

CAPTION SHEET

CASE MANAGEMENT SYSTEM

1. REPORT DATE: 00/00/00 :  
 2. BUREAU: FUS :  
 3. SECTION(S) : 4. PUBLIC MEETING DATE:  
 5. APPROVED BY: : 00/00/00  
 DIRECTOR: :  
 SUPERVISOR: :  
 6. PERSON IN CHARGE: : 7. DATE FILED: 07/17/06  
 8. DOCKET NO: R-00061677 : 9. EFFECTIVE DATE: 07/26/06

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PARTY/COMPLAINANT: PUC

RESPONDENT/APPLICANT: PECO ENERGY COMPANY

COMP/APP COUNTY:

UTILITY CODE: 110550

ALLEGATION OR SUBJECT

PECO ENERGY COMPANY HAS FILED SUPPLEMENT NO 68 TO TARIFF ELECTRIC PA PUN NO 3, TO BECOME EFFECTIVE JULY 26, 2006, WHICH PROPOSES TO REFLECT THE NEW STATE TAX ADJUSTMENT SURCHARGE OF A CREDIT VALUE OF 0.70%, WHICH REPLACES THE PRESENT CREDIT VALUE OF 0.68%.

DOCUMENT  
FOLDER

**DOCKETED**  
JUL 24 2006

**Brian D. Crowe**  
Director  
Rates & Regulatory Affairs

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An Exelon Company

PECO Energy Company  
2301 Market Street  
Philadelphia, PA 19103

Mail To: P.O. Box 8699  
Philadelphia, PA 19101-8699

DOCUMENT  
FOLDER

8-00061677

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JUL 17 2006

July 17, 2006

ORIGINAL

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Mr. James McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

SUBJECT: State Tax Adjustment Surcharge (STAS) Filing - Electric  
SUPPLEMENT NO. 68 TO TARIFF ELECTRIC - PaPUC NO. 3  
Issued July 16, 2006 - to become effective on July 26, 2006

Dear Mr. McNulty:

This letter transmits for filing with the Commission eight copies each of the following:

- 1) Supplement No. 68 to Tariff Electric - PaPUC No. 3.
- 2) Computation sheets showing the derivation of the new State Tax Adjustment Surcharge value.

PECO has recalculated the State Tax Adjustment Surcharge (STAS) value to reflect the recent reduction in the Year 2006 Capital Stock Tax rate.

The new surcharge is a **credit** value of 0.70%, effective July 26, 2006, which replaces the present **credit** value of 0.68%. A monthly bill for a residential customer using 500 kWh will decrease by 1 cent, or 0.01%, from \$75.07 to \$75.06.

Would you please acknowledge receipt of the foregoing on the enclosed copy of this letter.

Sincerely,



Copies to: R. Rosenthal, Director, Fixed Utility Services  
T.E. Sheets, Director, Bureau of Audits  
J. E. Simms, Director - Office of Trial Staff  
R. F. Wilson, Bureau of Fixed Utility Services  
Office of Consumer Advocate  
Office of Small Business Advocate

**PECO Energy Company DOCUMENT  
FOLDER.**

Electric Service Tariff

**RECEIVED**

JUL 17 2006

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**ORIGINAL**

COMPANY OFFICE LOCATION

2301 Market Street  
Philadelphia, Pennsylvania 19101

For List of Communities Served, See Page 4.

Issued July 16, 2006

Effective: July 26, 2006

ISSUED BY: D. P. O'Brien - President  
PECO Energy Distribution Company  
2301 MARKET STREET  
PHILADELPHIA, PA. 19101

**DOCKETED**  
JUL 24 2006

**NOTICE.**

LIST OF CHANGES MADE BY THIS SUPPLEMENT

State Tax Adjustment Clause (STAC) (10<sup>th</sup> Revised Page No. 29)

Effective for billing cycles beginning July 26, 2006, the State Tax Adjustment Clause will reflect a credit value of 0.70%.

