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PECO
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March 14, 2014

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

SUBJECT: PECO Energy Company Implementation of Smart Meter Cost Recovery Surcharge Mechanism at Docket No. M-2009-2123944

Dear Secretary Chiavetta:

PECO Energy is permitted to file quarterly adjustments to the Smart Meter Cost Recovery Surcharge Mechanism, which are allowed to go into effect on 15 days notice. As provided in the Commission's Final Order in Docket No. M-2009-2123944, the rate will only be updated if the rate changes by more than 5%. PECO has recalculated the rate and determined that it would change rates by less than 5%. Therefore, the Company will not be changing its Smart Meter Cost Recovery Surcharge on April 1, 2014.

This letter transmits for filing with the Commission PECO Energy's quarterly update including:

- Exhibit 1 – Smart Meter Projected Costs for April 1, 2014 to June 30, 2014
- Exhibit 2 – Revised 2014 SMCRS Annual Reconciliation and C-Factor Calculation for Residential Rates (Rates R and RH); Total Projected Recoverable Smart Meter Program Costs; and Allocation of Total Projected Smart Meter Program Costs, each reflecting the impact of the recent Sensus Agreement
- Exhibit 3 – Revised estimate of 2014 SMCRS to reflect the impact of the recent Sensus Agreement

Note that the projected recoverable Smart Meter Program Costs, as shown in Exhibit 1, Exhibit 2 and Exhibit 3, include depreciation and return impacts associated with the recent agreement with Sensus as outlined in the March 6, 2014 letter to the Commission in Docket M-2009-2123944.

Please direct any questions regarding the above to Richard A. Schlesinger at 215-841-5771.

Sincerely,



Copies to:

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

EXHIBIT 1

**PECO Energy Smart Meter Project
Projected Costs for April 1, 2014 to June 30, 2014**

Smart Meter Cost Recovery (\$M)

Line		Forecast 2Q 2014		
		Apr	May	Jun
1	Period 4 (7/1/12 to 6/30/13) Overcollection	\$ (1.02)	\$ (1.02)	\$ (1.02)
2	2014 O&M to be Recovered	2.70	2.51	2.42
3	2014 Depreciation	2.29	2.35	2.41
4	2014 Capital Revenue Requirement	1.34	1.44	1.54
5	2014 Benefits/Avoided Costs	(1.40)	(1.51)	(1.62)
6	Total Revenue Requirement	\$ 3.91	\$ 3.77	\$ 3.74

7 **Quarterly Revenue Requirement (\$M)** \$ 11.41

Quarterly Revenue Requirement by class:

8	Res	\$ 10.36
9	SCI	\$ 1.02
10	LCI	\$ 0.03

Estimated Monthly Rate:

11	Res (¢/kWh)	0.38
12	SCI (\$/customer)	\$ 2.42
13	LCI (\$/customer)	\$ 3.62

**PECO Energy Smart Meter Project
Projected Costs for April 1, 2014 to June 30, 2014**

<u>Line</u>	<u>Estimated Monthly Rate:</u>	<u>In effect</u>	<u>Forecasted</u>
		<u>1Q 2014</u>	<u>2Q 2014</u>
1	Res (¢/kWh)	0.33	0.38
2	SCI (\$/customer)	\$ 2.44	\$ 2.42
3	LCI (\$/customer)	\$ 3.64	\$ 3.62
	Average Customer total monthly bill with surcharge:		
		%	change
4	Res (500 kWh usage)	\$ 85.56	\$ 85.83
5	SCI (10,000 kWh usage)	\$ 1,250.87	\$ 1,250.85
6	LCI (200,000 kWh usage)	\$ 18,923.11	\$ 18,923.09

EXHIBIT 2

PECO - Electric		
2014 Smart Meter Cost Recovery Surcharge (SMCRS) Annual Reconciliation		
(As Filed 12-13-13)		
SMCRS 1: Rates R and RH		
	Amount	\$/kWh
(1) C = Projected Recoverable Smart Meter Program Costs	\$ 52,582,079	\$ 0.0039
(2) E = Experienced & Estimated Net (Over)/Under	\$ (9,894,240)	\$ (0.0007)
(3) I = Interest	\$ (959,277)	\$ (0.0001)
(4) Net Recoverable (C + E + I)	\$ 41,728,562	\$ 0.0031
(5) R = Projected Sales (kWh) for Computation Period	13,485,383,756	
(6) T = Pennsylvania Gross Receipts Tax Rate	5.9%	
(7) SMCRS = [(C+E+I)/R]/(1-T)	\$ 0.0033	

