



An Exelon Company

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

Telephone 215.841.4000 ext 5777
Fax 215.841.6208
www.peco.com
dick.webster@peco-energy.com

PECO
2301 Market Street, 515
Philadelphia, PA 19103

August 29, 2014

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

Subject: Tariff Electric - Universal Service Fund Charge – Section 1307 Mechanism
Preliminary Reconciliation for 2014
Docket No. R-2010-2161575

Dear Ms. Chiavetta:

Enclosed for filing with the Commission is PECO's preliminary reconciliation of the Electric Universal Service Fund Charge ("USFC") for 2014. This filing is made in accordance with the USFC provisions of Paragraph 33 and 34 of the Joint Petition for Full Settlement (R-00973953) 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 July 2014, supports a total USFC credit rate of (\$0.0002)/kWh that would be subtracted from the variable distribution charges contained in Rate R and RH. For a typical residential customer using 500 kWh per month, the new USFC rate will result in a \$0.15 increase (or 0.19%) to the monthly bill.

This filing includes the following Exhibits:

- Exhibit 1 – Proposed USFC Tariff Sheets indicating the rate for 2015
- Exhibit 2 – USFC Calculation
- Exhibit 3 – Rate R Bill Comparison

Ms. Rosemary Chiavetta, Secretary
August 29, 2014
Page 2

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: C. Walker-Davis, Esquire, 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 and Enforcement
Office of Consumer Advocate
McNees, Wallace & Nurick

EXHIBIT 1

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 (\$0.0002) 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:

(l)

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.

(l) Denotes Increase

EXHIBIT 2

PECO - Electric Calculation of USFC Rate Effective January 1, 2015

		Amount	\$/KWH
(1)	C = Projected Recoverable CAP Costs	\$ (769,783)	(\$0.00006)
(3)	E = Experienced & Estimated Net Over/(Under)		
	a. Over/(Under)	\$ 903,372	\$0.00007
	b. Interest	\$ 320,770	\$0.00003
		\$ 1,224,143	\$0.00010
(4)	Net Recoverable (C - E)	\$ (1,993,925)	(\$0.00016)
(5)	S = Projected Rate R, RH Sales for Computation Period	12,099,990,200	
(6)	USFC:	(4) / (5)	(\$0.0002)

p. 2 of 4

p. 3 of 4
p. 4 of 4

PECO - 2015 USFC Electric C-Factor Calculation

C-Factor Month	Estimated CAP	Estimated	Estimated	Estimated	Shortfall	Shortfall	Shortfall
	Discounts (Shortfall)	R/RH Sales (a) (kWh)	Shortfall Recovered in Base Rates (b)	Shortfall Recovered o/(u) Base Recovery	o/(u) Base Recovery	o/(u) Base Recovery @ 0.73 (b)	o/(u) Base Recovery @ 0.73 (b)
	(1)	(2)	(3) = (2) * \$0.0068	(4) = (1) - (3)	(5) = (4) * 0.73		
Jan-15	\$ 7,062,917	1,275,121,410	\$ 8,670,826	\$ (1,607,909)	\$ (1,173,774)		
Feb-15	\$ 6,781,637	1,121,283,268	\$ 7,624,726	\$ (843,089)	\$ (615,455)		
Mar-15	\$ 6,347,119	961,309,164	\$ 6,536,902	\$ (189,783)	\$ (138,542)		
Apr-15	\$ 6,158,419	808,217,833	\$ 5,495,881	\$ 662,537	\$ 483,652		
May-15	\$ 5,776,498	712,123,953	\$ 4,842,443	\$ 934,055	\$ 681,860		
Jun-15	\$ 6,607,044	930,078,428	\$ 6,324,533	\$ 282,511	\$ 206,233		
Jul-15	\$ 7,609,627	1,289,446,819	\$ 8,768,238	\$ (1,158,611)	\$ (845,786)		
Aug-15	\$ 7,700,542	1,325,801,002	\$ 9,015,447	\$ (1,314,904)	\$ (959,880)		
Sep-15	\$ 7,359,493	1,092,194,697	\$ 7,426,924	\$ (67,431)	\$ (49,225)		
Oct-15	\$ 6,404,116	788,837,374	\$ 5,364,094	\$ 1,040,022	\$ 759,216		
Nov-15	\$ 6,354,017	774,347,509	\$ 5,265,563	\$ 1,088,454	\$ 794,571		
Dec-15	\$ 7,064,007	1,021,228,746	\$ 6,944,355	\$ 119,651	\$ 87,345		
	\$ 81,225,437	12,099,990,200	\$ 82,279,933	\$ (1,054,497)	\$ (769,783)		

Estimated Recovery C-Factor \$ (769,783)

(a) Non-CAP kWh.
 (b) Per settlement factor approved at Docket No. R-2010-2161575.

