



An Exelon Company

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**August 30, 2018**

**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 2018, 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 settlements in PECO's base rate cases 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 contains a correction to the 2017 In-Program Arrears Forgiveness ("INPA") portion of the USFC. The 2017 INPA Forgiveness costs were inadvertently omitted from the 2018 rate filing. PECO is now including \$1.7M of INPA costs in the 2019 rate (see Attachment 2 - pages 1 and 5). PECO discussed this issue with the Bureau of Audits on February 14, 2018 and agreed to make this correction in the 2019 USFC filings.

This filing includes actual data through July 2018, supports a total USFC rate of (\$0.00147)/kWh. For a typical residential customer using 700 kWh per month, the new USFC rate will result in a \$0.28 increase (or 0.27%) to the monthly bill.

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In addition, the USFC tariff pages has been revised to remove language in the E - factor that only applied for 2017.

This filing includes the following Attachments:

Attachment 1 – Proposed USFC Tariff Sheet indicating the rate for 2019  
Attachment 2 – USFC Calculation  
Attachment 3 – Rate R Bill Comparison

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

**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 (\$0.00147) 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: (I)

**COMPUTATION OF USFC.**

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

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

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. (C)

**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.

(I) Denote Increase  
(C) Denotes Change

**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 (\$0.00147) 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: (I)

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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.

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**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.

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**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 2018, the correction factor will return to an annual amount. The Correction Factor will be used for the period of 2016 through 2021. (C)

**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.

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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.

(I) Denote Increase  
(C) Denotes Change

# ATTACHMENT 2

Calculation of USFC Rate Effective January 1, 2019

	Amount	\$/KWH	
(1) C = Projected Recoverable CAP Costs	\$ (11,563,775)	(\$0.00095)	p. 2 of 5
(2) L = Incremental LIURP expenditures <sup>(a)</sup>	\$ 1,700,000	\$0.00014	
(3) E = Experienced & Estimated Net Over/(Under)			
a. Over/(Under)	\$ 9,161,374	\$0.00075	p. 3 of 5
b. Interest	\$ 585,169	\$0.00005	p. 4 of 5
	<u>\$ 9,746,543</u>	<u>\$0.00080</u>	
(4) F Correction Factor IPA <sup>(b)</sup>	<u>\$ 1,777,812</u>	<u>\$0.00015</u>	p. 5 of 5
	\$ 1,777,812	\$0.00015	
(5) Net Recoverable (C + L - E - I) + F	\$ (17,832,506)	(\$0.00147)	
(6) S = Projected R, RH Sales for Computation Period	12,150,241,269		
(7) <b>USFC:</b> (5) / (6)	<b>(\$0.00147)</b>		

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

(b) The F-Factor includes the 2017 Forgiveness costs that were inadvertently omitted from the 2018 filing.





