST ADJUSTMENT CLAUSE (NDCA)

The NDCA provides for the recovery of nuclear 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. (C)

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

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.

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

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. The initial amount is 0. (C)

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

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.

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. (C)

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)

(C) Denotes Change

COMMONWEALTH OF PENNSYLVANIA
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PECO ENERGY COMPANY)
)
) DOCKET NO. R-00973953

DIRECT TESTIMONY OF
THOMAS S. CATLIN

ON BEHALF OF THE
PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

JUNE 1997

EXETER

Associates, Inc.

12510 Prosperity Drive
Suite 350
Silver Spring, MD 20904

TABLE OF CONTENTS

Page

Introduction	1
Nuclear Decommissioning	5
Fossil Decommissioning	10
Nuclear Design Basis Documentation	14
Peach Bottom and Limerick Water Chemistry System Project Charges	15
Deferred Fuel	16
SFAS No. 109 Recoverable Taxes	18
SFAS No. 106 Deferred Costs	21

1 the annual nuclear decommissioning funding requirements established in Docket No.
2 R-00943271 as an annual expense to be offset against the market value of generation in
3 the determination of its stranded costs. In addition, the method which I am proposing to
4 utilize is also consistent with the Commission's Proposed Policy Statement on Nuclear
5 Decommissioning Cost Estimation and Cost Recovery issued on July 18, 1996.

6 Q. WHAT FINANCIAL PARAMETERS DID YOU UTILIZE IN YOUR
7 DETERMINATION OF THE ANNUAL DECOMMISSIONING ACCRUAL FOR
8 EACH NUCLEAR UNIT?

9 A. In developing the annual decommissioning accruals for each nuclear unit, I have utilized
10 the Company's current decommissioning cost estimates, cost escalation rates and fund
11 earnings rates. In determining the decommissioning trust fund balances as of December
12 31, 1998, I made one change to the Company's projections. In its calculations of the fund
13 balances as of December 31, 1998, PECO included earnings during 1997 and 1998 on the
14 actual trust fund balances of December 31, 1996, but it did not include earnings during
15 1997 or 1998 on the amounts to be contributed to the funds during those two years. I
16 have recalculated the December 31, 1998 balances to include interest to be earned during
17 1997 and 1998 not only on the beginning balance, but also on the amounts to be added to
18 the funds during those years. In these calculations, I only included interest for the portion
19 of the contributions which will be in the funds over the course of each year.

20 Q. HAVE YOU DEVELOPED A SCHEDULE WHICH SHOWS THE
21 DECOMMISSIONING ACCRUALS AND FUND BALANCES FOR PECO'S
22 VARIOUS NUCLEAR UNITS?

23 A. Yes. Schedule TSC-2 presents my findings regarding the decommissioning funding
24 requirements for each of PECO's nuclear units. Pages 2 through 8 of this schedule
25 provide the details for the various nuclear units. Page 1 of Schedule TSC-2 summarizes

1 the annual contributions for PECO's seven nuclear units. As can be seen from this
2 schedule, I have calculated the total nuclear decommissioning accruals to be \$29,162,000
3 beginning in 1999. These requirements continue at this level through 2012. Beginning in
4 2013, the funding requirements begin to decline as the various nuclear units are retired.

5 Q. WHAT ASSUMPTION HAVE YOU MADE IN YOUR CALCULATIONS WITH
6 REGARD TO THE TAX STATUS OF THE FUND CONTRIBUTIONS?

7 A. For purposes of my calculations of the total annual funding requirement of \$29,162,000, I
8 have accepted PECO's assumption that the funds will be non-tax qualified and have
9 utilized PECO's corresponding earnings rate of 6.5 percent. To be conservative, I have
10 applied the 6.5 percent rate not only to future amounts contributed to the trust funds, but
11 also to the existing balances, most of which are tax qualified.

12 Q. HAVE YOU CALCULATED WHAT THE ANNUAL FUNDING
13 REQUIREMENTS WOULD BE IF THE DECOMMISSIONING TRUST FUNDS
14 WERE TO BE TAX QUALIFIED?

15 A. Yes. I have calculated the annual trust fund calculation which would be applicable for
16 each unit based on PECO's assumption that the annual earnings rate for the funds would
17 be 7.5 percent if the funds were tax qualified. Under, this scenario, the annual funding
18 requirements for PECO's seven nuclear units would be \$17,354,000.

19 Fossil Decommissioning

20 Q. PLEASE SUMMARIZE PECO'S CLAIM FOR STRANDED COSTS
21 ASSOCIATED WITH DECOMMISSIONING ITS FOSSIL FUEL GENERATING
22 PLANTS.

