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May 7, 2015

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission v.
PECO Energy Company – Electric Division
Docket No. R-2015-2468981**

Dear Secretary Chiavetta:

Enclosed please find the **Prehearing Conference Memorandum of PECO Energy Company** in the above-captioned matter. Copies have been served on the Administrative Law Judge Angela T. Jones and the parties/intervenors of record in accordance with the attached Certificate of Service.

Very truly yours,

A handwritten signature in black ink, appearing to read "Craig Williams", written over a horizontal line.

W. Craig Williams

Enclosures

cc: Per Certificate of Service (w/encls.)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION :
: **DOCKET NO. R-2015-2468981**
v. :
PECO ENERGY COMPANY – :
ELECTRIC DIVISION :

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the **PECO Energy Company’s Prehearing Conference Memorandum** on the following persons in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

VIA ELECTRONIC MAIL AND HAND-DELIVERY

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Counsel for PECO Energy Company

Date: May 7, 2015

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	DOCKET NO. R-2015-2468981
	:	
PECO ENERGY COMPANY - ELECTRIC DIVISION	:	

**PREHEARING MEMORANDUM
OF
PECO ENERGY COMPANY**

This memorandum is submitted in response to the Prehearing Conference Order issued by Administrative Law Judge Angela T. Jones dated April 28, 2015.

I. INTRODUCTION

On March 27, 2015, PECO Energy Company (“PECO” or “the Company”) filed with the Pennsylvania Public Utility Commission (“Commission”) Tariff Electric – Pa. P.U.C. No. 5 (“Tariff No. 5”). Tariff No. 5 reflects an increase in annual distribution revenue of approximately \$190 million, or 4.4% of PECO’s total Pennsylvania jurisdictional operating revenues. The Company submitted a detailed Statement of Reasons supporting its requested rate increase with its initial filing, attached as Exhibit “A” hereto. By Order issued April 23, 2015, the Commission instituted a formal investigation to determine the lawfulness, justness and reasonableness of PECO’s existing and proposed rates, rules and regulations. Accordingly, Tariff No. 5 was suspended by operation of law until December 26, 2015. In conjunction with the Commission’s April 23, 2015 Order, Chairman Robert F. Powelson and Commissioner Gladys M. Brown issued a joint statement (“Joint Statement”) in which they directed several questions to facilitate an on-the-record discussion of the Company’s proposals to: (1) replace the

Auxiliary Service Rider (“ASR”) in its existing tariff with a new Capacity Reservation Rider (“CRR”); and (2) establish a minimum billing demand equal to 40% of the contract demand for General Service (“GS”) rate customers with electric demand over 500 kilowatts (“kW”).

Accompanying its tariff filing, PECO submitted extensive and detailed supporting information, including the prepared written testimony and exhibits of its eight initial witnesses. During the course of this case, PECO will submit additional testimony and exhibits in response to Chairman Powelson’s and Commissioner Brown’s directed questions, as well as presentations of, or cross-examination by, other parties and with respect to any specific issues that might be raised by such parties. In addition, certain testimony and exhibits will be updated, as necessary, to reflect known changes that should be considered in this proceeding.

In support of its proposed rate increase, PECO has presented complete and separate data for the historic test year ended December 31, 2014, the future test year ending December 31, 2015 and the fully projected future test year ending December 31, 2016. PECO intends, however, to rely primarily on the fully projected future test year data. PECO submits that the record at the close of this proceeding will fully demonstrate that the proposed rates are just, reasonable and lawful and should be approved in full by the Commission.

As of this date, the Company has been served with Petitions to Intervene of The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), dated April 9, 2015; the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (“TURN/Action Alliance”), dated April 20, 2015; the City of Philadelphia (“City”), dated April 23, 2015; and the Clean Air Council (“CAC”), dated May 1, 2015. Notices of Appearance were served on behalf of the Bureau of Investigation and Enforcement (“I&E”), dated April 7, 2015 and the Office of Small Business Advocate (“OSBA”)

along with the latter's Complaint, Verification and Public Statement on April 16, 2015. The Office of Consumer Advocate ("OCA"), on April 6, 2015, filed its Complaint and Public Statement with the Commission. On May 6, 2015, the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), also filed a Complaint with the Commission.

II. ISSUES

Generally, every rate case presents two major issues for resolution: (1) the total amount of the revenue increase to which the utility is entitled; and (2) the allocation of the increased revenues among the utility's rate classifications through a rate structure and rate design that will produce the required revenue. As discussed below, the Company's calculation of its required revenue increase and its proposed allocation of the increase to each customer classification have been developed by applying principles and procedures that the Commission has previously reviewed and approved.

A determination of the total revenue increase to which a utility is entitled involves a number of elements which may be grouped under three headings and characterized as the following major sub-issues herein:

A. Total Return. The total return (utility operating income) required by the utility to provide a fair rate of return on its claimed rate base. Fair rate of return involves the determination of the appropriate cost or return rate for the capital employed by the Company to furnish electric service. Such return must be sufficient to enable the Company to maintain the financial integrity of its existing capital and to attract additional capital on reasonable terms. In addition, the Company must be permitted an opportunity to earn, on the portion of its rate base financed by common equity, a return commensurate with the returns on investments in other enterprises having similar risks. The appropriate rate of return for the Company, and in

particular the appropriate return rate for the Company's common equity, is an issue which is critical to the well-being of the Company and its ability to continue to provide the service that its customers have been receiving and are entitled to receive in the future.