RECEIVED

JUL 17 2006

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**PECO Energy Company**

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STATE TAX ADJUSTMENT CLAUSE

In addition to the net charges provided for in this tariff, a surcharge credit value of 0.70% will apply to all PaPUC jurisdictional charges, exclusive of Energy and Capacity Charges, in the Base Rates and riders effective for scheduled billing cycles beginning July 26, 2006. (D)

Whenever any of the tax rates used in the calculation of the surcharge are changed, or recoveries are authorized under Sections 2806, 2809 or 2810 of the Competition Act, the surcharge will be recomputed as prescribed by the Commission. The recalculation will be submitted to the Commission within ten days after the change occurs and the effective date shall be ten days after filing.

In addition, if a recalculation is submitted as a result of a tax rate change (including the Revenue Neutral Reconciliation rate) the Company will thereafter file each year by December 21 annual updates or revisions with the Commission which will reflect only this tax change. These annual updates will be effective ten days after filing and will continue until such time as the effect of the change in tax rates has been included in base rates.

(D) Denotes Decrease

PECO - Electric Operations  
State Tax Adjustment Surcharge  
Effective July 26, 2006

Reference

Calculation of STAS Effective July 26, 2006

<u>Non-RNR Effects</u>		
1 . Capital Stock Tax - 2006	(\$12,476,285)	12/21/05 Electric STAS Filing, Att. A, Pg. 1, Ln. 1
2 . PURTA Assessment - 8/1/05	(\$835,948)	12/21/05 Electric STAS Filing, Att. A, Pg. 1, Ln. 2
3 . PURTA Supplemental Assessment - 8/1/05	(\$250,769)	12/21/05 Electric STAS Filing, Att. A, Pg. 1, Ln. 3
4 . Reconciliation of Prior STAS	<u>\$426,328</u>	12/21/05 Electric STAS Filing, Att. A, Pg. 1, Ln. 4
5 . Net Due from (to) Customers	(\$13,136,674)	Ln. 1+ Ln. 2 +Ln. 3 + Ln. 4
6 . Total Due from (to) Customers Including Gross Receipts Tax	(\$13,960,334)	Ln. 5 / (1-0.059)
<u>RNR and Section 1307 (g.1) GRT Effects</u>		
7 . 1307 (g.1) Gross Receipts Tax	\$0	12/21/05 Electric STAS Filing, Att. A, Pg. 1, Ln. 7
8 . Reconciliation of RNR for STAS	\$202,404	12/21/05 Electric STAS Filing, Att. A, Pg. 1, Ln. 8
9 . Net Due from (to) Customers	\$202,404	Ln. 7 + Ln. 8
10 . Total Due from (to) Customers Including Gross Receipts Tax	\$215,095	Ln. 9 / (1-0.059)
11 . Total Non-RNR and RNR Due from (to) Customers	(\$13,745,239)	Ln. 6 + Ln. 10
12 . Operating Revenues Subject to STAS from January 1, 2006 thru December 31, 2006	\$2,029,910,083	12/21/05 Electric STAS Filing, Att. A, Pg. 1, Ln. 12
13 . State Tax Adjustment Surcharge	-0.68%	Ln. 11 / Ln. 12
14 . Additional Year 2006 Capital Stock Tax to be Refunded Effective July 26, 2006	\$160,777	Att. A, Pg. 2 , Ln. 9
15 . Additional Recoverable Amount Including Gross Receipts Tax	\$170,858	Ln. 14 / (1-0.059)
16 . Operating Revenues Subject to STAS from July 26, 2006 thru December 31, 2006	\$2,029,910,083	Att. A, Pg. 1, Ln. 12
	x	
	5.193548 months	Months from July 26, 2006
divided by	12 months	through December 31, 2006
	\$878,536,288	
17 . Change in STAS Effective July 26, 2006	-0.02%	Ln. 15/Ln. 16
18 . STAS Effective July 26, 2006	-0.70%	Ln. 13 + Ln. 17