23 A. Similar to its claim for stranded costs related to nuclear decommissioning, PECO's claim
24 for fossil decommissioning related stranded costs consists of two components. The first

PECO ENERGY COMPANY

Summary of OCA Recommended Nuclear Decommissioning
Funding Contributions and Payment Periods

<u>Nuclear Unit</u>	<u>Annual Contribution</u>	<u>Payment Period</u>
Limerick 1	\$4,403,000	1999-2023
Limmerick 2	8,043,000	1999-2028
Salem 1	2,651,000	1999-2015
Salem 2	2,509,000	1999-2019
Peach Bottom 1	2,992,000	1999-2012
Peach Bottom 2	2,588,000	1999-2012
Peach Bottom 3	5,976,000	1999-2013
	<u>\$29,162,000</u>	

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF PECO ENERGY COMPANY
FOR APPROVAL OF ITS RESTRUCTURING PLAN
UNDER SECTION 2806 OF THE PUBLIC UTILITY CODE

DIRECT TESTIMONY

OF

ALAN B. COHN

Regarding Generation Plant Assets, Regulatory Assets, Other Transition Costs,
Regulatory Liabilities, Tax-Related Benefits, Depreciation and CTC Revenue
Requirements

PECO ENERGY COMPANY
ESTIMATED NUCLEAR DECOMMISSIONING FUND DEFICIENCY
AS OF DECEMBER 31, 1998
(\$1000)

Key Assumptions

Earnings Rate = 7.5%
 Inflation Rate = GDP Deflator ←
 Contingency Rate Used = 10%

Costs are based upon a study performed by TLG & Associates in 1995/96

	Est Decom Cost (a) @ 12/31/98 (1)	Fund Ratio (2)	Fund Required @ 12/31/98 (3) = (1)*(2)	Est Fund Balance @ 12/31/98 (4)	Est Fund Deficiency (5) = (3) - (4)
Peach Bottom 1	\$60,207	0.60	\$36,124	\$8,713	(\$27,412)
Peach Bottom 2	\$145,983	0.60	\$87,590	\$58,186	(\$29,404)
Peach Bottom 3	\$195,444	0.60	\$117,267	\$58,228	(\$59,039)
Salem 1	\$141,097	0.55	\$77,604	\$44,259	(\$33,345)
Salem 2	\$146,969	0.44	\$64,666	\$38,263	(\$26,403)
Limerick 1	\$354,107	0.34	\$120,396	\$91,460	(\$28,936)
Limerick 2	\$451,187	0.23	\$103,773	\$53,608	(\$50,165)
Total	\$1,494,995		\$607,420	\$352,716	(\$254,704)
Less: Deferred Taxes as of 12/31/98					\$17,775
Net Deficiency =					(\$236,929)

	Est Serv Life	Years in Rates	Fund Ratio
Peach Bottom 1	40	24	0.60
Peach Bottom 2	40	24	0.60
Peach Bottom 3	40	24	0.60
Salem 1	40	22	0.55
Salem 2	39	17	0.44
Limerick 1	38.5	13	0.34
Limerick 2	39	9	0.23

(a) Refer to Schedule 4, page 2

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF PECO ENERGY COMPANY
FOR APPROVAL OF ITS RESTRUCTURING PLAN
UNDER SECTION 2806 OF THE PUBLIC UTILITY CODE

DIRECT TESTIMONY

OF

THOMAS P. HILL, JR.

Regarding Overview Of The Restructuring
Filing, Quantification of PECO Energy's Stranded
Costs, Pro Forma Financial Data And Impact Of
The Restructuring On PECO's Employees

General and Growth Assumptions

General Assumption

Discount Rate	8.41%
Income Tax Rate	41.493%

Growth Assumptions		
Year	Annual GDP Deflator	Cumulative GDP Deflator
1995	1.0000	1.0000
1996	1.0200	1.0200
1997	1.0196	1.0400
1998	1.0288	1.0700
1999	1.0187	1.0900
2000	1.0275	1.1200
2001	1.0268	1.1500
2002	1.0348	1.1900
2003	1.0252	1.2200
2004	1.0328	1.2600
2005	1.0317	1.3000
2006	1.0385	1.3500
2007	1.0296	1.3900
2008	1.0360	1.4400
2009	1.0347	1.4900
2010	1.0403	1.5500
2011	1.0323	1.6000
2012	1.0375	1.6600
2013	1.0361	1.7200
2014	1.0349	1.7800
2015	1.0337	1.8400
2016	1.0380	1.9100
2017	1.0366	1.9800
2018	1.0354	2.0500
2019	1.0390	2.1300
2020	1.0376	2.2100
2021	1.0376	2.2930
2022	1.0376	2.3791
2023	1.0376	2.4685
2024	1.0376	2.5612
2025	1.0376	2.6574
2026	1.0376	2.7572
2027	1.0376	2.8608
2028	1.0376	2.9682
2029	1.0376	3.0797

equivalent annual rate is $\approx 3.5\%$

DOCUMENT FOLDER

COMMONWEALTH OF PENNSYLVANIA

DATE: April 5, 2001

SUBJECT: R-00973953

TO: Law Bureau

FROM: James J. McNulty, Secretary

LAF

DOCKETED
APR 10 2001

Application of PECO Energy Company for Approval of its
Electric Restructuring Plan Under Section 2806 of the
Public Utility Code

Attached is a copy of a Letter Request for
Confirmation of One Aspect of the Commission's Order in
PECO Energy Company's Restructuring Proceeding
Regarding Annual Nuclear Decommissioning Funding Level,
filed by PECO Energy Company in connection with the
above docketed proceeding.

This matter is assigned to your Bureau for
appropriate action.

Attachment

cc: FUS

laf