



An Exelon Company

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August 30, 2017

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 2017
Docket No. R-2010-2161575, M-2012-2290911 & R-2015-2468981.

Dear Ms. Chiavetta:

Enclosed for filing with the Commission is PECO's preliminary reconciliation of the Electric Universal Service Fund Charge ("USFC") for 2017. 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 & R-2015-2468981. In addition, this filing is made in accordance with paragraphs A.2, C.1 and C.2 of the settlement at Docket No. M-2012-2290911.

This filing includes actual data through July 2017, supports a total USFC rate of (\$0.00186)/kWh that would be subtracted from the variable distribution charges contained in Rate R and RH. For a typical residential customer using 700 kWh per month, the new USFC rate will result in a \$1.29 decrease (or 1.24%) to the monthly bill.

This filing includes the following Attachments:

- Attachment 1 – Proposed USFC Tariff Sheet indicating the rate for 2018
- Attachment 2 – USFC Calculation
- Attachment 3 – Rate R Bill Comparison

Ms. Rosemary Chiavetta, Secretary
August 30, 2017
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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
K. A. Monaghan, Director – Bureau of Audits
R. A. Kanaskie, Director, Bureau of Investigation & Enforcement
Office of Consumer Advocate
McNees, Wallace & Nurick

ATTACHMENT 1

PECO Energy Company

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 a credit (\$0.00186) 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:

(D)

COMPUTATION OF USFC.

The USFC per kWh (\$0.0000), shall be computed in accordance with the formula set forth below:

$$\text{USFC} = \frac{(\text{C} + \text{L} - \text{E} - \text{I}) + \text{F}}{(\text{S})}$$

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 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. 2017 projected costs include the one year Phase-out benefit of \$50 per qualified CAP customer. This is the result of the settlement at Docket No M-2012-2290911 which focuses on the new CAP Fixed Credit Option ("FCO") which will begin in October 2016.

L - Incremental LIURP related expenditures not included in base rates. 2017 projected costs include the incremental LIURP and De-facto heating audit spend beginning in October 2017 which is the result of the settlement at Docket No M-2012-2290911. This additional audit spend will occur for a three year period from October 2017 through September 2020.

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.

F - Correction Factor of the In-Program Arrearage Forgiveness Program which was the result of the settlement at Appendix C of Docket No R-2015-2468981. This Correction Factor adjusts the \$2M recovery included in base rates. The \$2M was based upon the estimated Accounts Receivable balance ("A/R") of CAP customers at the time of the settlement. The Correction Factor adjusts the \$2M recovery to the final ending balance of the A/R at the time of conversion to the new CAP/FCO program. In the 2017 Rate, the Correction Factor will be double providing a retrospective credit for 2016 and a prospective credit for 2017. In 2018, the correction factor will return to an annual amount. The Correction Factor will be used for the period of 2016 through 2021.

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.

(D) Denotes Decrease

ATTACHMENT 2

PECO - Electric Calculation of USFC Rate Effective January 1, 2018

		Amount	\$/KWH	
(1)	C = Projected Recoverable CAP Costs	\$ (10,095,090)	(\$0.00083)	p. 2 of 5
(2)	L = Incremental LIURP expenditures ^(a)	\$ 1,536,006	\$0.00013	
(3)	E = Experienced & Estimated Net Over/(Under)			
	a. Over/(Under)	\$ 12,565,952	\$0.00104	p. 3 of 5
	b. Interest	\$ 811,172	\$0.00007	p. 4 of 5
		\$ 13,377,124	\$0.00110	
(4)	F = Correction Factor IPA ^(b)	\$ (647,493)	(\$0.00005)	p. 5 of 5
(5)	Net Recoverable (C + L - E - I) + F	\$ (22,583,701)	(\$0.00186)	
(6)	S = Projected R, RH Sales for Computation Period	12,121,586,496		
(7)	USFC: (5) / (6)	(\$0.00186)		

(a) LIURP and De-facto heating audit spend. This is the result of the settlement at Docket No. M-2012-2290911.