PECO - Electric		
2014 Smart Meter Cost Recovery Surcharge (SMCRS) Annual Reconciliation		
(Reforecasted as of 3-10-14; includes impact of Sensus Agreement)		
SMCRS 1: Rates R and RH		
	Amount	\$/kWh
(1) C = Projected Recoverable Smart Meter Program Costs	\$ 50,546,135	\$ 0.0037
(2) E = Experienced & Estimated Net (Over)/Under	\$ (9,894,240)	\$ (0.0007)
(3) I = Interest	\$ (959,277)	\$ (0.0001)
(4) Net Recoverable (C + E + I)	\$ 39,692,618	\$ 0.0029
(5) R = Projected Sales (kWh) for Computation Period	13,485,383,756	
(6) T = Pennsylvania Gross Receipts Tax Rate	5.9%	
(7) SMCRS = [(C+E+I)/R]/(1-T)	\$ 0.0031	

NOTE: There are no changes to E-Factor and I-Factor components as filed on 12-13-13 as a result of the Sensus Agreement.

**PECO - 2014 SMCRS
C-Factor Calculation**
(As Filed 12-13-13)

SMCRS 1: Rates R and RH

C-Factor Month	Projected Smart Meter Program Costs (1)	Projected Sales (kWh) (2)
Jan-14 (est)	\$ 4,051,737	1,352,107,370
Feb-14 (est)	\$ 4,123,703	1,165,105,072
Mar-14 (est)	\$ 4,151,476	1,063,220,854
Apr-14 (est)	\$ 4,545,576	880,956,622
May-14 (est)	\$ 4,550,697	885,134,990
Jun-14 (est)	\$ 4,533,359	1,117,932,964
Jul-14 (est)	\$ 4,564,838	1,489,663,429
Aug-14 (est)	\$ 4,586,932	1,380,817,396
Sep-14 (est)	\$ 4,596,257	990,048,290
Oct-14 (est)	\$ 4,728,189	891,918,483
Nov-14 (est)	\$ 4,181,788	1,013,062,960
Dec-14 (est)	\$ 3,967,528	1,255,415,325
Total	\$ 52,582,079	13,485,383,756

Estimated Recovery C-Factor \$ 0.0039 per kWh

**PECO - 2014 SMCRS
C-Factor Calculation**
(Reforecasted as of 3-10-14; includes impact of Sensus Agreement)

SMCRS 1: Rates R and RH

C-Factor Month	Projected Smart Meter Program Costs (1)	Projected Sales (kWh) (2)
Jan-14 (est)	\$ 4,124,614	1,352,107,370
Feb-14 (est)	\$ 4,170,328	1,165,105,072
Mar-14 (est)	\$ 4,199,579	1,063,220,854
Apr-14 (est)	\$ 4,450,733	880,956,622
May-14 (est)	\$ 4,330,779	885,134,990
Jun-14 (est)	\$ 4,296,520	1,117,932,964
Jul-14 (est)	\$ 4,303,034	1,489,663,429
Aug-14 (est)	\$ 4,360,925	1,380,817,396
Sep-14 (est)	\$ 4,361,212	990,048,290
Oct-14 (est)	\$ 4,509,662	891,918,483
Nov-14 (est)	\$ 3,783,941	1,013,062,960
Dec-14 (est)	\$ 3,654,808	1,255,415,325
Total	\$ 50,546,135	13,485,383,756

Estimated Recovery C-Factor \$ 0.0037 per kWh

PECO - 2014 SMCRS

Total Projected Recoverable Smart Meter Program Costs
For Period January 1, 2014 to December 31, 2014
(As Filed 12-13-13)

<u>Cost Category</u>	<u>Amount</u>
O&M Expenditures	\$ 28,396,766
Depreciation (a)	\$ 29,219,650
Accelerated Depreciation (b)	\$ 968,000
Capital Expenditure Revenue Requirement (c)	\$ 20,295,656
Benefits/Avoided Costs (d)	\$ (20,619,300)
Net Revenue Requirement	\$ 58,260,772
Stimulus Grant proceeds (e)	\$ (66,585)
Net Smart Meter Projected Costs	\$ 58,194,187

(a) Excludes depreciation related to all Sensus meters.
 (b) Reflects accelerated depreciation of Automated Meter Reading (AMR) assets.
 (c) Reflects rate of return on equity of 10% and excludes return on all Sensus meters.
 (d) Reflects operational savings resulting from remote connection capability and reduction in contracted AMR meter read fees.
 (e) Reflects estimated funds allocated from DOE Grant awarded to PECO (award No. DE-OE0000207). Actual grant funds awarded will be factored into the annual reconciliation of over/under cost recovery.