PECO - 2014 USFC Electric E-Factor Calculation

E-Factor Period	Total CAP Discounts (Shortfall) (1)	Billed R/RH Sales (c) (kWh) (2)	CAP Revenues Recovered In Base Rates (d) (3) = (2) * \$0.0068 kWh	Base Recovery o(u) Actual (4) = (3) - (1)	Base Recovery o(u) Actual (d) (5) = (4) * 0.73	C-Factor Revenue (6) = (2) * \$0.0002 (7) = (2) * \$0.0002	L-Expenditures (8)	L-Factor o(u) Recovery (9) = (7) - (8)	C & L Factor o(u) Recovery (10) = (5) + (8) + (9)	E-Factor Rate (11)	E-Factor Revenue (12) = (2) * (11)	Total CAP Revenues (E+L+C) o(u) Recovery (13) = (10) + (12)	Cumulative o(u) Recovery (14)
Balance													
Jan-13	6,767,592	1,231,353,122	8,373,201	1,605,610	1,172,095	246,271	246,271	246,271	1,664,636	\$0.0009	1,108,218	2,772,854	11,137,989
Feb-13	6,442,550	1,128,723,617	7,675,321	1,232,771	899,923	225,745	30,316	195,429	1,321,097	\$0.0009	1,015,851	2,336,948	8,365,145
Mar-13	6,191,947	1,011,389,469	6,877,448	985,958	500,749	202,278	246,472	(44,194)	658,833	\$0.0009	910,251	1,569,083	6,028,197
Apr-13	6,217,947	853,414,755	5,803,220	(414,726)	(302,750)	170,683	337,363	(166,680)	(298,746)	\$0.0009	768,073	469,326	(4,459,114)
May-13	5,569,213	706,962,493	4,820,945	(748,268)	(546,236)	141,792	447,524	(305,731)	(710,175)	\$0.0009	638,066	(989,768)	(3,969,788)
Jun-13	6,178,311	930,841,015	6,329,719	151,408	110,528	186,168	211,827	(25,659)	271,037	\$0.0009	837,757	1,108,794	(4,061,897)
Jul-13	7,170,243	1,328,522,223	9,033,951	1,663,708	1,360,507	265,704	107,867	157,838	1,784,049	\$0.0009	1,185,670	2,979,719	(2,953,103)
Aug-13	7,086,536	1,220,581,695	8,299,819	1,213,283	885,697	244,112	199,766	44,346	1,174,155	\$0.0009	1,098,508	2,272,661	2,299,277
Sep-13	7,183,250	1,083,757,966	7,369,554	186,304	136,002	216,752	199,160	17,591	370,345	\$0.0009	975,392	1,345,727	3,645,004
Oct-13	5,991,621	767,196,530	5,216,936	(774,685)	(585,520)	153,439	147,174	6,265	(405,816)	\$0.0009	690,477	284,681	3,929,665
Nov-13	6,070,862	773,007,796	5,256,453	(814,409)	(594,519)	154,602	248,442	(93,840)	(533,759)	\$0.0009	685,707	161,949	4,091,615
Dec-13	7,126,087	1,100,755,797	7,485,139	359,053	262,108	220,151	324,089	(103,937)	378,322	\$0.0009	990,680	1,369,002	5,460,617
	\$ 77,965,703	12,138,486,428	82,541,708	4,546,005	3,318,584	2,427,697	2,500,000	(73,303)	5,873,978		10,924,638	16,588,616	