(b) Correction factor of the In-Program Arrearage (IPA) Forgiveness Program which was the result of the settlement at Appendix C of Docket No. R-2015-2468981.

PECO - 2017 USFC Electric
E-Factor
Calculation

E-Factor Period	Total CAP Discounts (Shortfall)	Billed RRR Sales (c) (2)	CAP Revenue Recovered In Base Rates (d) (3) = (2) * \$0.0088 kWh	Base Recovery of (u) Actual (e) (4) = (3) - (1)	Base Recovery of (u) Actual (e) (5) = (4) * 0.75	C-Factor Revenue (7) = (2) * \$0.0001	L-Factor Revenue (8) = (7) - (6)	L-Expenditures (6)	F-Factor Revenue (10) = (2) * (10) + (9)	Total C & L Factor of (u) Recovery (10) = (9) + (10)	E-Factor Rate (11)	E-Factor Revenue (12) = (2) * (11)	CAP Revenue (E+L+C) of (u) Recovery (13) = (10) + (12)	Cumulative of (u) Recovery (14)
Jan-16	\$ 7,694,312	1,137,739,490	7,736,826	42,317	30,981	(113,774)	\$	\$	(82,693)	\$	\$0.0000	\$0.0000	\$	(245,412)
Feb-16	\$ 7,512,359	1,099,297,213	7,775,017	(37,242)	(27,292)	(109,927)	\$	\$	(137,167)	\$	\$0.0000	\$0.0000	\$	(326,263)
Mar-16	\$ 6,892,843	912,929,238	6,920,419	(1,264)	(974,725)	(91,293)	\$	\$	(583,842)	\$	\$0.0000	\$0.0000	\$	(1,046,481)
Apr-16	\$ 6,393,778	754,271,973	6,512,047	(1,268,753)	(926,905)	(76,427)	\$	\$	(1,002,332)	\$	\$0.0000	\$0.0000	\$	(2,051,855)
May-16	\$ 6,975,500	706,318,913	6,988,641	(1,092,641)	(773,060)	(70,832)	\$	\$	(843,912)	\$	\$0.0000	\$0.0000	\$	(2,895,567)
Jun-16	\$ 6,938,905	699,028,978	6,989,383	(1,092,227)	(773,060)	(66,903)	\$	\$	(189,335)	\$	\$0.0000	\$0.0000	\$	(3,084,902)
Jul-16	\$ 7,316,804	1,247,933,900	7,465,945	1,167,341	124,763	(86,903)	\$	\$	727,366	\$	\$0.0000	\$0.0000	\$	(2,337,536)
Aug-16	\$ 7,574,544	1,446,152,668	9,847,437	2,272,984	1,448,105	(14,815)	\$	\$	1,514,397	\$	\$0.0000	\$0.0000	\$	(823,139)
Sep-16	\$ 7,844,532	1,387,293,745	9,297,383	1,652,981	1,206,539	(138,726)	\$	\$	1,069,862	\$	\$0.0000	\$0.0000	\$	(246,724)
Oct-16	\$ 6,167,752	965,611,089	5,990,155	(291,597)	(205,598)	(292,127)	\$	\$	(292,127)	\$	\$0.0000	\$0.0000	\$	(45,403)
Nov-16	\$ 4,643,465	759,587,208	5,117,593	346,114	(75,254)	(100,749)	\$	\$	270,855	\$	\$0.0000	\$0.0000	\$	225,452
Dec-16	\$ 6,044,605	1,007,490,800	6,850,870	809,264	566,573	(100,749)	\$	\$	467,252	\$	\$0.0000	\$0.0000	\$	467,252
	\$ 86,448,778	12,270,591,314	84,439,853	2,894,174	2,185,747	(1,227,659)	\$	\$	939,889	\$	\$	\$	\$	713,277