PECO - 2014 SMCRS

Total Projected Recoverable Smart Meter Program Costs
For Period January 1, 2014 to December 31, 2014
(Reforecasted as of 3-10-14; includes impact of Sensus Agreement)

<u>Cost Category</u>	<u>Amount</u>
O&M Expenditures	\$ 28,431,025
Depreciation (a)	\$ 28,432,150
Accelerated Depreciation (b)	\$ 968,000
Capital Expenditure Revenue Requirement (c)	\$ 18,795,656
Benefits/Avoided Costs (d)	\$ (20,619,300)
Net Revenue Requirement	\$ 56,007,531
Stimulus Grant proceeds (e)	\$ (66,585)
Net Smart Meter Projected Costs	\$ 55,940,946

(a) Includes impact of recent agreement with Sensus
 (b) Reflects accelerated depreciation of Automated Meter Reading (AMR) assets.
 (c) Reflects rate of return on equity of 10% and impact of recent agreement with Sensus.
 (d) Reflects operational savings resulting from remote connection capability and reduction in contracted AMR meter read fees.
 (e) Reflects estimated funds allocated from DOE Grant awarded to PECO (award No. DE-OE0000207). Actual grant funds awarded will be factored into the annual reconciliation of over/under cost recovery.

PECO - 2014 SMCRS
Allocation of Total Projected Recoverable Smart Meter Program Costs
For Period January 1, 2014 to December 31, 2014
(As Filed 12-13-13)

Cost Period	Total Recoverable Costs (1) (a)	Stimulus Grant Funding (2) (a)	Net Recoverable Costs (3) = (1) + (2)	R, RH Allocation (4)	R, RH Recoverable Costs (5) = (3) x (4)	GS Allocation (6)	GS Recoverable Costs (7) = (5) x (6)	HT, PD, EP Allocation (8)	HT, PD, EP Recoverable Costs (9) = (7) x (8)
Jan-14 (est)	\$ 4,506,375	\$ (22,195)	\$ 4,484,180	90.36%	\$ 4,051,737	9.45%	\$ 423,626	0.20%	\$ 8,818
Feb-14 (est)	\$ 4,586,023	\$ (22,195)	\$ 4,563,828	90.36%	\$ 4,123,703	9.45%	\$ 431,150	0.20%	\$ 8,974
Mar-14 (est)	\$ 4,616,759	\$ (22,195)	\$ 4,594,564	90.36%	\$ 4,151,476	9.45%	\$ 434,054	0.20%	\$ 9,035
Apr-14 (est)	\$ 5,030,727	\$ -	\$ 5,030,727	90.36%	\$ 4,545,576	9.45%	\$ 475,259	0.20%	\$ 9,893
May-14 (est)	\$ 5,036,394	\$ -	\$ 5,036,394	90.36%	\$ 4,550,697	9.45%	\$ 475,794	0.20%	\$ 9,904
Jun-14 (est)	\$ 5,017,206	\$ -	\$ 5,017,206	90.36%	\$ 4,533,359	9.45%	\$ 473,981	0.20%	\$ 9,866
Jul-14 (est)	\$ 5,052,045	\$ -	\$ 5,052,045	90.36%	\$ 4,564,838	9.45%	\$ 477,273	0.20%	\$ 9,934
Aug-14 (est)	\$ 5,076,497	\$ -	\$ 5,076,497	90.36%	\$ 4,586,932	9.45%	\$ 479,583	0.20%	\$ 9,983
Sep-14 (est)	\$ 5,086,817	\$ -	\$ 5,086,817	90.36%	\$ 4,596,257	9.45%	\$ 480,558	0.20%	\$ 10,003
Oct-14 (est)	\$ 5,232,831	\$ -	\$ 5,232,831	90.36%	\$ 4,728,189	9.45%	\$ 494,323	0.20%	\$ 10,290
Nov-14 (est)	\$ 4,628,112	\$ -	\$ 4,628,112	90.36%	\$ 4,181,788	9.45%	\$ 437,223	0.20%	\$ 9,101
Dec-14 (est)	\$ 4,390,984	\$ -	\$ 4,390,984	90.36%	\$ 3,967,528	9.45%	\$ 414,821	0.20%	\$ 8,635
	\$ 58,260,772	\$ (66,585)	\$ 58,194,187		\$ 52,582,079		\$ 5,497,674		\$ 114,434
Projected Customers (a)	1,577,740			90.36%	1,425,587	9.45%	149,051	0.20%	3,103

(a) Total recoverable program costs and stimulus grant funding was allocated across customer classes based on average 2014 customer counts for Residential and C&I classes as per PECO's latest approved budget and forecast.