E-Factor Period	Total CAP Discounts (Shortfall) (1)	Billed R/RH Sales (c) (kWh) (2)	CAP Revenues Recovered In Base Rates (d) (3) = (2) * \$0.0068 kWh	Base Recovery o(u) Actual (4) = (3) - (1)	Base Recovery o(u) Actual (d) (5) = (4) * 0.73	C-Factor Revenue (6) = (2) * \$0.0000 (7) = (2) * \$0.0000	L-Expenditures (8)	L-Factor o(u) Recovery (9) = (7) - (8)	Total C & L Factor o(u) Recovery (10) = (5) + (8) + (9)	E-Factor Rate (11)	E-Factor Revenue (12) = (2) * (11)	Total CAP Revenues (E+L+C) o(u) Recovery (13) = (10) + (12)	Cumulative o(u) Recovery (14)
Jan-14	7,418,405	1,338,523,664	9,101,961	1,683,556	1,228,966	-	-	-	1,228,966	-\$0.0005	(689,262)	559,734	6,020,351
Feb-14	7,146,755	1,240,460,315	8,435,130	1,289,375	940,514	-	-	-	940,514	-\$0.0005	(620,230)	320,284	6,340,634
Mar-14	6,416,313	1,074,378,327	7,305,773	889,460	649,306	-	-	-	649,306	-\$0.0005	(537,169)	112,116	6,452,751
Apr-14	6,061,170	851,488,771	5,790,124	(271,046)	(197,864)	-	-	-	(197,864)	-\$0.0005	(425,744)	(623,608)	5,829,143
May-14	5,485,040	721,261,117	4,904,576	(590,465)	(431,039)	-	-	-	(431,039)	-\$0.0005	(380,631)	(791,670)	5,037,473
Jun-14	5,989,066	844,293,257	5,741,194	(257,872)	(188,247)	-	-	-	(188,247)	-\$0.0005	(422,147)	(610,393)	4,427,080
Jul-14	7,511,703	1,210,254,227	8,229,729	718,026	524,159	-	-	-	524,159	-\$0.0005	(605,127)	(80,968)	4,346,112
Aug-14 (a)	7,326,975	1,205,900,684	8,200,125	873,150	637,399	-	-	-	637,399	-\$0.0005	(602,950)	34,449	4,390,561
Sep-14 (a)	7,426,970	1,070,740,208	7,281,033	(145,937)	(106,534)	-	-	-	(106,534)	-\$0.0005	(535,370)	(641,904)	3,738,656
Oct-14 (b)	6,194,811	757,961,208	5,154,272	(1,040,639)	(759,666)	-	-	-	(759,666)	-\$0.0005	(378,991)	(1,138,657)	2,600,000
Nov-14 (b)	6,276,840	763,722,631	5,193,314	(1,083,526)	(790,974)	-	-	-	(790,974)	-\$0.0005	(361,961)	(1,172,835)	1,427,164
Dec-14 (b)	7,367,867	1,087,533,866	7,395,230	27,363	19,975	-	-	-	19,975	-\$0.0005	(543,767)	(523,792)	903,372
	\$ 80,642,016	12,166,538,274	82,732,460	2,090,444	1,526,024	-	-	-	1,526,024		(6,083,289)	(4,657,245)	

Total Recovery E-Factor \$ 903,372

(a) Actuals to be reflected in final October reconciliation.

(b) Estimated.

(c) Residential Non-CAP Sales.

(d) Per settlement factor approved at Docket No. R-2010-2161575.

