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**August 30, 2019**

**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 2019, Docket No. R-2010-2161575, M-  
2012-2290911, R-2015-2468981 and R-2018-3000164.**

**Dear Ms. Chiavetta:**

Enclosed for filing with the Commission is PECO's preliminary reconciliation of the Electric Universal Service Fund Charge ("USFC") for 2019. 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 and R-2018-3000164.

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 which provides for additional LIURP spend. Note the additional LIURP spend associated with this settlement ends as of September 2020.

Effective January 1, 2019, as part of the settlement at Docket R-2018-3000164, PECO has increased its annual LIURP budget by \$1M. This additional spend is for safety, health and structural issues. This spend will continue until at least PECO's next electric distribution base rate case.

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This filing includes actual data through July 2019, supports a total USFC rate of (\$0.00249)/kWh. For a typical residential customer using 700 kWh per month, the new USFC rate will result in a \$0.54 decrease (or 0.53%) to the monthly bill.

This filing includes the following Attachments:

Attachment 1 – Proposed USFC Tariff Sheet indicating the rate for 2020  
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: P. T. Diskin, Director – Bureau of Technical Utility Services  
R. A. Kanaskie, Director, Bureau of Investigation & Enforcement  
K. A. Monaghan, Director – Bureau of Audits  
K. G. Sophy, Director - Office of Special Assistants  
McNees, Wallace & Nurick  
Office of Consumer Advocate

# 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 (\$0.00249) 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.

**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. Effective January 1, 2019, as part of the Settlement at Docket R-2018-3000164, PECO has increased its annual LIURP budget by \$1M.

**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. 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, 2020

		Amount	\$/KWH	
(1)	C = Projected Recoverable CAP Costs	\$ (19,090,048)	(\$0.00156)	p. 2 of 4
(2)	L = Incremental LIURP expenditures (a)	\$ 1,267,498	\$0.00010	
	= LIURP Rate Case (b)	\$ 1,000,000	\$0.00008	
		\$ 2,267,498	\$0.00019	
(3)	E = Experienced & Estimated Net Over/(Under)			
	a. Over/(Under)	\$ 13,835,363	\$0.00113	p. 3 of 4
	b. Interest	\$ 817,772	\$0.00007	p. 4 of 4
	c. LIURP Adjustment Over/(Under) (c)	\$ (1,000,000)	(\$0.00008)	
		\$ 13,653,135	\$0.00112	
(4)	F = Correction Factor IPA	\$ -	\$0.00000	
		\$ -	\$0.00000	
(5)	Net Recoverable (C + L - E - I) + F	\$ (30,475,685)	(\$0.00249)	
(6)	S = Projected R, RH Sales for Computation Period	12,232,678,216		
(7)	<b>USFC: (5) / (6)</b>	<b>(\$0.00249)</b>		

(a) LIURP and De-facto heating audit spend. This is the result of the settlement at Docket No. M-2012-2290911. Spend associated with this settlement ends as of September 2020.

(b) LIURP rate case spend represents 2020 dollars for safety/health and structural issues. This is the result of the Joint Petition for Settlement at Docket No. R-2018-3000164.

(c) LIURP adjustment represents 2019 dollars for safety/health and structural issues as a result of the Joint Petition for Settlement at Docket No. R-2018-3000164. These were not included in the rates effective 1/1/19 since the settlement was agreed to after the final 2019 USFC was filed.

## PECO - 2020 USFC Electric C-Factor Calculation

C-Factor Month	Estimated CAP	Estimated	Estimated	Shortfall	Shortfall	Shortfall
	Discounts (Shortfall)	R/RH Sales (a) (kWh)	R/HR Recovered in Base Rates (b)	o/(u) Base Recovery	o/(u) Base Recovery	o/(u) Base Recovery @ 0.73 (b)
	(1)	(2)	(3) = (2) * \$0.0068	(4) = (1) - (3)	(5) = (4) * 0.73	
Jan-20	\$ 5,775,492	1,272,698,545	\$ 8,654,350	\$ (2,878,858)	\$ (2,101,566)	
Feb-20	\$ 5,475,461	1,129,170,185	\$ 7,678,357	\$ (2,202,896)	\$ (1,608,114)	
Mar-20	\$ 4,772,561	981,924,512	\$ 6,677,087	\$ (1,904,526)	\$ (1,390,304)	
Apr-20	\$ 4,075,782	819,013,637	\$ 5,569,293	\$ (1,493,511)	\$ (1,090,263)	
May-20	\$ 3,395,500	721,701,805	\$ 4,907,572	\$ (1,512,072)	\$ (1,103,813)	
Jun-20	\$ 4,214,172	940,268,469	\$ 6,393,826	\$ (2,179,653)	\$ (1,591,147)	
Jul-20	\$ 5,796,605	1,282,406,981	\$ 8,720,367	\$ (2,923,763)	\$ (2,134,347)	
Aug-20	\$ 5,639,266	1,297,092,816	\$ 8,820,231	\$ (3,180,965)	\$ (2,322,105)	
Sep-20	\$ 4,874,124	1,156,330,954	\$ 7,863,050	\$ (2,988,927)	\$ (2,181,916)	
Oct-20	\$ 3,724,497	831,672,738	\$ 5,655,375	\$ (1,930,878)	\$ (1,409,541)	
Nov-20	\$ 3,941,969	771,592,722	\$ 5,246,831	\$ (1,304,862)	\$ (952,549)	
Dec-20	\$ 5,346,033	1,028,804,852	\$ 6,995,873	\$ (1,649,840)	\$ (1,204,383)	
	\$ 57,031,461	12,232,678,216	\$ 83,182,212	\$ (26,150,751)	\$ (19,090,048)	
						<b><u>(19,090,048)</u></b>

(a) Non-CAP kWh.  
(b) Per settlement factor approved at Docket No. R-2010-2161575.