PECO - 2014 SMCRS
Allocation of Total Projected Recoverable Smart Meter Program Costs
For Period January 1, 2014 to December 31, 2014
(Reforecasted as of 3-10-14; includes impact of Sensus Agreement)

Cost Period	Total Recoverable Costs (1) (a)	Stimulus Grant Funding (2) (a)	Net Recoverable Costs (3) = (1) + (2)	R, RH Allocation (4)	R, RH Recoverable Costs (5) = (3) x (4)	GS Allocation (6)	GS Recoverable Costs (7) = (5) x (6)	HT, PD, EP Allocation (8)	HT, PD, EP Recoverable Costs (9) = (7) x (8)
Jan-14 (est)	\$ 4,587,031	\$ (22,195)	\$ 4,564,836	90.36%	\$ 4,124,614	9.45%	\$ 431,245	0.20%	\$ 8,976
Feb-14 (est)	\$ 4,637,624	\$ (22,195)	\$ 4,615,429	90.36%	\$ 4,170,328	9.45%	\$ 436,025	0.20%	\$ 9,076
Mar-14 (est)	\$ 4,669,997	\$ (22,195)	\$ 4,647,802	90.36%	\$ 4,199,579	9.45%	\$ 439,083	0.20%	\$ 9,140
Apr-14 (est)	\$ 4,925,762	\$ -	\$ 4,925,762	90.36%	\$ 4,450,733	9.45%	\$ 465,343	0.20%	\$ 9,686
May-14 (est)	\$ 4,793,005	\$ -	\$ 4,793,005	90.36%	\$ 4,330,779	9.45%	\$ 452,801	0.20%	\$ 9,425
Jun-14 (est)	\$ 4,755,089	\$ -	\$ 4,755,089	90.36%	\$ 4,296,520	9.45%	\$ 449,219	0.20%	\$ 9,351
Jul-14 (est)	\$ 4,762,298	\$ -	\$ 4,762,298	90.36%	\$ 4,303,034	9.45%	\$ 449,900	0.20%	\$ 9,365
Aug-14 (est)	\$ 4,826,368	\$ -	\$ 4,826,368	90.36%	\$ 4,360,925	9.45%	\$ 455,953	0.20%	\$ 9,491
Sep-14 (est)	\$ 4,826,686	\$ -	\$ 4,826,686	90.36%	\$ 4,361,212	9.45%	\$ 455,983	0.20%	\$ 9,491
Oct-14 (est)	\$ 4,990,980	\$ -	\$ 4,990,980	90.36%	\$ 4,509,662	9.45%	\$ 471,504	0.20%	\$ 9,814
Nov-14 (est)	\$ 4,187,802	\$ -	\$ 4,187,802	90.36%	\$ 3,783,941	9.45%	\$ 395,627	0.20%	\$ 8,235
Dec-14 (est)	\$ 4,044,888	\$ -	\$ 4,044,888	90.36%	\$ 3,654,808	9.45%	\$ 382,125	0.20%	\$ 7,954
	\$ 56,007,531	\$ (66,585)	\$ 55,940,946		\$ 50,546,135		\$ 5,284,807		\$ 110,083
Projected Customers (a)	1,577,740			90.36%	1,425,587	9.45%	149,051	0.20%	3,103

(a) Total recoverable program costs and stimulus grant funding was allocated across customer classes based on average 2014 customer counts for Residential and C&I classes as per PECO's latest approved budget and forecast.