PECO Energy  
Capital Stock Tax Adjustment

	<u>TOTAL</u>	<u>ELECTRIC</u>	<u>GAS</u>
		<u>GENERATION</u>	<u>TRANS. / DIST.</u>
1 . Value of Capital Stock 2002 (a)	\$2,719,866,904		
2 . Apportionment Percentage	0.964150		
3 . Taxable Value Capital Stock (b)	\$2,622,359,675	N. A.	\$1,607,768,717
4 . Tax Rate Thru 1997 @ 12.75 mills		N. A.	<u>x 0.01275</u>
5 . Pa. Capital Stock Tax @ 12.75 mills		N. A.	\$20,499,051
6 . Pa. Capital Stock Tax @ 4.89 mills - Year 2006		N. A.	\$7,861,989
7 . Annualized Tax Decrease from Rate Change - Year 2006		N. A.	\$12,637,062
8 . Annualized Tax Decrease-Year 2006 Estimated			\$12,476,285 ( c )
9 . Additional Amount to be Refunded			\$160,777
			\$506,115,417
			<u>x 0.01275</u>
			\$6,452,972
			\$2,474,904
			\$3,978,068
			\$3,927,456 ( d )

(a) Settlement from the Department of Revenue, Attachment A, Pg. 3

(b) Electric (Generation 19.39%, Transmission and Distribution 61.31%) and Gas (19.30%) based on total utility plant and revenue

( c ) 12/21/05 Electric STAS Filing, Att A, Pg. 1, Ln. 1

( d ) 12/21/05 Gas STAS Filing, Att A, Pg. 1, Ln. 1



OFFICIAL NOTICE OF SETTLEMENT

PA ACCOUNT ID: 0415-103  
TAXABLE YEAR: 01/01/02 TO 12/31/02  
DLN: 46-3-01555

PECO ENERGY COMPANY  
2301 MARKET STREET  
5123 TAX DIRECTOR  
PHILADELPHIA PA 19101

Attachment A, Page 3, 1 of 2

OFFICIAL SETTLEMENT HAS BEEN MADE BY THE PA DEPARTMENT OF REVENUE AND THE DEPARTMENT OF THE AUDITOR GENERAL FOR THE TAXES LISTED BELOW:

----- SECTION A - CAPITAL STOCK/FRANCHISE TAX -----		
	AS REPORTED	AS SETTLED
TAX	12,634,866	18,985,884

----- SECTION B - LOANS TAX -----		
	AS REPORTED	AS SETTLED
TAX	13,315	13,315

----- SECTION C - CORPORATE NET INCOME TAX -----		
	AS REPORTED	AS SETTLED
TAX	42,017,033	42,084,425

DEPARTMENT OF REVENUE  
(717)783-6031  
MICHAEL J PAYNE

MAILING DATE

AUDITED AND APPROVED BY  
DEPARTMENT OF AUDITOR GENERAL  
WILLIAM E MOBLIA

04/07/04

04/12/04

04/09/04

TO FORMALLY CONTEST THIS SETTLEMENT, A PETITION FOR RESETTLEMENT, ALONG WITH A COPY OF THIS SETTLEMENT NOTICE MUST BE FILED WITHIN 90 DAYS OF THIS NOTICE MAILING DATE. APPEALS, SIGNED BY A CORPORATE OFFICER, MAY BE FILED VIA THE INTERNET @ WWW.BOARDOFAPPEALS.STATE.PA.US, OR MAILED TO: BOARD OF APPEALS, DEPT 281021, HARRISBURG, PA. 17128-1021.

LOANS SETTLED AS REPORTED

ADJUSTMENTS NOTED ON THE NEXT PAGE ARE EXPLAINED BELOW:

- # DEPARTMENT OF REVENUE COMPUTATION DIFFERS FROM SUBMITTED FIGURE
- D9 EXCLUDE INCOME/LOSS OF SUBSIDIARIES AND ADJUST FOR M-2 ITEMS.
- PY PRIOR YEAR SETTLEMENT FIGURES EMPLOYED.
- S8 USE AVERAGE TOTAL ASSETS PER BALANCE SHEET.
- Y1 AS REFLECTED ON SETTLEMENT NOTICE IN PRIOR YEAR(S).