**PECO - 2019  
USFC Electric  
Interest Calculation**

E-Factor Period	R/RH 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)
<b>Balance (a)</b>									\$ 916,035
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)	\$ 951,457
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	1,341,332,631	\$ 1,779,199	6%	11/12	\$ 97,856	(\$0.00007)	\$ (93,893)	\$ 3,963	\$ 953,685
Sep-18	1,331,174,455	\$ 2,039,984	6%	10/12	\$ 101,999	(\$0.00007)	\$ (93,182)	\$ 8,817	\$ 962,502
Oct-18	918,643,890	\$ 1,377,388	6%	9/12	\$ 61,982	(\$0.00007)	\$ (64,305)	\$ (2,323)	\$ 960,179
Nov-18	840,034,503	\$ 619,404	6%	8/12	\$ 24,776	(\$0.00007)	\$ (58,802)	\$ (34,026)	\$ 926,153
Dec-18	1,111,548,335	\$ 712,983	6%	7/12	\$ 24,954	(\$0.00007)	\$ (77,808)	\$ (52,854)	\$ 873,299
	<b>12,980,395,962</b>	<b>\$ 13,908,977</b>			<b>\$ 865,892</b>		<b>\$ (908,628)</b>	<b>\$ (42,736)</b>	
<b>Jan-19 (d)</b>	1,243,245,509	\$ 1,719,912	6%	18/12	\$ 154,792	(\$0.00006)	\$ (74,595)	\$ 80,197	\$ 953,496
Feb-19	1,206,375,582	\$ 1,001,941	6%	17/12	\$ 85,165	(\$0.00006)	\$ (72,383)	\$ 12,782	\$ 966,278
Mar-19	1,043,548,488	\$ 805,966	6%	16/12	\$ 64,477	(\$0.00006)	\$ (62,613)	\$ 1,864	\$ 968,143
Apr-19	815,378,860	\$ 342,862	6%	15/12	\$ 25,715	(\$0.00006)	\$ (48,923)	\$ (23,208)	\$ 944,935
May-19	705,156,358	\$ 405,235	6%	14/12	\$ 28,366	(\$0.00006)	\$ (42,310)	\$ (13,943)	\$ 930,992
Jun-19	934,425,237	\$ 784,951	6%	13/12	\$ 51,022	(\$0.00006)	\$ (56,066)	\$ (5,044)	\$ 925,948
Jul-19	1,335,983,984	\$ 1,490,974	6%	12/12	\$ 89,458	(\$0.00006)	\$ (80,159)	\$ 9,299	\$ 935,247
Aug-19 (a)	1,290,772,842	\$ 1,279,686	6%	11/12	\$ 70,383	(\$0.00006)	\$ (77,446)	\$ (7,064)	\$ 928,184
Sep-19 (a)	1,131,353,311	\$ 975,441	6%	10/12	\$ 48,772	(\$0.00006)	\$ (67,881)	\$ (19,109)	\$ 909,075
Oct-19 (b)	819,248,287	\$ 675,299	6%	9/12	\$ 30,388	(\$0.00006)	\$ (49,155)	\$ (18,766)	\$ 890,308
Nov-19 (b)	761,815,325	\$ 616,463	6%	8/12	\$ 24,659	(\$0.00006)	\$ (45,709)	\$ (21,050)	\$ 869,258
Dec-19 (b)	1,016,984,355	\$ 272,380	6%	7/12	\$ 9,533	(\$0.00006)	\$ (61,019)	\$ (51,486)	\$ 817,772
	<b>12,304,294,139</b>	<b>\$ 10,371,110</b>			<b>\$ 682,731</b>		<b>\$ (738,258)</b>	<b>\$ (55,527)</b>	
									<b>Net Interest \$ 817,772</b>

(a) Actuals to be reflected in final October reconciliation.  
 (b) Estimated.  
 (c) Residential Non-CAP Sales.  
 (d) January 2019 has been pro-rated.

# ATTACHMENT 3

**PECO**  
**BILL COMPARISON with USFC at**  
**(\$0.00249) kWh**

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

	2019 w/ Current (\$0.00171) kWh USFC Credit	2020 w/ Proposed (b) (\$0.00249) kWh USFC Credit	Difference (\$)	Difference (%)
<b>FIXED DISTRIBUTION CHARGE</b>	\$ 9.97	\$ 9.97		
<b>TRANSMISSION CHARGE</b> ALL KWH	\$ 3.99	\$ 3.99		
<b>DISTRIBUTION CHARGE</b> ALL KWH	\$ 44.88	\$ 44.34		
<b>GSA</b>	\$ 43.48	\$ 43.48		
<b>DSIC</b>	\$ 102.32	\$ 101.78		
<b>STATE TAX ADJUSTMENT CLAUSE</b>	\$ -	\$ -		
<b>TOTAL</b>	\$ 102.31	\$ 101.77	\$ (0.54)	-0.53%

(a) Based on PECO Electric Tariff Rates as of 7/1/19.  
(b) Calculation is for demonstration purposes only.