

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Uniform Cover and Calendar Sheet

1. REPORT DATE: October 31, 2006	2. BUREAU AGENDA NO. OCT-2006-FUS-1059*
3. BUREAU: Fixed Utility Services	
4. SECTION(S): Energy	5. PUBLIC MEETING DATE: October 19, 2006
6. APPROVED BY: Director: R. Rosenthal 3-5242 <i>RR</i> Mgr/Spvr: P. Diskin 4-5558 Legal Review: <i>[Signature]</i>	DOCUMENT FOLDER DOCKETED DEC 12 2006
7. PERSONS IN CHARGE: Deichmiller/Diskin 4-5558	
8. DOCKET NO.: A-110550F0165	9. EFFECTIVE DATE OF FILING: N/A

10. (a) CAPTION (abbreviate if more than 4 lines)

- (b) Short summary of history & facts, documents & briefs
(c) Recommendation

- (a) Application of PECO Energy Company ("PECO") for approval for future transfer of property under the Spare Transformer Sharing Agreement.
- (b) On August 9, 2006, PECO filed for approval of the transfer of property under the Spare Transformer Sharing Agreement. Notice was published August 26, 2006, in the Pennsylvania Bulletin. No protests have been received.
- (c) The Bureau of Fixed Utility Services recommends that the Commission adopt the proposed Order.

11. MOTION BY: Commissioner Chm. Holland
SECONDED: Commissioner Cawley

Commissioner Pizzingrilli - Yes
Commissioner Fitzpatrick - Yes
Commissioner

CONTENT OF MOTION: Staff recommendation adopted.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

October 23, 2006

A-110550 F0165

WARD SMITH
ASSISTANT GENERAL COUNSEL
EXELON CORPORATION
2301 MARKET STREET S/23-1
PHILADELPHIA PA 19101

**DOCUMENT
FOLDER**

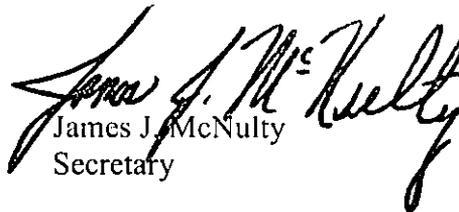
Application of PECO Energy Company for approval
of future transfer or property under a multi-utility agreement
known as the Spare Transformer Sharing Agreement

To Whom It May Concern:

This is to advise you that the Commission in Public Meeting on October 19, 2006 adopted
an Order in the above entitled proceeding.

An Order has been enclosed for your records.

Very truly yours,


James J. McNulty
Secretary

encls
cert. mail
MH

BRIAN CROWE DIRECTOR
RATES & REGULATORY
PECO ENERGY
2301 MARKET STREETS/15-1
PHILADELPHIA PA 19101

CHARIS MINCAVAGE
ADAM L BENSHOFF
MCNEES WALLACE & NURICK LLC
100 PINE STREET PO BOX 1166
HARRISBURG PA 17108-1166

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held October 19, 2006

Commissioners Present:

Wendell F. Holland, Chairman
James H. Cawley, Vice Chairman
Kim Pizzingrilli
Terrance J. Fitzpatrick

Application of PECO Energy Company
for Approval for future transfer of
property under a multi-utility agreement
known as the Spare Transformer
Sharing Agreement.

Docket Number: A-110550F0165

ORDER

BY THE COMMISSION:

On August 9, 2006, PECO Energy Company ("PECO" or "Applicant") filed an application, pursuant to the provisions of the Public Utility Code, 66 Pa. C.S. § 1102 and § 2102, for future transfers of property that is used or useful in the public service and which may involve transactions with other subsidiaries of PECO's corporate parent, Exelon Corporation ("Exelon"). PECO proposes to make these future transfers under a multi-utility agreement, known as the Spare Transformer Sharing Agreement ("Agreement"). The Agreement is dated March 15, 2006 and was signed by PECO on April 13, 2006.

Commonwealth Edison, a subsidiary of Exelon, as well as Public Service Electric and Gas, with which PECO was seeking to merge, are also signatories to the

Agreement. At the time of this filing, approximately 40 utilities nationally have signed the Agreement.

This Agreement is in response to Federal Energy Regulatory Commission ("FERC") statements made in 2001 emphasizing the need for innovative approaches to system security and reliability. A group of electric utilities determined that one of the key areas of potential vulnerability is the electric grid's transformers since the grid cannot function without transformers, and the installation of new transformers involves substantial manufacturer lead time and transportation time to replace transformers that have been damaged or destroyed.