B. Operating Expenses. The future or ongoing level of the utility's operating expenses to provide electric distribution service, including depreciation, amortizations and taxes, which must be recovered from customers through rates.

C. Revenues. The electric distribution revenue normally available to the utility under present rates and the level of revenue that will be produced by the proposed rates.

By comparing the electric distribution revenue produced by the utility's present rates with its total required operating income and anticipated electric distribution operating expenses, depreciation, amortizations and taxes, the necessary increase in revenue and rate levels required to provide a fair rate of return is determined.

The allocation of the proposed revenue increase and the Company's proposed rate structure and rate design are explained in Exhibit A and are discussed in detail in the direct testimony of Mr. Cohn, Mr. Neumann and Mr. Schlesinger (PECO Statement Nos. 6, 7 & 8, respectively). In developing PECO's rate structure proposal, Mr. Neumann considered the results of a cost of service study performed by Mr. Cohn and the principle of gradualism that has traditionally been applied in Pennsylvania. The proposed rates were designed to mitigate the impact of the requested increase on each major rate class, to the extent practicable, while still making meaningful movement toward each class' cost of service. To that end, PECO's proposed revenue allocation moves the rates of return for each major rate class closer to, or at least no further from, the system average rate of return.

PECO is also proposing certain changes in rate design including: (1) aligning residential fixed distribution service charges with, or closer to, customer-classified costs; (2) eliminating kilowatt-hour usage charges from the Company's commercial and industrial rates to recover the costs of the electric distribution system designed and constructed to meet customer demand through a demand-based (i.e., kW) charge; (3) establishing a minimum billing demand equal to 40% of the contract demand for customers on Rate Schedule GS with electric demand over 500 kW; (4) introducing a light-emitting diode lamp option for Street Lighting – Suburban Counties customers and phasing out the use of incandescent and mercury vapor lamps; and (5) increasing solely the variable distribution charge of Rate SL-E (Street Lighting – Customer-Owned Facilities) to respond to input from those customers that such approach will increase incentives to install more efficient lamps.

Further, as noted above, PECO is proposing to eliminate the ASR and to replace it with its proposed CRR. PECO's three customers who are currently on the ASR will be "grandfathered" until the Company's next base rate case. The CRR will apply to customers who have generating facilities with a capacity nameplate rating above 100 kW and up to 10,000 kW running in parallel with PECO. Customers who have generation in excess of 10,000 kW will have to enter into specially negotiated contracts with PECO covering their capacity and special service requirements. The CRR will provide more flexible options for eligible customers to reserve distribution capacity and will establish rates for each option that properly align with the costs of the service being provided. PECO also proposes to roll smart meter costs into distribution base rates and to reduce its Smart Meter Cost Recovery Surcharge ("SMCRS") rates to zero. Although smart meter costs are being rolled into base rates upon the effective date of those rates, any over/under collection balance that may exist at that time will be refunded or

recouped, as applicable, through the SMCRS, and the SMCRS will be eliminated in a future filing.

Finally, as part of a settlement pending Commission review and approval in PECO's Customer Assistance Program ("CAP") Design Proceeding at Docket No. M-2012-2290911, PECO agreed to propose an in-program arrearage ("IPA") forgiveness program for its CAP customers in its next base rate case. As explained by Mr. Neumann, to that end, PECO has proposed in this case to address accumulated IPA arrearages when PECO transitions to a new CAP design, known as the Fixed Credit Option beginning in October 2016, by dividing financial responsibility among CAP customers (pursuant to a 60-month payment arrangement), PECO's shareholders and other residential customers. Specifically, each will be responsible for one-third of the accumulated arrearages, on a pro forma basis.

As noted above, Chairman Powelson and Commissioner Brown, in the Joint Statement, identified eight specific questions to be considered in this proceeding as well. PECO will submit, by May 22, 2015, limited supplemental testimony to address those questions.

III. WITNESSES AND EVIDENCE

Listed below are the initial witnesses for PECO, together with a brief summary of the subject matter of their testimony.

1. **Michael A. Innocenzo.** Mr. Innocenzo is Senior Vice President and Chief Operating Officer of PECO. His direct testimony, which is identified as PECO Statement No. 1, describes PECO's electric operations; provides an overview of this rate filing, including an introduction of the other witnesses who present testimony in support of PECO's case-in-chief; explains PECO's capital investment process and identifies the types of projects that comprise

PECO's claimed future test year and fully projected future test year plant additions; discusses various measures undertaken by the Company to ensure system safety and reliability and enhance its quality of service; and discusses measures taken by the Company to enhance the communities in which it operates and to promote economic development.

2. **Phillip S. Barnett.** Mr. Barnett is PECO's Senior Vice President, Chief Financial Officer and Treasurer. His direct testimony is identified as PECO Statement No. 2. Mr. Barnett explains PECO's need for rate relief; summarizes PECO's efforts to control operating and maintenance costs since its last approved base rate increase in 2010; provides an overview of PECO's principal accounting exhibits; discusses PECO's budgeting process; and describes the services that PECO receives from the Exelon Business Services Company and the estimated cost of those services during the fully projected future test year.