EXHIBIT 3

2014 Estimated Smart Meter Cost Recovery Surcharge (\$M)
(Reforecasted as of 3-10-14; includes impact of Sensus Agreement)

Line	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
1	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (1.02)	\$ (12.24)
Forecasted O&M Costs:													
2	\$ 2.42	\$ 2.41	\$ 2.45	\$ 2.70	\$ 2.51	\$ 2.42	\$ 2.39	\$ 2.43	\$ 2.32	\$ 2.48	\$ 1.94	\$ 1.96	28.43
3	\$ 2.42	\$ 2.41	\$ 2.45	\$ 2.70	\$ 2.51	\$ 2.42	\$ 2.39	\$ 2.43	\$ 2.32	\$ 2.48	\$ 1.94	\$ 1.96	28.43
4	(0.02)	(0.02)	(0.02)										(0.07)
5	\$ 2.40	\$ 2.39	\$ 2.42	\$ 2.70	\$ 2.51	\$ 2.42	\$ 2.39	\$ 2.43	\$ 2.32	\$ 2.48	\$ 1.94	\$ 1.96	\$ 28.36
Forecasted Depreciation:													
6	\$ 2.13	\$ 2.18	\$ 2.23	\$ 2.21	\$ 2.27	\$ 2.33	\$ 2.39	\$ 2.44	\$ 2.51	\$ 2.56	\$ 2.58	\$ 2.61	\$ 28.43
7	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.97
8	\$ 2.21	\$ 2.26	\$ 2.31	\$ 2.29	\$ 2.35	\$ 2.41	\$ 2.47	\$ 2.52	\$ 2.59	\$ 2.64	\$ 2.66	\$ 2.69	\$ 29.40
9	\$ 1.75	\$ 1.81	\$ 1.90	\$ 1.82	\$ 1.92	\$ 2.01	\$ 2.09	\$ 2.16	\$ 2.22	\$ 2.25	\$ 2.26	\$ 2.26	\$ 24.45
10	\$ (0.51)	\$ (0.50)	\$ (0.49)	\$ (0.49)	\$ (0.48)	\$ (0.47)	\$ (0.47)	\$ (0.46)	\$ (0.45)	\$ (0.45)	\$ (0.45)	\$ (0.44)	\$ (5.66)
11	\$ (1.29)	\$ (1.34)	\$ (1.49)	\$ (1.40)	\$ (1.51)	\$ (1.62)	\$ (1.72)	\$ (1.83)	\$ (1.84)	\$ (1.93)	\$ (2.23)	\$ (2.43)	\$ (20.62)
12	\$ 3.54	\$ 3.60	\$ 3.63	\$ 3.91	\$ 3.77	\$ 3.74	\$ 3.74	\$ 3.81	\$ 3.81	\$ 3.97	\$ 3.17	\$ 3.03	\$ 43.70
13	1Q 2014	2Q 2014	3Q 2014	4Q 2014									
	\$ 10.77	\$ 11.41	\$ 11.36	\$ 10.16									
	(\$M)	(\$M)	(\$M)	(\$M)									
14	\$ 9.78	\$ 10.36	\$ 10.31	\$ 9.24									
15	\$ 0.96	\$ 1.02	\$ 1.01	\$ 0.90									
16	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03									
Estimated Surcharge Rate by class:													
17	Avg Residential - 500kWh (\$/kWh)	0.29	0.38	0.28	0.31								
18	SCI (\$/customer/month)	\$ 2.28	\$ 2.42	\$ 2.40	\$ 2.13								
19	LCI (\$/customer/month)	\$ 3.48	\$ 3.62	\$ 3.60	\$ 3.33								

(1) Reflects a reduction of \$1.5M for 2014, beginning in April, associated with the impact of the recent agreement with Sensus as outlined in the March 6, 2014 letter to the Commission in Docket M-2009-2123944
(2) Reflects a reduction of \$0.8M for 2014, beginning in April, associated with the impact of the recent agreement with Sensus as outlined in the March 6, 2014 letter to the Commission in Docket M-2009-2123944

The above calculation of the Smart Meter surcharge reflects the impact of the recent agreement with Sensus as outlined in the March 6, 2014 letter to the Commission in Docket M-2009-2123944. Prior to the agreement, the surcharge calculation excluded \$17 million from plant in service, which was the cost, net of depreciation and stimulus grant, of the smart meters that were removed from service. The value of the agreement, as noted in the above referenced letter, totals \$33 million, which covers PECO's costs net of depreciation. The Company is crediting the additional \$16 million in value obtained in the agreement to smart meter plant in service. The value of the agreement is included in the surcharge calculation through 1) a reduction in pre-tax return on investment associated with the \$16 million credit to smart meter plant in service and 2) a reduction in depreciation expense associated with the lower smart meter plant in service.