E-Factor Period	Total CAP Discounts (Shortfall)	Billed RRR Sales (c) (2)	CAP Revenue Recovered In Base Rates (d) (3) = (2) * \$0.0088 kWh	Base Recovery of (u) Actual (e) (4) = (3) - (1)	Base Recovery of (u) Actual (e) (5) = (4) * 0.75	C-Factor Revenue (7) = (2) * \$0.0005	L-Factor Revenue (8) = (7) - (6)	L-Expenditures (6)	F-Factor Revenue (10) = (2) * (10) + (9)	Total C, L & F Factor of (u) Recovery (13) = (5) + (9) + (10)	Match (g) (11)	F-Factor of (u) Recovery (12) = (11) + (10)	E-Factor Rate (14)	E-Factor Revenue (15) = (2) * (14)	CAP Revenue of (u) Recovery (16) = (13) + (15)	Cumulative of (u) Recovery (17)
Jan-17	\$ 6,634,711	1,255,944,224	6,539,741	1,905,029	1,360,671	(82,792)	\$	\$	50,879	\$	(138,143)	(138,143)	\$0.0012	\$150,701	\$1,599,316	\$2,312,592
Feb-17	\$ 5,276,163	1,017,574,661	6,919,508	949,314	693,000	(50,879)	\$	\$	4,055	\$	(111,933)	(111,933)	\$0.0012	\$122,109	\$67,800	\$3,120,392
Mar-17	\$ 5,303,333	1,022,600,927	6,308,811	963,206	717,742	(48,398)	\$	\$	4,055	\$	(102,654)	(102,654)	\$0.0012	\$122,109	\$67,800	\$3,120,392
Apr-17	\$ 4,590,908	822,620,927	4,890,500	1,003,011	732,188	(41,131)	\$	\$	15,765	\$	(90,489)	(90,489)	\$0.0012	\$98,714	\$50,025	\$3,940,419
May-17	\$ 3,898,951	719,181,123	6,121,823	1,363,989	1,145,582	(36,958)	\$	\$	22,896	\$	(79,108)	(79,108)	\$0.0012	\$98,714	\$50,025	\$3,940,419
Jun-17	\$ 4,731,634	900,238,674	6,212,823	1,363,989	1,145,582	(36,958)	\$	\$	22,896	\$	(79,108)	(79,108)	\$0.0012	\$98,714	\$50,025	\$3,940,419
Jul-17	\$ 6,556,158	1,296,511,507	6,788,678	2,212,522	1,615,142	45,012	\$	\$	51,801	\$	(141,846)	(141,846)	\$0.0012	\$106,029	\$1,157,634	\$5,098,053
Aug-17 (a)	\$ 6,526,830	1,299,088,782	6,833,804	2,308,574	1,684,091	44,954	\$	\$	51,801	\$	(142,900)	(142,900)	\$0.0012	\$106,029	\$1,157,634	\$5,098,053
Sep-17 (a)	\$ 6,405,338	1,158,021,447	7,074,548	1,469,209	1,072,523	(39,581)	\$	\$	4,954	\$	(127,262)	(127,262)	\$0.0012	\$106,029	\$1,157,634	\$5,098,053
Oct-17 (b)	\$ 5,364,708	791,817,509	5,392,899	18,293	13,354	(39,581)	\$	\$	4,954	\$	(127,262)	(127,262)	\$0.0012	\$106,029	\$1,157,634	\$5,098,053
Nov-17 (c)	\$ 5,086,500	761,694,928	5,179,553	61,033	58,154	(39,581)	\$	\$	4,954	\$	(127,262)	(127,262)	\$0.0012	\$106,029	\$1,157,634	\$5,098,053
Dec-17 (d)	\$ 3,885,239	1,015,592,245	6,905,871	1,019,682	744,353	(39,581)	\$	\$	4,954	\$	(127,262)	(127,262)	\$0.0012	\$106,029	\$1,157,634	\$5,098,053
	\$ 66,169,638	11,958,712,922	61,319,248	14,359,530	10,482,591	(97,899)	\$	\$	21,448	\$	(1,315,488)	(1,315,488)	\$	\$1,433,046	\$11,852,873	\$12,565,952

