



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

March 20, 2018

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

SUBJECT: PECO Energy Company Quarterly Distribution System Improvement Charge for its Electric Operations – Electric Tariff No. 5 Supplement No. 61, Effective April 1, 2018, Docket No. P-2015-2471423

Dear Secretary Chiavetta:

The filing contains PECO's quarterly Electric Distribution System Improvement Charge ("DSIC") filing as required by paragraph B.1.6 of the Supplemental Implementation Order, Docket No. M-2012-2293611, entered September 21, 2016. The Company's latest reported Return on Equity ("ROE") of 9.11% (see PECO's Quarterly Earnings Report filed March 20, 2018) is below the Commission's authorized ROE of 9.55% for DSIC purposes (see the Commission's Electric Quarterly Earnings report issued January 18, 2018). The Company's DSIC rate will therefore change from 0.00% to 0.55% effective with bills rendered on or after April 1, 2018.

The following attachments are included in support of the filing:

Attachment 1 – Calculation of DSIC for the period April 1, 2018 to June 30, 2018

Attachment 2 – Supplement No. 61 to Tariff Electric No. 5

Thank you for your assistance in this matter and please direct any questions regarding the above to Rich Schlesinger, Manager, Retail Rates at (215) 841-5771.

Sincerely,

Richard G. Webster, Jr. /RAS

Copies to: C. Walker-Davis, Director, Office of Special Assistants
P. T. Diskin, Director, Bureau of Technical Utility Services
K. Monaghan, Director, Bureau of Audits
R. A. Kanaskie, Director, Bureaus of Investigation & Enforcement
Office of Consumer Advocate
Office of Small Business Advocate
McNees, Wallace and Nurick

Attachment 1

PECO ENERGY COMPANY
COMPUTATION OF CUMULATIVE PROPOSED DSIC
APPLICATION PERIOD: April 1, 2018 THROUGH June 30, 2018

DSIC = (DSI * PTRR) + Dep + e / PQR

Line No.			Amount
1	DSI	=	\$ 43,143,212
2	PTRR	=	2.31%
3	DSI PTR	=	\$ 997,263
4	Dep	=	\$ 417,495
5	e	=	-
6	Net Amt. Recoverable (w/o GRT)	=	\$ 1,414,758
7	Net Amt. Recoverable (w/ GRT)	=	\$ 1,503,462
8	PQR	=	<u>\$ 273,660,830</u>
10	DSIC	=	0.55%

Note 1:
1 / (1 - T) = (T = 5.9% Gross Receipts Tax)

1.062699256

Note 2:
Per Settlement at Docket No. P-2015-2471423, nuclear decommissioning costs and non-bypassable transmission costs are ineligible for use in projected revenues for DSIC purposes. Decommissioning = \$3,860,000 Annual / 4 quarters = \$965,000; projected non-bypassable costs for the quarter = \$28,174,000.

\$ 29,139,000

PECO ENERGY COMPANY
COMPUTATION OF CUMULATIVE PROPOSED DSIC PRE-TAX RATE OF RETURN
APPLICATION PERIOD: April 1, 2018 THROUGH June 30, 2018

Line No.	Capitalization Ratio (1)	Embedded Cost** (2)	Rate of Return (3) = (1) * (2)	Tax Multiplier* (4)	Pre-Tax Rate of Return (5) = (3) * (4)
1	46.41%	4.43%	2.06%	-	2.06%
2	53.59%	9.55%	5.12%	1.404908751	7.19%
3	<u>100.00%</u>		<u>7.17%</u>		<u>9.25%</u>
4	9.23% Annual PTRR / 4 quarters = 2.31% Quarterly PTRR				

* Line 2, Column (4), the tax multiplier is calculated as follows: $1/[(1 - \text{Pa. Tax Rate}) \times (1 - \text{Fed Rate})]$ where the Pa. tax rate is 9.99% and Fed. Tax rate is 21%.
 $1/[(1 - 9.99\%) \times (1 - 21\%)] = 1.404908751$

**Line 2, Column (2), from the PUC's Quarterly Earnings Report page 18, line 7, dated September 30, 2017 at Docket No. M-2018-2641241.

Attachment 2

PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street

Philadelphia, Pennsylvania 19101

For List of Communities Served, See Page 4.

Issued March 20, 2018

Effective April 1, 2018

**ISSUED BY: C. L. Adams – President & CEO
PECO Energy Distribution Company
2301 MARKET STREET
PHILADELPHIA, PA. 19101**

NOTICE

LIST OF CHANGES MADE BY THIS SUPPLEMENT

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) – 2nd revised Page No. 45

Revised in accordance with Supplemental Implementation Order, Docket No. M-2012-2293611.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

In addition to the net charges provided for in this Tariff, a charge of 0.55% will apply consistent with the Commission Order dated October 22, 2015 at Docket No. P-2015-2471423, approving the DSIC.

(C)

1. General Description

A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

B. Eligible Property: The DSIC-eligible property will consist of the following:

- Poles and Tower (Account 364);
- Overhead conductor (Account 365) and underground conduit and conductors (Accounts 366 and 367);
- Line transformers (Account 368) and substation equipment (Account 362);
- Any fixture or device related to eligible property listed above, including insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets, relays, capacitors, converters and condensers;
- Unreimbursed costs related to highway relocation projects where a natural gas distribution company or city natural gas distribution operation must relocate its facilities; and
- Other related capitalized costs.

C. Effective Date: The DSIC will become effective January 1, 2016.

(C) Denotes Change

PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

**2301 Market Street
Philadelphia, Pennsylvania 19101**

For List of Communities Served, See Page 4.

Deleted: In accordance with Commission Order at Docket No. M-2018-2641242 adopted and entered on March 15, 2018, PECO Energy Company encloses for filing with the Commission Supplement No. 60 to Electric Service Tariff No. 5. This tariff declares the current rates and riders to be temporary rates pursuant to Section 1310 (d) of the Public Utility Code, 66 Pa. C.S. § 1310(d) for a trial period ending September 15, 2018.

Issued March 20, 2018

Effective April 1, 2018

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**ISSUED BY: C. L. Adams – President & CEO
PECO Energy Distribution Company
2301 MARKET STREET
PHILADELPHIA, PA. 19101**

NOTICE

PECO Energy Company

Supplement No. 61 to
Tariff Electric Pa. P.U.C. No. 5
Sixty-First Revised Page No. 1
Supersedes Sixtieth Revised Page No. 1

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LIST OF CHANGES MADE BY THIS SUPPLEMENT

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) – 2nd revised Page No. 45
Revised in accordance with Supplemental Implementation Order, Docket No. M-2012-2293611.

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Deleted: Language was added to the cover page regarding temporary rates in accordance with Commission Order at Docket No. M-2018-2641242 adopted and entered on March 15, 2018.¶

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PECO Energy Company

Supplement No. 61 to
Tariff Electric Pa. P.U.C. No. 5
Second Revised Page No. 45
Supersedes First Revised Page No. 45

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

In addition to the net charges provided for in this Tariff, a charge of 0.25% will apply consistent with the Commission Order dated October 22, 2015 at Docket No. P-2015-2471423, approving the DSIC.

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1. General Description

A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide the Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

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- Other related capitalized costs.

C. Effective Date: The DSIC will become effective January 1, 2016.

(C) Denotes Change

Issued ~~March 20, 2018~~

Effective ~~April 1, 2018~~

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