3. **Shuo Yin.** Mr. Yin is PECO's Manager of Revenue Policy. His direct testimony is identified as PECO Statement No. 3. Mr. Yin sponsors PECO Exhibits SY-1, SY-2 and SY-3, which set forth PECO's revenue requirements for the fully projected future test year ending December 31, 2016, future test year ending December 31, 2015 and historic test year ended December 31, 2014, respectively. He specifically supports PECO's measures of value, revenue, operating expense and tax claims.

4. **Scott A. Bailey.** Mr. Bailey is PECO's Controller. His direct testimony is identified as PECO Statement No. 4. Mr. Bailey describes PECO's accounting processes; supports the assignment and allocation of common costs between PECO's electric and gas operations; and explains the development of the depreciated original cost of the Company's utility plant in service and its claim for annual depreciation expense.

5. **Paul R. Moul.** Mr. Moul is the Managing Consultant of P. Moul & Associates, Inc. His direct testimony is identified a PECO Statement No. 5, and the various supporting schedules discussed in his testimony are set forth in PECO Exhibit No. PRM-1. Mr. Moul presents testimony concerning the rate of return that PECO should be afforded an opportunity to earn on its measures of value. He supports PECO’s claimed capital structure ratios, its embedded costs of debt and its requested equity allowance, as follows:

Type of Capital	Ratio	x	Cost Rate	=	Weighted Cost Rate
Long-Term Debt	46.64%		5.04%		2.35%
Common Equity	53.36%		10.95%		<u>5.84%</u>
Overall Rate of Return					8.19%

6. **Alan B. Cohn.** Mr. Cohn is PECO’s Manager of Regulatory Strategy. His direct testimony is identified as PECO Statement No. 6, and he is sponsoring the customer class cost of service study he performed in this case.

7. **Scott A. Neumann.** Mr. Neumann is a Senior Engineer, Retail Rates at PECO. His direct testimony is identified as PECO Statement No. 7. Mr. Neumann presents PECO’s proposed tariff rates and explains how the results of Mr. Cohn’s customer class cost of service study, as well as the consideration of other factors, were utilized in the rate design process.

8. **Richard A. Schlesinger.** Mr. Schlesinger is PECO’s Manager, Retail Rates. His direct testimony is identified as PECO Statement No. 8. Mr. Schlesinger discusses proposed changes and clarifications to PECO’s tariff rules and regulations.

The Company may present additional witnesses to address the direct testimony of other parties; however, such witnesses cannot be identified until the direct testimony of such parties is reviewed and evaluated.

IV. DISCOVERY

The parties have agreed to proposed discovery modifications, attached as Exhibit “B” hereto. These procedures are substantially the same as those previously approved by the Presiding Administrative Law Judge in PECO’s recent Default Service Program proceeding at Docket No. P-2014-2409362 (“DSP III Proceeding”). Accordingly, the parties respectfully request that the Administrative Law Judge approve the proposed discovery modifications.

In addition, PECO has submitted to the parties for their consideration a proposed Protective Order, which is attached as Exhibit “C” hereto. It is substantially the same form of Protective Order agreed upon by the parties and approved by the Presiding Administrative Law Judge in PECO’s DSP III Proceeding. PECO respectfully requests that the Administrative Law Judge enter the proposed Protective Order. In advance of the Prehearing Conference and in order to facilitate the discovery of certain confidential information, the Company also has sent Stipulated Protective Agreements to each of the statutory advocates, which address how recipients will handle information deemed confidential by a party responding to discovery. To date, the Company has executed Stipulated Protective Agreements with I&E, OCA and OSBA.

To date, PECO has been served with 333 interrogatories and data requests, and PECO has responded to more than 200 of those inquiries. In an effort to facilitate the timely exchange of information, PECO has voluntarily held itself to an accelerated 10-day response time for all interrogatories and data requests. PECO encourages informal exchanges of information and is prepared to meet with representatives of the other active parties to discuss issues of interest. To that end, at the request of some parties, PECO has proposed two Technical Conferences before the due date for Other Parties’ Direct for discussions with the Company about information it has provided.

V. PROPOSED PROCEDURAL SCHEDULE

PECO has developed, and proposes, the schedule attached as Exhibit “D” to this Memorandum for the submission of testimony, the conduct of evidentiary hearings, and briefing. The Company’s proposed schedule follows the Administrative Law Judge’s deadline for the close of the record and the filing of briefs. PECO has communicated the proposed schedule to the parties and believes there are no outstanding objections to the proposal.¹ The Company is currently working with the other parties to develop a specific schedule for public input hearings and anticipates having an agreed upon schedule and list of locations to present to the Administrative Law Judge for her consideration at the Prehearing Conference.

VI. SETTLEMENT

PECO is willing to pursue with the parties the possible stipulation of individual issues and/or more far-ranging settlement discussions that might lead to a comprehensive resolution of this matter.

¹ CAUSE-PA and TURN/Action Alliance have expressed concern about the proposed hearing dates overlapping with another hearing to which they are a party, which may pose a conflict of schedule for their witnesses and attorneys. PECO has offered to help accommodate their schedules during the hearing, to include agreeing to take witnesses out of order, if necessary. TURN/Action Alliance has accepted PECO’s offer and agrees to the Company’s proposed schedule.