SECTION A - CAPITAL STOCK/FRANCHISE TAX

HISTORY OF EARNINGS - BOOK INCOME	AS REPORTED	AS ADJUSTED	NOTES
01/01/98 TO 12/31/98	512,807,509	539,494,476	Y1
01/01/99 TO 12/31/99	589,139,846	793,396,233	Y1
01/01/00 TO 12/31/00	164,853,058	608,762,116	Y1
01/01/01 TO 12/31/01	142,349,205	119,639,048	Y1

01/01/02 TO 12/31/02	40,688,769	251,717,615	D9
TOTAL BOOK INCOME		2,313,009,488	
AVERAGE NET INCOME	289,967,677	462,601,898	*
EQUITY YEAR ENDING	760,653,527		
EQUITY YEAR BEGINNING	460,195,474		
NET WORTH	760,653,527	760,653,527	
CAPITAL STOCK VALUE	1,811,265,741	2,719,866,904	M M M
APPORTIONMENT PROPORTION	.96496	.964150	
CAPITAL STOCK/FRANCHISE TAX	12,654,866	18,985,884	M M M

SCHEDULE A-1: APPORTIONMENT SCHEDULE FOR CAPITAL STOCK/FRANCHISE TAX

PROPERTY FACTOR - PA			
PROPERTY FACTOR - TOTAL			
PAYROLL FACTOR - PA			
PAYROLL FACTOR - TOTAL			
SALES FACTOR - PA			
SALES FACTOR - TOTAL			
SINGLE FACTOR - NUMERATOR	5,682,290,460	5,789,765,634	
SINGLE FACTOR - DENOMINATOR	5,897,572,913	6,005,048,087	S8

SECTION B - LOANS TAX

INDEBTEDNESS	3,357,932	
LOANS TAX	13,315	13,315

SECTION C - CORPORATE NET INCOME TAX

DEPRECIATION CARRY IN AND OUT	17,155,152	60,222,828
NET INCOME	338,290,887	
DIVIDENDS	511,735	
US INTEREST	150,028	
DEPRECIATION DEDUCTION	2,396,427	1,716,861
OTHER		
TOTAL DEDUCTIONS	3,058,190	2,378,624
INCOME TAXES	45,686,857	
TAX PREFERENCE ITEMS		
EIP ADJUSTMENTS		
DEPRECIATION ADDITION	44,784,537	
OTHER		
TOTAL ADDITIONS	90,471,394	90,471,394
ADJUSTED INCOME	425,704,091	426,383,657
TOTAL NONBUSINESS INCOME		
INCOME TO BE APPORTIONED		426,383,657
APPORTIONMENT PROPORTION	.992687	.992687
PA APPORTIONED INCOME		425,265,513
PA NONBUSINESS INCOME		
INCOME PRIOR TO NL DEDUCTION	422,590,917	425,265,513
NET LOSS DEDUCTION	2,000,000	2,000,000
PA TAXABLE INCOME		421,265,513
CORPORATE NET INCOME TAX	42,017,033	42,084,425

SCHEDULE C-1: APPORTIONMENT SCHEDULE FOR CORPORATE NET INCOME TAX

PROPERTY FACTOR - PA	5,500,634,117	
PROPERTY FACTOR - TOTAL	5,587,582,073	
PAYROLL FACTOR - PA	1,251,728,659	
PAYROLL FACTOR - TOTAL	1,251,728,659	
SALES FACTOR - PA	4,351,807,788	
SALES FACTOR - TOTAL	4,351,807,788	
SINGLE FACTOR - PA	6,366,306,091	
SINGLE FACTOR - TOTAL	6,366,306,091	

SCHEDULE C-2: NET LOSS DEDUCTION AND CARRYFORWARD

NL CARRYFWD TO CURRENT TAXABLE YEAR	NL CARRYFWD TO NEXT TAXABLE YEAR	PY
12-31-95	0	0
12-31-96	0	0
12-31-97	12,712,639	10,712,639
12-31-98	0	0
12-31-99	0	0
12-31-00	0	0
12-31-01	0	0
	12-31-02	0