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June 29, 2018

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

SUBJECT: Revised Attachment 1 - PECO Energy Company Quarterly Distribution System Improvement Charge ("DSIC") for its Electric Operations – Electric Tariff No. 5, Supplement No. 67, Effective July 1, 2018, Docket No. M-2018-3002849

Dear Secretary Chiavetta:

PECO Energy Company previously issued the Quarterly Distribution System Improvement Charge for its Electric Operations – Electric Tariff No. 5, Supplement No. 67, Effective July 1, 2018. This letter transmits for filing with the Commission a revised page 1 and 3 to Attachment 1. Line 3 of Page 1 of Attachment 1 and Line 2, Column 4 of Page 3 of Attachment 1 are being revised. The pages are being revised based on input from the Bureau of Audits.

The filing is only making a revision to Attachment 1. No change to the Electric Tariff is required since the revisions are de minimis and thus do not affect the DSIC rate.

The following attachments are included in support of the filing:

Attachment 1 – Revised Calculation of DSIC for the period July 1, 2018 to September 30, 2018

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,



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

PECO
ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC
APPLICATION PERIOD: July 1, 2018 THROUGH September 30, 2018

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

Line No.			<u>Amount</u>
1	DSI	= Eligible Distribution System Improvement Costs (Attachment 1, Page 2, Column 8)	\$ 54,014,251
2	PTRR	= Pre-tax Return Rate applicable to DSIC eligible property (Attachment 1, Page 3, Line 4)	2.31%
3	DSI PTR	= Pre-tax Return on DSIC eligible property (Line 1 * Line 2)	\$ 1,249,519
4	Dep	= Depreciation expense applicable to DSIC eligible property (Attachment 1, Page 2, Column 11, Mar-18 + Apr-18 + May-18)	\$ 399,659
5	e	= Amount calculated (+/-) under the annual reconciliation feature or Commission audit	\$ -
6	Net Amt. Recoverable (w/o GRT)	= Net Amount to be Recovered/Refunded ((includes Over/Under) Collection) (w/o GRT) (Line 3 + Line 4)	\$ 1,649,178
7	Net Amt. Recoverable (w/ GRT)	= Net Amount to be Recovered/Refunded (includes Over/Under) Collection (w/ GRT) (Line 6 * Note 1)	\$ 1,752,580
8	PQR	= Projected quarterly revenues (Attachment 1, Page 2, Column 12, Jul-18 + Aug-18 + Sep-18 - Note 2)	<u>\$ 367,156,733</u>
9	DSIC	= Distribution System Improvement Rider (Line 7 / Line 8)	0.48%

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 = \$26,930,886. \$ 27,895,887

PECO
ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC PRE-TAX RATE OF RETURN
APPLICATION PERIOD: July 1, 2018 THROUGH September 30, 2018

Line No.		Capitalization Ratio (1)	Embedded Cost Note 1 (2)	Rate of Return (3) = (1) * (2)	Tax Multiplier Note 2 (4)	Pre-Tax Rate of Return (5) = (3) * (4)
1	Long-Term Debt	46.41%	4.43%	2.06%	-	2.06%
2	Common Equity	53.59%	9.55%	5.12%	1.406313504	7.20%
3	Total	100.00%		7.17%		9.25%
4	9.25% Annual PTRR / 4 quarters = 2.31% Quarterly PTRR					

Note 1:

Line 2, Column (2), from the PUC's Quarterly Earnings Report page 18, line 7, dated December 31, 2017 at Docket No. M-2018-3001577 (issued May 17, 2018).

Note 2:

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%.

$$1/[(1-9.99%)*(1-21\%)] = 1.406313504$$