VII. SERVICE LIST

PECO requests that the official service list entry for the Company be as follows:

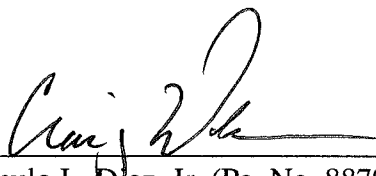
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PECO also requests that a copy of all correspondence, discovery, testimony and other materials sent to the Company be provided to:

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VIII. CONCLUSION

Based on the evidence referenced above, PECO submits that the rates proposed in Tariff Electric – Pa. P.U.C. No. 5 are just, reasonable and lawful in all respects. Accordingly, the requested rate increase should be approved by the Administrative Law Judge and the Commission at the close of this proceeding.



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Counsel for PECO Energy Company

Dated: May 7, 2015

EXHIBIT A

PECO ENERGY COMPANY

STATEMENT OF SPECIFIC REASONS FOR PROPOSED INCREASE IN ELECTRIC RATES

PECO Energy Company (“PECO” or the “Company”) is filing to increase its electric delivery rates by approximately \$190 million, or 4.4% on the basis of total Pennsylvania jurisdictional operating revenue. In accordance with Section 1308 of the Public Utility Code, the tariff setting forth the Company’s proposed rates bears an effective date of May 26, 2015. However, the Company anticipates that its requested increase will be suspended and investigated by the Pennsylvania Public Utility Commission (“PUC” or the “Commission”) and, therefore, the Company does not expect that new Commission-approved rates will become effective until approximately January 1, 2016. The reasons for the Company’s proposed increase are summarized below.

Rate Increase

PECO last filed for an increase in electric base rates in March 2010.¹ Over the period of 2011-2014, PECO has invested approximately \$1.5 billion in new and replacement electric distribution plant and is planning to invest approximately an additional \$700 million in new and replacement electric distribution plant in years 2015 and 2016; has granted its employees annual wage and salary adjustments; has experienced the effects of inflation on material and contracting costs; and has incurred higher costs for storm damage and remediation.

¹ *PECO Energy Company General Base Rate Filing for Electric Operations*, Docket No. R-2010-2161575, filed on March 31, 2010.

During this period, PECO has also made concerted efforts to control discretionary spending through operational improvements arising from, among other things, the deployment of new technologies, the productivity of our workforce, the implementation of best practices, and competitive-procurement policies and benchmarking. Indeed, since the Company's electric distribution rate case nearly five years ago, PECO's operating costs (exclusive of required energy-efficiency and smart-meter spending) have increased by a compound annual growth rate of less than one percent, well below the rate of inflation during that period.

Notwithstanding PECO's aggressive cost-containment and management efforts, after 5 years, based on PECO's review of current and projected financial results, an increase in electric-delivery revenues is needed and cannot be achieved without an increase in rates. In fact, the Company's overall load growth from 2011 to 2014 has declined by 0.6% on a compound annual basis, with declines occurring in all customer segments.

Absent rate relief, the Company's overall rate of return at present rates is projected to be only 5.66% for the fully projected future test year, as shown on Schedule A-1 of PECO Exhibit SY-1. More importantly, the indicated return on common equity under present rates is anticipated to be only 6.21%, which is inadequate by any reasonable standard and far less than required to provide the Company with a reasonable opportunity to attract capital.

Without the requested rate relief, PECO's financial results would deteriorate even further in 2017 and thereafter. This would jeopardize the Company's ability to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels. It would also have an adverse impact on PECO's credit-coverage ratios and negative implications with respect to maintaining the Company's current credit ratings, which would increase its financing costs.

The requested rates would produce an 8.19% return on the Company's claimed measures of value and a return on its common equity of 10.95%. These return levels are recommended by Mr. Paul R. Moul (PECO Statement No. 5), the Company's cost-of-capital consultant and an expert on the subject of rate of return. Mr. Moul's rate of return recommendations are set forth in PECO Exhibit PRM-1 and are summarized in the following table:

	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Long-Term Debt	46.64%	5.04%	2.35%
Common Equity	53.36%	10.95%	5.84%
Total	100%		8.19%

Mr. Moul proposes a 10.95% return on common equity for this case based on his analysis of the Company's cost of capital and its superior management performance, as described in the testimony of Mr. Michael A. Innocenzo, PECO's Senior Vice President and Chief Operating Officer (PECO Statement No. 1).

Supporting Data

PECO is filing all of the supporting data required by the Commission's regulations, including data for the historic test year ("HTY") ended December 31, 2014, the future test year ("FTY") ending December 31, 2015, and the fully projected future test year ("FPFTY") ending December 31, 2016. Because the Company is basing its claim principally on the level of operations for the FPFTY, the discussion that follows will address FPFTY data.

The revenue and expense claims for the FPFTY have been prepared in accordance with accepted practices of the Commission. Operating revenues at present rates were derived from budgeted revenues for PECO's electric operations for the year ending December 31, 2016, adjusted in the manner shown on Schedule D-5 of PECO Exhibit SY-1. Principal revenue adjustments include the removal of revenues related to portions of the Company's business that are not subject to the jurisdiction of the Commission, decreased revenues resulting from the implementation of Act 129 energy efficiency programs, the removal of revenues billed under the surcharge (i.e., non-base rate revenue) that recover the cost of implementing the Company's energy efficiency and conservation programs pursuant to Act 129, and the annualization of changes in number of customers.