## PECO - 2018 USFC Electric Interest Calculation

E-Factor Period	R/H Sales (c) (kWh) (1)	C, L & F 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-17	1,255,844,224	\$ 1,360,444	6%	18/12	\$ 122,440	(\$0.00002)	\$ (25,117)	\$ 97,323	\$ 360,960
Feb-17	1,017,574,651	\$ 688,982	6%	17/12	\$ 58,563	(\$0.00002)	\$ (20,351)	\$ 38,212	\$ 458,283
Mar-17	927,766,308	\$ 681,270	6%	16/12	\$ 54,502	(\$0.00002)	\$ (18,555)	\$ 35,946	\$ 496,495
Apr-17	822,620,527	\$ 692,730	6%	15/12	\$ 51,955	(\$0.00002)	\$ (16,452)	\$ 35,502	\$ 532,441
May-17	719,161,123	\$ 719,119	6%	14/12	\$ 50,338	(\$0.00002)	\$ (14,383)	\$ 35,955	\$ 567,944
Jun-17	900,238,674	\$ 1,001,465	6%	13/12	\$ 65,095	(\$0.00002)	\$ (18,005)	\$ 47,090	\$ 603,899
Jul-17	1,289,511,507	\$ 1,568,336	6%	12/12	\$ 94,100	(\$0.00002)	\$ (25,790)	\$ 68,310	\$ 650,989
Aug-17	1,240,877,204	\$ 1,675,310	6%	11/12	\$ 92,142	(\$0.00002)	\$ (24,818)	\$ 67,325	\$ 719,299
Sep-17	971,344,500	\$ 1,120,319	6%	10/12	\$ 56,016	(\$0.00002)	\$ (19,427)	\$ 36,589	\$ 786,624
Oct-17	911,039,399	\$ 1,592,284	6%	9/12	\$ 71,653	(\$0.00002)	\$ (18,221)	\$ 53,432	\$ 823,213
Nov-17	771,625,437	\$ 929,875	6%	8/12	\$ 37,195	(\$0.00002)	\$ (15,433)	\$ 21,762	\$ 876,645
Dec-17	1,033,563,359	\$ 1,094,255	6%	7/12	\$ 38,299	(\$0.00002)	\$ (20,671)	\$ 17,628	\$ 898,407
	<b>11,861,166,913</b>	<b>\$ 13,124,387</b>			<b>\$ 792,298</b>		<b>\$ (237,223)</b>	<b>\$ 555,075</b>	<b>\$ 916,035</b>
Jan-18	1,448,754,485	\$ 1,639,699	6%	18/12	\$ 147,573	(\$0.00007)	\$ (101,413)	\$ 46,160	\$ 962,195
Feb-18	1,109,603,101	\$ 937,825	6%	17/12	\$ 79,715	(\$0.00007)	\$ (77,672)	\$ 2,043	\$ 964,238
Mar-18	950,908,415	\$ 710,380	6%	16/12	\$ 56,830	(\$0.00007)	\$ (66,564)	\$ (9,733)	\$ 954,505
Apr-18	906,709,178	\$ 805,621	6%	15/12	\$ 60,422	(\$0.00007)	\$ (63,470)	\$ (3,048)	\$ 951,456
May-18	771,100,755	\$ 729,697	6%	14/12	\$ 51,079	(\$0.00007)	\$ (53,977)	\$ (2,898)	\$ 948,558
Jun-18	943,480,553	\$ 1,059,354	6%	13/12	\$ 68,858	(\$0.00007)	\$ (66,044)	\$ 2,814	\$ 951,373
Jul-18	1,307,105,661	\$ 1,497,443	6%	12/12	\$ 89,847	(\$0.00007)	\$ (91,497)	\$ (1,651)	\$ 949,722
Aug-18 (a)	1,299,088,782	\$ 624,517	6%	11/12	\$ 34,348	(\$0.00007)	\$ (90,936)	\$ (56,588)	\$ 893,134
Sep-18 (a)	1,158,021,447	\$ 139,293	6%	10/12	\$ 6,965	(\$0.00007)	\$ (81,062)	\$ (74,097)	\$ 819,037
Oct-18 (b)	803,949,769	\$ (595,557)	6%	9/12	\$ (26,800)	(\$0.00007)	\$ (56,276)	\$ (83,077)	\$ 735,961
Nov-18 (b)	760,180,306	\$ (585,685)	6%	8/12	\$ (23,427)	(\$0.00007)	\$ (53,213)	\$ (76,640)	\$ 659,321
Dec-18 (b)	1,014,221,187	\$ (90,170)	6%	7/12	\$ (3,156)	(\$0.00007)	\$ (70,995)	\$ (74,151)	\$ 585,169
	<b>12,473,123,639</b>	<b>\$ 6,872,418</b>			<b>\$ 542,253</b>		<b>\$ (873,119)</b>	<b>\$ (330,866)</b>	<b>\$ 585,169</b>
									<b>Net Interest \$</b>

(a) Actuals to be reflected in final October reconciliation.

(b) Estimated.

(c) Residential Non-CAP Sales.

**PECO - 2018  
USFC Electric  
F-Factor/INPA Forgiveness**

<b>2017 Recovery</b>	
<b>InPA Forgiveness</b>	
	<b>Actuals</b>
Jan-17 (a)	\$196,086
Feb-17	\$104,625
Mar-17	\$135,340
Apr-17	\$165,788
May-17	\$186,644
Jun-17	\$156,356
Jul-17	\$147,040
Aug-17	\$143,164
Sep-17	\$124,732
Oct-17	\$158,230
Nov-17	\$129,718
Dec-17	\$130,089
<b>Total</b>	<b>\$1,777,812</b>

2017 Recovery \$1,777,812

(a) Includes \$92k from November and December of 20016.

# ATTACHMENT 3

**PECO**  
**BILL COMPARISON with USFC at**  
**(\$0.00147) kWh**

**Residential Rate R - 700 KWH (a)**

	2018 w/ Current (\$0.00187) kWh USFC Credit	2019 w/ Proposed (b) (\$0.00147) kWh USFC Credit	Difference (\$)	Difference (%)
<b>FIXED DISTRIBUTION CHARGE</b>	\$ 8.45	\$ 8.45		
<b>TRANSMISSION CHARGE</b> ALL KWH	\$ 3.72	\$ 3.72		
<b>DISTRIBUTION CHARGE</b> ALL KWH	\$ 45.64	\$ 45.92		
<b>GSA</b> ALL KWH	\$ 46.33	\$ 46.33		
<b>DSIC</b> SUB TOTAL	\$ 104.14	\$ 104.42		
<b>STATE TAX ADJUSTMENT CLAUSE</b>	\$ 0.25	\$ 0.25		
	\$ (0.01)	\$ (0.01)		
<b>TOTAL</b>	<b>\$ 104.38</b>	<b>\$ 104.66</b>	<b>\$ 0.28</b>	<b>0.27%</b>

(a) Based on PECO Electric Tariff Rates as of 8/1/18.

(b) Calculation is for demonstration purposes only.