PECO - 2014 USFC Electric Interest Calculation

E-Factor Period	R/PH Sales (c) (kWh)	C & L Factor O(U) Recovery	Interest Rate	Interest Time Factor	Interest Owed/ (Interest to be Recouped)	Interest Refund Rate	Interest Collection/(Refund)	Total Interest (8) = 5 + 7	Cumulative Interest Interest Owed/ (Interest to be Recouped) (9) = (8) + Prev (9)
	(1)	(2)	(3)	(4)	(5) = (2) * (3) * (4)	(6)	(7) = (1) * (6)	(8) = 5 + 7	(9) = (8) + Prev (9)
Balance (a)									
Jan-13	1,231,353,122	\$ 1,664,636	6%	18/12	\$ 149,817	\$ 0.0000	\$ -	\$ 149,817	\$ (284,618)
Feb-13	1,128,723,617	\$ 1,321,097	6%	17/12	\$ 112,293	\$ 0.0000	\$ -	\$ 112,293	\$ (134,801)
Mar-13	1,011,369,469	\$ 658,833	6%	16/12	\$ 52,707	\$ 0.0000	\$ -	\$ 52,707	\$ (22,507)
Apr-13	853,414,755	\$ (298,748)	6%	15/12	\$ (22,406)	\$ 0.0000	\$ -	\$ (22,406)	\$ 30,199
May-13	708,962,493	\$ (710,175)	6%	14/12	\$ (49,712)	\$ 0.0000	\$ -	\$ (49,712)	\$ 7,793
Jun-13	930,841,015	\$ 271,037	6%	13/12	\$ 17,617	\$ 0.0000	\$ -	\$ 17,617	\$ (41,919)
Jul-13	1,328,522,223	\$ 1,784,049	6%	12/12	\$ 107,043	\$ 0.0000	\$ -	\$ 107,043	\$ (24,302)
Aug-13	1,220,561,685	\$ 1,174,155	6%	11/12	\$ 64,579	\$ 0.0000	\$ -	\$ 64,579	\$ 82,741
Sep-13	1,083,757,966	\$ 370,345	6%	10/12	\$ 18,517	\$ 0.0000	\$ -	\$ 18,517	\$ 147,320
Oct-13	767,196,530	\$ (405,816)	6%	9/12	\$ (18,262)	\$ 0.0000	\$ -	\$ (18,262)	\$ 165,837
Nov-13	773,007,756	\$ (533,758)	6%	8/12	\$ (21,350)	\$ 0.0000	\$ -	\$ (21,350)	\$ 147,575
Dec-13	1,100,755,797	\$ 378,322	6%	7/12	\$ 13,241	\$ 0.0000	\$ -	\$ 13,241	\$ 126,225
	12,138,486,428	\$ 5,673,978			\$ 424,084			\$ 424,084	\$ 139,466
Jan-14	1,338,523,664	\$ 1,228,996	6%	18/12	\$ 110,610	\$ 0.0000	\$ -	\$ 110,610	\$ 250,076
Feb-14	1,240,460,315	\$ 940,514	6%	17/12	\$ 79,944	\$ 0.0000	\$ -	\$ 79,944	\$ 330,020
Mar-14	1,074,378,327	\$ 649,306	6%	16/12	\$ 51,944	\$ 0.0000	\$ -	\$ 51,944	\$ 381,964
Apr-14	851,488,771	\$ (197,864)	6%	15/12	\$ (14,840)	\$ 0.0000	\$ -	\$ (14,840)	\$ 367,124
May-14	721,261,117	\$ (431,039)	6%	14/12	\$ (30,173)	\$ 0.0000	\$ -	\$ (30,173)	\$ 336,952
Jun-14	844,293,257	\$ (188,247)	6%	13/12	\$ (12,236)	\$ 0.0000	\$ -	\$ (12,236)	\$ 324,715
Jul-14	1,210,254,227	\$ 524,159	6%	12/12	\$ 31,450	\$ 0.0000	\$ -	\$ 31,450	\$ 356,165
Aug-14 (a)	1,205,900,684	\$ 637,399	6%	11/12	\$ 35,057	\$ 0.0000	\$ -	\$ 35,057	\$ 391,222
Sep-14 (a)	1,070,740,208	\$ (106,534)	6%	10/12	\$ (5,327)	\$ 0.0000	\$ -	\$ (5,327)	\$ 385,895
Oct-14 (b)	757,981,208	\$ (759,666)	6%	9/12	\$ (34,185)	\$ 0.0000	\$ -	\$ (34,185)	\$ 351,710
Nov-14 (b)	763,722,631	\$ (790,974)	6%	8/12	\$ (31,639)	\$ 0.0000	\$ -	\$ (31,639)	\$ 320,071
Dec-14 (b)	1,087,533,866	\$ 19,975	6%	7/12	\$ 699	\$ 0.0000	\$ -	\$ 699	\$ 320,770
	12,166,538,274	\$ 1,526,024			\$ 181,304			\$ 181,304	\$ 320,770
								Net Interest \$	\$ 320,770

(a) Actuals to be reflected in final October reconciliation.
 (b) Estimated.
 (c) Residential Non-CAP Sales.

EXHIBIT 3

PECO
BILL COMPARISON with USFC at
(\$0.0002) kWh

Residential Rate R - 500 KWH (a)

	2014 w/ Current (\$0.0005) kWh USFC Charge	2015 w/ Proposed (b) (\$0.0002) kWh USFC Credit	Difference (\$)	Difference (%)
FIXED DISTRIBUTION CHARGE	7.13	7.13		
TRANSMISSION CHARGE	3.60	3.60		
ALL KWH				
DISTRIBUTION CHARGE	30.20	30.35		
ALL KWH				
GSA				
ALL KWH	39.30	39.30		
SUB TOTAL	80.23	80.38		
STATE TAX ADJUSTMENT CLAUSE -0.21%	(0.08)	(0.08)		
TOTAL	80.15	80.30	\$ 0.15	0.19%

(a) Based on PECO Electric Tariff Rates as of 8/1/14.
(b) Calculation is for demonstration purposes only.