Pro forma FPFTY operating expenses were developed from PECO's 2016 budget for electric operations. Budgeted expenses, which were prepared based on business activities and related cost elements such as payroll, employee benefits, etc., were distributed to FERC accounts based on the distribution experienced by the Company during the HTY. The budget data, as distributed to FERC accounts, were annualized or normalized in accordance with established Commission ratemaking practices and other appropriate adjustments were made, all of which are included in Schedule D of PECO Exhibit SY-1. The necessary adjustments were made to the appropriate FERC accounts.

Annual depreciation expense for electric and common plant in service at December 31, 2016, was calculated using the remaining life method, which the Commission has previously approved for PECO's electric operations. PECO's claim for the estimated annualized depreciation accrual is set forth in Schedule D-17 of PECO Exhibit SY-1 and is described in PECO Statement No. 3.

Income taxes were calculated using procedures commonly accepted by the Commission. The interest expense deduction was synchronized with the Company's measures of value and claimed weighted average cost of long-term debt. The normalization method was used to reflect the tax-book timing differences associated with the use of accelerated methods of tax depreciation to the extent permitted by the Commission and appellate precedent. All other tax-book differences were flowed-through for ratemaking purposes. Tax expense was reduced to reflect the amortization of the unamortized investment tax credits. Additionally, to comply with applicable Commission and appellate court precedent, the Company has included a consolidated income tax adjustment. The income tax expense claims for the FPFTY at present rate and proposed rate revenue levels are shown on PECO Exhibit SY-1, Schedule D-18.

PECO's measures of value reflect the Company's balances of electric plant at December 31, 2016, including common plant used in, and appropriately allocated to, electric operations, as shown in Section C of PECO Exhibit SY-1. The estimated original cost of gross plant at December 31, 2016 was developed by taking the original cost of gross plant at January 1, 2015, and adding the 2015 and 2016 estimated plant additions and subtracting the 2015 and 2016 estimated plant retirements. The estimated accumulated book reserve at December 31, 2016 was calculated in similar fashion. Specifically, the accumulated book reserve at December 31, 2014 was brought forward to December 31, 2016 by adding the 2015 and 2016 estimated annual depreciation accrual; subtracting the 2015 and 2016 estimated plant retirements; and adding 2015 and 2016 estimated cost of removal net of salvage that are closed to the accumulated book reserve. The unamortized balance of Automated Meter Reading ("AMR") investment, a pension asset, materials and supplies and cash working

capital were included in the determination of the measures of value, while accumulated deferred Federal income taxes, a 13-month average of customer advances, and a 13-month average of customer deposits were deducted from measures of value.

As is evident from the foregoing, and the extensive supporting data filed by the Company, the proposed increase is just and reasonable, and is the minimum increase necessary to enable the Company to earn a reasonable return on the fair value of its property that is used and useful in the public service, to maintain the integrity of its existing capital, and to attract new capital.

Rate Structure and Rate Design

As Mr. Scott A. Neumann (PECO Statement No. 7) explains, in developing its rate-structure proposal, the Company considered the results of a cost of service study performed by Mr. Alan B. Cohn (PECO Statement No. 6). While the cost of service study was used as a guide, the Company also considered the principle of gradualism that has traditionally been applied in Pennsylvania. Accordingly, the proposed rates were designed to mitigate the impact on each major rate class, to the extent practicable, while still making meaningful movement toward the system average rate of return.

PECO proposes certain changes in rate design, which include principally: (1) aligning fixed distribution/customer charges with, or closer to, customer-classified costs; and (2) eliminating the kWh-based distribution charges for commercial and industrial customers in order to recover all costs not recovered in customer charges through a kW-based demand charge. Certain other changes in rate design and in the rules, regulations

and riders set forth in the Company's tariff are described in the testimony of Mr. Neumann and Mr. Richard A. Schlesinger (PECO Statement No. 8).

"Roll-In" of Smart Meter Costs into Distribution Rates

In its Petition for Approval of a Smart Meter Technology Procurement and Installation Plan at Docket No. M-2009-2123944, PECO proposed, and received approval, to recover its smart meter costs through a Commission approved surcharge. In addition, PECO explained in its Petition that, when its smart meter system is fully deployed, it would be appropriate to roll the smart meter program costs into its base rates. The surcharge has been in place since January 1, 2011, and, as of January 1, 2016, smart meter deployment will have been substantially completed. For these reasons, PECO is proposing to roll its smart meter costs into its base rate revenue requirement in this case.

Capital Infrastructure Investment

PECO makes significant capital and infrastructure investments in its service territory every year. As noted above, since its last base rate case, PECO has invested \$1.5 billion in its electric distribution plant. This level of investment maintains and enhances the reliability of PECO's distribution system and the quality of the service PECO provides its customers. It also helps to maintain and create thousands of jobs in the region.

