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March 20, 2020

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. 6 Supplement No. 28, Effective April 1, 2020, Docket No. M-2018-3000598

Dear Secretary Chiavetta:

In accordance with PECO's Joint Petition for Partial Settlement to its 2018 Electric Distribution Rate Case Docket No. R-2018-3000164, PECO agreed not to implement a DSIC during the calendar year ending December 31, 2019. The first DSIC in 2020 will be effective no earlier than April 1, 2020 based on DSIC-eligible expenditures during January and February 2020.

The Company's latest reported Return on Equity ("ROE") of 8.30% (see Schedule D-2 of PECO's Quarterly Earnings Report filed March 20, 2020) is below the Commission's authorized ROE of 9.45% for DSIC purposes (see Attachment F of the Commission's Gas Quarterly Earnings report issued February 6, 2020).

In addition, in compliance with the Supplemental Implementation Order entered on September 21, 2016 at Docket No. M-2012-2293611, PECO includes Attachment 3 which shows a comparison of actual DSIC-eligible plant as of December 31, 2019 vs. projected plant investment placed in service for the fully projected test year claimed in PECO's 2018 Electric Distribution Base Rate Case. This comparison shows that actual DSIC eligible plant has exceeded the 2018 projected plant investment.

This filing also includes an over collection balance of \$13,063. This was filed on February 10, 2020 as part of PECO's Annual Electric DSIC reconciliation at Docket No. M-2020-3016729.

Therefore, the DSIC rate will change from 0.00% to 0.04% effective with bills rendered on or after April 1, 2020.

Rosemary Chiavetta, Secretary
March 20, 2020
Page 2

The following attachments are included in support of the filing:

Attachment 1 - Supplement No. 28 to Tariff Electric No. 6
Attachment 2 - Calculation of DSIC for the period April 1, 2020 to June 30, 2020
Attachment 3 - Actual DSIC Eligible Plant Investment Vs. FPFTY

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,

A handwritten signature in black ink, appearing to read "R. Webster", followed by a horizontal line.

Richard G. Webster, Jr.
Vice President
Regulatory Policy & Strategy

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

ATTACHMENT 1

PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street

Philadelphia, Pennsylvania 19103

For List of Communities Served, See Page 4.

Issued March 20, 2020

Effective April 1, 2020

**ISSUED BY: M. A. Innocenzo – President & CEO
PECO Energy Distribution Company
2301 MARKET STREET
PHILADELPHIA, PA. 19103**

NOTICE

LIST OF CHANGES MADE BY THIS SUPPLEMENT

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) – 3rd revised Page No. 46

Revised DSIC rate from 0% to 0.04%.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

In addition to the net charges provided for in this Tariff, a value of 0.04% will apply consistent with the Commission Order dated October 22, 2015 at Docket No. P-2015-2471423, approving the DSIC.

(I)

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.

(I) Denotes Increase

ATTACHMENT 2

PECO
ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC
APPLICATION PERIOD: APRIL 1, 2020 THROUGH JUNE 30, 2020

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

Line No.			Amount
1	DSI	= Eligible Distribution System Improvement Costs (Attachment 1, Page 2, Column 6)	\$ 4,942,707
2	PTRR	= Pre-tax Return Rate applicable to DSIC eligible property (Attachment 1, Page 3, Line 4)	2.26%
3	DSI PTR	= Pre-tax Return on DSIC eligible property (Line 1 * Line 2)	\$ 111,460
4	Dep	= Depreciation expense applicable to DSIC eligible property (Attachment 1, Page 2, Column 7, Dec-19 + Jan-20 + Feb-20)	\$ 11,279
5	e	= Amount calculated over/(under) The annual reconciliation Filed February 10, 2020 at Docket No. M-2020-3016729 (Attachment 1, Page 2, Column 3 "Ending Over/(Under) Balance.")	\$ 13,063
6	Net Amt. Recoverable (w/o GRT)	= Net Amount to be Recovered/(Refunded) ((includes Over/Under) Collection) (w/o GRT) (Line 3 + Line 4 - Line 5)	\$ 109,676
7	Net Amt. Recoverable (w/ GRT)	= Net Amount to be Recovered/(Refunded) (includes Over/Under) Collection (w/ GRT) (Line 6 * Note 1)	\$ 116,553
8	PQR	= Projected quarterly revenues (Attachment 1, Page 2, Column 8, Apr-20 + May-20 + Jun-20 - Note 2)	<u>\$ 328,137,395</u>
9	DSIC	= Distribution System Improvement Rider (Line 7 / Line 8)	0.04%

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 = \$17,097,752. \$ 18,062,752

PECO
ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC PRE-TAX RATE OF RETURN
APPLICATION PERIOD: APRIL 1, 2020 THROUGH JUNE 30, 2020

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	46.46%	4.10%	1.90%	-	1.90%
2	Common Equity	53.54%	9.45%	5.06%	1.406313504	7.12%
3	Total	<u>100.00%</u>		<u>6.96%</u>		<u>9.02%</u>
4	9.02% Annual PTRR / 4 quarters = 2.26% Quarterly PTRR					

Note 1:

Line 2, Column (2), from the PUC's Quarterly Earnings Report page 18, line 7, dated September 30, 2019 at Docket No. M-2019-3015178 (issued February 6, 2020).

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

ATTACHMENT 3

PECO Energy Company
Actual DSIC Eligible Plant Investment vs FPFTY
Amounts in \$000s

Account	Description	Actual Plant in Service 12/31/2019	FPFTY Plant in Service 12/31/2019	Over (Under)
302	Franchise & Consent	147	145	2
303	Miscellaneous Intangible Plant	162,911	175,506	(12,595)
360	Land & Land Rights	44,671	42,884	1,787
361	Structures & Improvements	152,651	139,261	13,390
362	Station Equipment	1,106,099	1,163,133	(57,034)
364	Poles, Towers & Fixtures	785,344	754,022	31,322
365	Overhead Conductors & Devices	1,441,814	1,341,927	99,887
366	Underground Conduit	479,404	464,223	15,181
367	Underground Conductors & Devices	1,335,686	1,372,757	(37,071)
368	Line Transformers	623,794	634,209	(10,415)
369	Services	428,412	433,534	(5,122)
370	Meters	319,728	346,878	(27,150)
371	Installations on Customer Premises	13,772	13,772	0
373	Street Lighting & Signal Systems	61,021	72,548	(11,527)
374	Asset Retirement Costs for Distribution Plant	2,160	1,893	267
389	Land & Land Rights	958	943	15
390	Structures & Improvements	44,640	44,443	197
391	Office Furniture & Equipment	26,915	14,402	12,513
393	Stores Equipment	42	35	7
394	Tools & Garage Equipment	34,076	30,362	3,714
395	Laboratory Equipment	372	372	(0)
397	Communications Equipment	148,774	144,410	4,364
398	Miscellaneous Equipment	23	485	(462)
399.1	Asset Retirement Costs for General Plant	1,670	1,483	187
		<u>7,215,085</u>	<u>7,193,627</u>	<u>21,458</u>