(a) Actuals to be reflected in final October reconciliation.
 (b) Estimated
 (c) Residential Non-CAP Sales
 (d) Per settlement factor approved as Docket No. R-2010-2191575
 (e) Incremental LURP and De-Load heaving audit spend. Per settlement as Docket No. M-2012-2290811
 (f) Correction factor of the In-Program Arrangement (IPA) Forgiveness program. Per settlement as Docket No. R-2015-2468861.
 (g) January 2017 includes \$62,738 from November and December of 2016.

Total Recovery E-Factor \$ 12,565,952

PECO - 2017 USFC Electric Interest Calculation

E-Factor Period	R/RH Sales (c) (kWh) (1)	C & L Factor O/(U) Recovery (2)	Interest Rate (3)	Interest Time Factor (4)	Interest Owed/ (Interest to be Recouped) (5) = (2) * (3) * (4)	Interest Refund Rate (6)	Interest Collections/(Refund) (7) = (1) * (6)	Total Interest (8) = 5 + 7	Cumulative Interest Interest Owed/ (Interest to be Recouped) (9) = (8) + Prev (9)
Balance (a)									
Jan-16	1,137,739,420	(82,883)	6%	18/12	\$ (7,459)	\$ 0.0000	\$ -	\$ (7,459)	\$ 376,854
Feb-16	1,099,267,213	(137,187)	6%	17/12	\$ (11,661)	\$ 0.0000	\$ -	\$ (11,661)	\$ 369,395
Mar-16	912,929,238	(583,842)	6%	16/12	\$ (46,707)	\$ 0.0000	\$ -	\$ (46,707)	\$ 357,734
Apr-16	754,271,373	(1,002,332)	6%	15/12	\$ (75,175)	\$ 0.0000	\$ -	\$ (75,175)	\$ 311,026
May-16	708,318,613	(843,912)	6%	14/12	\$ (59,074)	\$ 0.0000	\$ -	\$ (59,074)	\$ 235,851
Jun-16	969,026,878	(169,335)	6%	13/12	\$ (11,007)	\$ 0.0000	\$ -	\$ (11,007)	\$ 176,778
Jul-16	1,247,933,090	727,366	6%	12/12	\$ 43,642	\$ 0.0000	\$ -	\$ 43,642	\$ 209,413
Aug-16	1,448,152,568	1,514,387	6%	11/12	\$ 83,292	\$ 0.0000	\$ -	\$ 83,292	\$ 292,705
Sep-16	1,367,263,745	1,069,862	6%	10/12	\$ 53,493	\$ 0.0000	\$ -	\$ 53,493	\$ 346,198
Oct-16	865,611,068	(292,127)	6%	9/12	\$ (13,146)	\$ 0.0000	\$ -	\$ (13,146)	\$ 333,052
Nov-16	752,587,208	270,855	6%	8/12	\$ 10,834	\$ 0.0000	\$ -	\$ 10,834	\$ 343,886
Dec-16	1,007,480,900	487,825	6%	7/12	\$ 17,074	\$ 0.0000	\$ -	\$ 17,074	\$ 360,960
	12,270,581,314	958,689			(15,894)			(15,894)	
Jan-17	1,255,844,224	1,448,614	6%	18/12	\$ 130,375	(\$0.00002)	\$ (25,117)	\$ 105,258	\$ 466,219
Feb-17	1,017,574,651	685,691	6%	17/12	\$ 58,284	(\$0.00002)	\$ (20,351)	\$ 37,932	\$ 504,151
Mar-17	927,766,308	708,694	6%	16/12	\$ 56,696	(\$0.00002)	\$ (18,555)	\$ 38,140	\$ 542,291
Apr-17	822,620,527	750,602	6%	15/12	\$ 56,295	(\$0.00002)	\$ (16,452)	\$ 39,843	\$ 582,134
May-17	719,161,123	797,848	6%	14/12	\$ 55,849	(\$0.00002)	\$ (14,383)	\$ 41,466	\$ 623,600
Jun-17	900,238,674	1,049,905	6%	13/12	\$ 68,244	(\$0.00002)	\$ (18,005)	\$ 50,239	\$ 673,839
Jul-17	1,289,511,507	1,607,460	6%	12/12	\$ 96,448	(\$0.00002)	\$ (25,790)	\$ 70,657	\$ 744,496
Aug-17 (a)	1,299,088,782	1,668,231	6%	11/12	\$ 91,753	(\$0.00002)	\$ (25,982)	\$ 65,771	\$ 810,267
Sep-17 (a)	1,158,021,447	1,082,180	6%	10/12	\$ 54,109	(\$0.00002)	\$ (23,160)	\$ 30,949	\$ 841,216
Oct-17 (b)	791,617,509	(30,018)	6%	9/12	\$ (1,351)	(\$0.00002)	\$ (15,832)	\$ (17,183)	\$ 824,033
Nov-17 (b)	761,698,926	(1,926)	6%	8/12	\$ (77)	(\$0.00002)	\$ (15,234)	\$ (15,311)	\$ 808,722
Dec-17 (b)	1,015,569,245	650,347	6%	7/12	\$ 22,762	(\$0.00002)	\$ (20,311)	\$ 2,451	\$ 811,172
	11,958,712,922	10,417,630			689,387		(239,174)	450,212	
									Net Interest \$ 811,172