At the time it filed its base rate increase, PECO also filed with the Commission, at a separate docket, a Petition requesting the Commission's review and approval of an electric Long Term Infrastructure Improvement Plan ("LTIIIP") and a tariff supplement to establish a Distribution System Improvement Charge ("DSIC"), pursuant to Sections 1352 and 1353 of

the Public Utility Code, respectively. Over the five-year (2016-2020) term of its proposed LTIIIP, PECO plans to make additional capital investments totaling \$274.3 million focused on storm hardening its aerial distribution facilities, replacing underground cable and retiring obsolete building substations while also upgrading the distribution facilities those substations serve. All of the additional investments covered by the Company's LTIIIP are described further in the testimony that accompanies and supports PECO's Petition. Reliability-related capital investments of \$21.8 million that the Company plans to make during the first year (2016) of its LTIIIP have been included in the fully projected future test year plant additions used to develop the measures of value in its base rate case. As a result, the Company will not seek to recover the capital costs of its 2016 LTIIIP investments under its proposed DSIC if its DSIC is approved by the Commission.

Community Involvement

PECO also has a strong and continuing tradition of community involvement. The Company's corporate citizenship efforts are designed to improve the quality of life for the people who live and work in PECO's service territory, and include support for education and the environment, sponsorships, employee volunteer activities, and executive involvement on outside nonprofit boards.

Summary

The requested increase in revenues is the minimum necessary to enable the Company to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels; to maintain the integrity of PECO's existing capital; to attract additional capital at reasonable costs; and to have an opportunity to achieve a fair rate of return on its investment in property dedicated to public service. The

Company's proposed revenue allocation and rate design are just, reasonable and non-discriminatory. Accordingly, the Company's proposed rates, rules and terms of service should be permitted to become effective as filed.

EXHIBIT B

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	DOCKET NO. R-2015-2468981
	:	
PECO ENERGY COMPANY - ELECTRIC DIVISION	:	

PECO PROPOSED DISCOVERY PROCEDURE MODIFICATIONS

1. Answers to written interrogatories are to be served in-hand within ten (10) calendar days of service of the interrogatories.
2. Objections to interrogatories are to be communicated orally within three (3) days of service; unresolved objections are to be served on the Administrative Law Judge in writing within five (5) days of service of the interrogatories.
3. Motions to dismiss objections and/or direct the answering of interrogatories are to be filed within three (3) calendar days of service of written objections.
4. Answers to motions to dismiss objections and/or directing the answering of interrogatories shall be filed within three (3) calendar days of service of such motions.
5. Responses to requests for documents production, entry for inspection, or other purposes are to be served in-hand within ten (10) calendar days of service.
6. Requests for admission are deemed admitted unless answered within ten (10) calendar days or objected to within five (5) calendar days of service.
7. When an interrogatory, request for production, request for admission or motion is served after 12:00 p.m. on a Friday or the day before a holiday, the appropriate response period is deemed to start on the next business day.

8. Interrogatories, requests for production and requests for admissions that are objected to but which are not made the subject of a motion to compel will be deemed withdrawn.
9. Pursuant to 52 Pa. Code §5.341(b), neither discovery requests nor responses thereto are to be served on the Commission or the Administrative Law Judge, although a certificate of service may be filed with the Commission's Secretary.
10. Discovery requests, motions to compel and responses are to be served electronically as well as on paper.

EXHIBIT C

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2015-2468981
	:	
PECO ENERGY COMPANY - ELECTRIC DIVISION	:	

PROTECTIVE ORDER

IT IS ORDERED THAT:

1. This Protective Order is hereby GRANTED and shall establish procedures for the protection of all materials and information identified in Paragraphs 2 and 3 below, which are or will be filed with the Commission, produced in discovery, or otherwise presented during the above-captioned proceeding and all proceedings consolidated with it. All persons now or hereafter granted access to the materials and information identified in Paragraph 2 of this Protective Order shall use and disclose such information only in accordance with this Order.

2. The information subject to this Protective Order is all correspondence, documents, data, information, studies, methodologies and other materials, whether produced or reproduced or stored on paper, cards, tape, disk, film, electronic facsimile, magnetic or optical memory, computer storage devices or any other devices or media, including, but not limited to, electronic mail (e-mail), furnished in this proceeding that the producing party believes to be of a proprietary or confidential nature and are so designated by being stamped "CONFIDENTIAL" or "HIGHLY CONFIDENTIAL" protected material. Such materials are referred to in this Order as "Proprietary Information." When a statement or exhibit is identified for the record, the portions thereof that constitute Proprietary Information shall be designated as such for the record.

3. For purposes of this Protective Order there are two categories of Proprietary Information: “CONFIDENTIAL” and “HIGHLY CONFIDENTIAL” protected material. A producing party may designate as “CONFIDENTIAL” those materials that are customarily treated by that party as sensitive or proprietary, that are not available to the public, and that, if generally disclosed, would subject that party or its clients to the risk of competitive disadvantage or other business injury. A producing party may designate as “HIGHLY CONFIDENTIAL” those materials that are of such a commercially sensitive nature, relative to the business interests of parties to this proceeding, or of such a private or personal nature, that the producing party determined that a heightened level of confidential protection with respect to those materials is appropriate. The parties shall endeavor to limit the information designated as “HIGHLY CONFIDENTIAL” protected material.

4. Subject to the terms of this Protective Order, Proprietary Information shall be provided to counsel for a party who meets the criteria of a “Reviewing Representative” as set forth below. Such counsel shall use or disclose the Proprietary Information only for purposes of preparing or presenting evidence, testimony, cross examination or argument in this proceeding. To the extent required for participation in this proceeding, such counsel may allow others to have access to Proprietary Information only in accordance with the conditions and limitations set forth in this Protective Order.