In September 2004, Edison Electric Institute ("EEI") did an industry study of the acquisition of a spare transformer inventory for use by the industry in the event of the deliberate destruction of utility substations. It was determined that this could best be accomplished by having individual utilities commit to acquire, store, and maintain transformers, and to share them if called upon to do so. As a result of EEI's study, the Spare Transformer Equipment Program ("STEP") was established. STEP is an industry-wide program designed to increase the electric industry's inventory of spare transformers in order to ensure that the electric industry has sufficient capability to restore service in the event the deliberate destruction of utility substations. Any electric utility that owns transmission power transformers in the United States or Canada is eligible to participate in STEP.

A key part of STEP is the Agreement, which establishes the terms on which the signatories will maintain inventories of spare transformers and transfer them among themselves in the event the transformers of a signatory are damaged or destroyed by a deliberate act. The Agreement requires each participating utility to maintain a specific number of transformers of various voltages. Each participating utility agrees to sell any committed spare transformer to any other qualified participating utility at a set purchase

price upon the occurrence of a “Triggering Event”, which is defined as an act of terrorism that destroys or disables one or more substations and results in a declaration of emergency.

Utilities participating in the Agreement may need to purchase spare transformers in order to comply with their initial Required Obligation, and some utilities may need to acquire additional spare transformers in future years as the Required Obligation is recalculated.

The sharing arrangement implemented by the Agreement is a prudent approach to make efficient use of the industry’s existing spare transformers and to fairly allocate the responsibility to acquire a limited number of additional spares, while minimizing duplicative purchases of these costly assets. Implementation of the Agreement will provide flexibility for utilities to operate and utilize assets as they would normally do during the course of business, while at the same time binding utilities to share their committed transformers if a Triggering Event should occur.

This Application was served on the Office of Trial Staff, the Office of Consumer Advocate, the Office of Small Business Advocate, and the Philadelphia Area Industrial Energy Users Group. Also, notice of this Application was filed in the Pennsylvania Bulletin on August 26, 2006. No protests were filed.

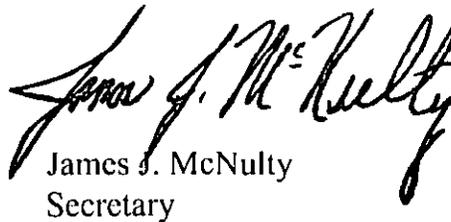
This Application was also filed with the FERC and FERC approved the Application on September 21, 2006.

Approval of this application is in the public interest, since the Agreement represents a substantial cost savings over alternative methods to secure similar system restoration capability: **THEREFORE,**

IT IS ORDERED:

1. That the application of PECO at Docket No. A-110550F0165 is hereby approved.
2. That this proceeding at Docket No. A-110550F0165 be marked closed.

BY THE COMMISSION,


James J. McNulty
Secretary

(SEAL)

ORDER ADOPTED: October 19, 2006

ORDER ENTERED:

OCT 23 2006

2. Article Number



7160 3901 9843 0834 3599

3. Service Type **CERTIFIED MAIL**

4. Restricted Delivery? (Extra Fee) Yes

1. Article Addressed to:

A-110550 FO165 0
Brian Crowe

COMPLETE THIS SECTION ON DELIVERY	
A. Received by (Please Print Clearly) <i>M. Gregory</i>	B. Date of Delivery <i>10-31-06</i>
C. Signature <i>M. Gregory</i>	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input type="checkbox"/> No

PS Form 3811, March 2005

Domestic Return Receipt

2. Article Number



7160 3901 9843 0834 3612

3. Service Type **CERTIFIED MAIL**

4. Restricted Delivery? (Extra Fee) Yes

1. Article Addressed to:

A-110550 FO165 0
Ward Smith

COMPLETE THIS SECTION ON DELIVERY	
A. Received by (Please Print Clearly)	B. Date of Delivery
C. Signature <i>W. Smith</i>	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input type="checkbox"/> No

PS Form 3811, March 2005

Domestic Return Receipt

2. Article Number



7160 3901 9843 0832 9975

3. Service Type **CERTIFIED MAIL**

4. Restricted Delivery? (Extra Fee) Yes

1. Article Addressed to:

A-110550 FO165 0
Charis Mucavage

COMPLETE THIS SECTION ON DELIVERY	
A. Received by (Please Print Clearly) <i>F. M. J. II</i>	B. Date of Delivery <i>01/24/2006</i>
C. Signature <i>F. M. J. II</i>	<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
D. Is delivery address different from item 1? If YES, enter delivery address below:	<input type="checkbox"/> Yes <input type="checkbox"/> No

PS Form 3811, March 2005

Domestic Return Receipt