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

PECO - 2018 USFC Electric F-Factor Calculation

Final IPA Balance \$ 30,100,721

PECO's Rate Case IPA claim \$ 44,511,000

USFC Correction Factor **0.676**

USFC Annual Adjustment \$ 647,493

	Base Rate Recovery	Correction Factor	Net Recovery
Jan-18 \$	166,667	0.676	\$ 112,709
Feb-18 \$	166,667	0.676	\$ 112,709
Mar-18 \$	166,667	0.676	\$ 112,709
Apr-18 \$	166,667	0.676	\$ 112,709
May-18 \$	166,667	0.676	\$ 112,709
Jun-18 \$	166,667	0.676	\$ 112,709
Jul-18 \$	166,667	0.676	\$ 112,709
Aug-18 \$	166,667	0.676	\$ 112,709
Sep-18 \$	166,667	0.676	\$ 112,709
Oct-18 \$	166,667	0.676	\$ 112,709
Nov-18 \$	166,667	0.676	\$ 112,709
Dec-18 \$	166,667	0.676	\$ 112,709
Total	\$ 2,000,000		\$ 1,352,507

ATTACHMENT 3

PECO
BILL COMPARISON with USFC at
(\$0.00186) kWh

Residential Rate R - 700 KWH (a)

	2017 w/ Current (\$0.00001) kWh USFC Credit	2017 w/ Proposed (b) (\$0.00186) kWh USFC Credit	Difference (\$)	Difference (%)
FIXED DISTRIBUTION CHARGE	\$ 8.45	\$ 8.45		
TRANSMISSION CHARGE ALL KWH	\$ 4.82	\$ 4.82		
DISTRIBUTION CHARGE ALL KWH	\$ 46.19	\$ 44.90		
GSA				
	\$ 44.93	\$ 44.93		
SUB TOTAL	\$ 104.39	\$ 103.10		
STATE TAX ADJUSTMENT CLAUSE 0%	\$ (0.01)	\$ (0.01)		
TOTAL	\$ 104.38	\$ 103.09	\$ (1.29)	-1.24%

(a) Based on PECO Electric Tariff Rates as of 7/1/17.
(b) Calculation is for demonstration purposes only.