5. Information deemed “CONFIDENTIAL” shall be provided to a “Reviewing Representative.” For purposes of “CONFIDENTIAL” Proprietary Information, a “Reviewing Representative” is a person who has signed a Non-Disclosure Certificate and is:

- i. A statutory advocate, or an attorney for a statutory advocate pursuant to 52 Pa. Code § 1.8 or an attorney who has formally entered an appearance in this proceeding on behalf of a party;
- ii. An attorney, paralegal, or other employee associated for purposes of this case with an attorney described in subparagraph (i) above;
- iii. An expert or an employee of an expert retained by a party for the purpose of advising that party or testifying in this proceeding on behalf of that party; or
- iv. Employees or other representatives of a party to this proceeding who have significant responsibility for developing or presenting the party's positions in this docket.

6. Information deemed "HIGHLY CONFIDENTIAL" protected material shall be provided to a Reviewing Representative, provided, however that a Reviewing Representative, for purposes of "HIGHLY CONFIDENTIAL" protected material, is limited to a person who has signed a Non-Disclosure Certificate and is:

- i. A statutory advocate, or an attorney for a statutory advocate, pursuant to 52 Pa. Code § 1.8 or an attorney who has formally entered an appearance in this proceeding on behalf of a party;
- ii. An attorney, paralegal, or other employee associated for purposes of this case with an attorney described in subparagraph (i);
- iii. An outside expert or an employee of an outside expert retained by a party for the purposes of advising that party or testifying in this proceeding on behalf of that party; or
- iv. A person designated as a Reviewing Representative for purposes of HIGHLY CONFIDENTIAL protected material pursuant to paragraph 11.

Provided, further, that in accordance with the provisions of Sections 5.362 and 5.365(e) of the Commission's Rules of Practice and Procedure (52 Pa. Code §§ 5.362, 5.365(e)) any party may, by objection or motion, seek further protection with respect to HIGHLY CONFIDENTIAL protected material, including, but not limited to, total prohibition of disclosure or limitation of disclosure only to particular parties.

7. For purposes of this Protective Order, a Reviewing Representative may not be a “Restricted Person” absent agreement of the party producing the Proprietary Information pursuant to Paragraph 11. A “Restricted Person” shall mean: (a) an officer, director, stockholder, partner, or owner of any competitor of the parties or an employee of such an entity if the employee’s duties involve marketing or pricing of the competitor’s products or services or advising another person who has such duties; (b) an officer, director, stockholder, partner, or owner of any affiliate of a competitor of the parties (including any association of competitors of the parties) or an employee of such an entity if the employee’s duties involve marketing or pricing of the competitor's products or services or advising another person who has such duties; (c) an officer, director, stockholder, owner, agent (excluding any person under Paragraph 6.i or 6.ii), or employee of a competitor of a customer of the parties or of a competitor of a vendor of the parties if the Proprietary Information concerns a specific, identifiable customer or vendor of the parties; and (d) an officer, director, stockholder, owner or employee of an affiliate of a competitor of a customer of the parties if the Proprietary Information concerns a specific, identifiable customer of the parties; provided, however, that no expert shall be disqualified on account of being a stockholder, partner, or owner unless that expert’s interest in the business would provide a significant motive for violating the limitations of permissible use of the Proprietary Information. For purposes of this Protective Order, stocks, partnership or other ownership interests valued at more than \$10,000 or constituting more than a 1% interest in a business establish a significant motive for violation.

8. If an expert for a party, another member of the expert’s firm or the expert’s firm generally also serves as an expert for, or as a consultant or advisor to, a Restricted Person, that expert must: (1) identify for the parties each Restricted Person and all personnel in or associated with the expert’s firm that work on behalf of the Restricted Person; (2) take all reasonable steps

to segregate those personnel assisting in the expert's participation in this proceeding from those personnel working on behalf of a Restricted Person; and (3) if segregation of such personnel is impractical, the expert shall give to the producing party written assurances that the lack of segregation will in no way adversely affect the interests of the parties or their customers. The parties retain the right to challenge the adequacy of the written assurances that the parties' or their customers' interests will not be adversely affected. No other persons may have access to the Proprietary Information except as authorized by order of the Commission.

9. Reviewing Representatives qualified to receive "HIGHLY CONFIDENTIAL" protected material may discuss HIGHLY CONFIDENTIAL protected material with their client or with the entity with which they are employed or associated, to the extent that the client or entity is not a "Restricted Person," but may not share with, or permit the client or entity to review or have access to, the HIGHLY CONFIDENTIAL protected material.

10. Proprietary Information shall be treated by the parties and by the Reviewing Representative in accordance with the terms of this Protective Order, which are hereby expressly incorporated into the certificate that must be executed pursuant to Paragraph 12(a). Proprietary Information shall be used as necessary, for the conduct of this proceeding and for no other purpose. Proprietary Information shall not be disclosed in any manner to any person except a Reviewing Representative who is engaged in the conduct of this proceeding and who needs to know the information in order to carry out that person's responsibilities in this proceeding.

11. Reviewing Representatives may not use anything contained in any Proprietary Information obtained through this proceeding to give any party or any competitor of any party a commercial advantage. In the event that a party wishes to designate as a Reviewing Representative a person not described in paragraph 6 (i) through (iii) above, the party must first seek agreement to do so from the party providing the Proprietary Information. If an agreement is

reached, the designated individual shall be a Reviewing Representative pursuant to Paragraph 6 (iv) above with respect to those materials. If no agreement is reached, the party seeking to have a person designated a Reviewing Representative shall submit the disputed designation to the presiding Administrative Law Judge for resolution.

12. (a) A Reviewing Representative shall not be permitted to inspect, participate in discussions regarding, or otherwise be permitted access to Proprietary Information pursuant to this Protective Order unless that Reviewing Representative has first executed a Non-Disclosure Certificate in the form provided in Appendix A, provided, however, that if an attorney or expert qualified as a Reviewing Representative has executed such a certificate, the paralegals, secretarial and clerical personnel under his or her instruction, supervision or control need not do so. A copy of each executed Non-Disclosure Certificate shall be provided to counsel for the party asserting confidentiality prior to disclosure of any Proprietary Information to that Reviewing Representative.

(b) Attorneys and outside experts qualified as Reviewing Representatives are responsible for ensuring that persons under their supervision or control comply with the Protective Order.

13. The parties shall designate data or documents as constituting or containing Proprietary Information by stamping the documents “CONFIDENTIAL” or “HIGHLY CONFIDENTIAL” protected material. Where only part of data compilations or multi-page documents constitutes or contains Proprietary Information, the parties, insofar as reasonably practicable within discovery and other time constraints imposed in this proceeding, shall designate only the specific data or pages of documents which constitute or contain Proprietary Information.

14. The Commission and all parties, including the statutory advocates and any other agency or department of state government will consider and treat the Proprietary Information as within the exemptions from disclosure provided in the Pennsylvania Right-to-Know Act (65 P.S. § 67.101 *et seq.*) until such time as the information is found to be non-proprietary.

15. Any public reference to Proprietary Information by a party or its Reviewing Representatives shall be to the title or exhibit reference in sufficient detail to permit persons with access to the Proprietary Information to understand fully the reference and not more. The Proprietary Information shall remain a part of the record, to the extent admitted, for all purposes of administrative or judicial review.

16. Part of any record of this proceeding containing Proprietary Information, including but not limited to all exhibits, writings, testimony, cross examination, argument, and responses to discovery, and including reference thereto as mentioned in paragraph 15 above, shall be sealed for all purposes, including administrative and judicial review, unless such Proprietary Information is released from the restrictions of this Protective Order, either through the agreement of the parties to this proceeding or pursuant to an order of the Commission.

17. The parties shall retain the right to question or challenge the confidential or proprietary nature of Proprietary Information and to question or challenge the admissibility of Proprietary Information. If a party challenges the designation of a document or information as proprietary, the party providing the information retains the burden of demonstrating that the designation is appropriate.

18. The parties shall retain the right to object to the production of Proprietary Information on any proper ground, and to refuse to produce Proprietary Information pending the adjudication of the objection.

19. Within 30 days after a Commission final order is entered in the above-captioned proceeding, or in the event of appeals, within thirty days after appeals are finally decided, the receiving party, upon request, shall either destroy or return to the parties all copies of all documents and other materials not entered into the record, including notes, which contain any Proprietary Information. In its request, a providing party may specify whether such materials should be destroyed or returned. In the event that the materials are destroyed instead of returned, the receiving party shall certify in writing to the providing party that the Proprietary Information has been destroyed. In the event that the materials are returned instead of destroyed, the receiving party shall certify in writing to the providing party that no copies of materials containing the Proprietary Information have been retained.

Date: _____, 2015

Angela T. Jones
Administrative Law Judge

APPENDIX A

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION** :
 :
 :
 v. : **DOCKET NO. R-2015-2468981**
 :
 PECO ENERGY COMPANY - :
 ELECTRIC DIVISION :

NON-DISCLOSURE CERTIFICATE

TO WHOM IT MAY CONCERN:

The undersigned is the _____ of _____
(the receiving party).

The undersigned has read and understands the Protective Order deals with the treatment of Proprietary Information. The undersigned agrees to be bound by, and comply with, the terms and conditions of said Order, which are incorporated herein by reference.

SIGNATURE

PRINT NAME

ADDRESS

EMPLOYER

DATE: _____

EXHIBIT D

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION**

v.

**PECO ENERGY COMPANY -
ELECTRIC DIVISION**

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DOCKET NO. R-2015-2468981

PROPOSED SCHEDULE

Rate Case Filing	March 27, 2015
Prehearing Conference	May 11, 2015
PECO's Supplemental Direct Testimony	May 22, 2015
Technical Conference #1	May 22, 2015
Technical Conference #2	June 3, 2015
Non-Company Direct Testimony	June 23, 2015
Settlement Conference #1	June 30, 2015
Settlement Conference #2	July 14, 2015
Rebuttal Testimony	July 21, 2015
Settlement Conference #3	July 28, 2015
Surrebuttal Testimony	August 4, 2015
Oral Rejoinder Testimony and Hearings	August 11-14, 2015
Record Closes	August 14, 2015
Main Briefs	September 1, 2015
Reply Briefs	September 11, 2015