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PECO
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VIA E-MAIL ONLY

April 6, 2020

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

Re: Affiliated Interest Agreement(s) between PECO Energy Company, Commonwealth Edison Company, Commonwealth Edison Company of Indiana, Inc. and “Additional Entities” (General Service Agreement – Master Agreement and all associated service agreements) and PECO Energy Company and “Affiliates” (Mutual Service Agreement – Master Agreement and all associated service agreements) – Docket No. G-2010-2211383 - Informational Filing

Dear Secretary Chiavetta:

PECO previously filed in this docket its General Services Agreement (“GSA”) and Mutual Services Agreement (“MSA”), each executed on January 1, 2001. Pursuant to discussions with Commission staff, in a filing on April 17, 2013, PECO offered supplementary documents and information that provided additional details regarding the cost allocation procedures and practices that PECO uses to implement the provisions of the GSA and the MSA. That filing was approved by the Commission on December 19, 2013.

In the April 17, 2013 filing, PECO agreed to provide the Commission with its future Service Level Arrangements and Affiliate Level Arrangements, for informational purposes only, as those arrangements are modified. Pursuant to that agreement, PECO has attached its 2020 Service Level Arrangements (See Attachment A), the 2020 Exelon BSC Service Catalog (See Attachment B), the 2019-2020 Affiliate Level Arrangements (See Attachment C) and the 2020 Exelon Business Services Company Service Areas & Cost Assignment Methods (See Attachment D).

PECO considers these attachments (except for Attachment D) to be confidential and proprietary information not to be included in public files. Therefore, PECO is providing

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both a Confidential and Public version of this letter. PECO requests that only the Public version, which will contain the Attachment D be placed in the public file.

As per the stay-at-home orders issued by the Governor and Philadelphia's Mayor, all PECO attorneys and key support staff are working remotely until these restrictions are lifted. Accordingly, PECO will not have its usual access to photocopying and U.S. mail, among other services. PECO is filing this report by email and requests that all communications with PECO, likewise, be transmitted by email.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Webster" with a long horizontal flourish extending to the right.

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

Enclosures

cc w/o Att: P. T. Diskin, Director, Bureau of Technical Utility Services (via e-mail only)
K. Monaghan, Director, Bureau of Audits (via e-mail only)
R. A. Kanaskie, Director, Bureau of Investigation & Enforcement (via e-mail only)
R. Hicks, Law Bureau (via e-mail only)
Office of Consumer Advocate (via e-mail only)
Office of Small Business Advocate (via e-mail only)

Attachment D

2020 Exelon Business Services Company Service Areas & Cost Assignment Methods

Exelon Business Services Company, LLC (BSC) provides services to the Exelon system of companies. For discussion purposes, BSC is divided into three groups: 1) core shared services, 2) utility focused services, and 3) corporate governance. The following are descriptions of the service areas and the cost assignment methods applied when billing the services.

The discussion below summarizes the cost assignment methods which generally require direct billing of services to the extent possible, then allocation based on cost causative allocation methods of costs that cannot be directly assigned.

1) CORE SHARED SERVICES AREAS

The Core Shared Services Areas provide a variety of shared support and management services for the Exelon system of companies. These shared services include Information Technology, Security, Supply, Legal Services, Human Resources, Transportation and Real Estate.

Information Technology

- Energy Delivery Solutions, GenCo Solutions, Projects & Enterprise Solutions. Provides application support to the business units and centrally manages enterprise-wide applications and business unit specific projects.

Cost Assignment:

- Costs for information technology applications which are specific to one Client Company are directly charged to the respective Client Company.
- Costs for information technology applications which benefit all or more than one Client Company are allocated to the respective Client Companies based on an appropriate cost causative allocation methodology, which varies from project to project.
- Cloud and Infrastructure Engineering and Operations. Manages the enterprise IT infrastructure, provides infrastructure services, and ensures a safe and stable operating environment.

Cost Assignment:

- Service costs are directly charged to IT Application Portfolios on a unit price basis for services such as mainframe, email, voicemail, LAN, etc. IT Application Portfolio costs are directly charged to Client Companies when specific to one Client Company. IT Application Portfolio costs that benefit more than one Client Company are allocated based on an appropriate cost causative allocation methodology.

- IT Governance. Comprises an IT Program Management Office and Business Office focused on establishing standard processes, procedures and methods and Enterprise Architecture and Planning responsible for comprehensive enterprise strategic planning and architecture standards and assurance.

Cost Assignment:

- Service costs are allocated to Client Companies based on an IT Service Billings ratio of each Client Company or an appropriate cost causative allocation methodology.

Security

Includes the costs of providing Corporate and Information Security services for the Client Companies (formerly part of IT Governance)

- Corporate Security and Analysis. Provides security policy development and alignment with policies and strategic initiatives; Intelligence gathering and analytical services across the corporation to include threat / risk assessments and recommendations.
- Information Security. Develop, maintain and enforce a security strategy, policy and standards framework that aligns Exelon business need, legislative and regulatory requirements, and industry standard practices.

Cost Assignment

- Costs for Corporate and Information Security services which are specific to one Client Company are directly charged to the respective Client Company.
- Service costs are allocated to Client Companies based on an IT Service Billings ratio of each Client Company or an appropriate cost causative allocation methodology which varies by service.

Supply

Includes the costs of providing services related to the supply function for the Client Companies. Does not include costs of the materials/services purchased under the Purchase Orders/Contracts established by BSC Supply Services group or the purchase or sale of power.

- Strategic Sourcing. Manages the sourcing of categories across Exelon, drives total cost of ownership, and manages supplier relationships.
- Supply Operations. Provides tactical support to business unit operations, including logistics and warehousing for Exelon Generation. Embedded Supply employees perform these services for the Utilities.

- Supply Support. Comprises e-business functions, supply projects, and diversity initiatives, as well as policies, programs, systems and decision support systems.

Cost Assignment:

- Whenever possible, service costs are directly charged to Client Companies.
- Remaining service costs are allocated to Client Companies based on various expenditure-spend methodologies (generally, the services and/or materials purchased by each Client Company).
- Accounts Payable. Processes invoices and administers the P-Card (purchasing-card) program.

Cost Assignment:

- Accounts payable service costs are directly charged to Client Companies on a unit price based on transactions processed for each Client Company.

Legal Services

- Corporate & Commercial. Provides legal support for commercial contract negotiations, acquisitions, intellectual property, strategy, securities, financial reporting, real estate, nuclear related issues, bankruptcy, credit and collections, environmental, general corporate, and other transactional matters.
- Environmental. Provides legal support for the defense of agency enforcement actions, compliance counseling, environmental matters relevant to permitting and re-licensing of generation facilities, support for safety and OSHA compliance, EHS compliance audits and NRC investigations.
- Labor & Employment. Represents Exelon's Client Companies in a wide range of employment related matters before agencies, arbitrators, and state and federal courts; provides advice and counsel on all labor and employment related matters.
- Litigation. Provides legal support for all forms of disputes, including breach of contract, commercial disputes, personal injury, and property damage.
- Regulatory. Represents Exelon's Client Companies before various regulatory agencies, including the Illinois Commerce Commission, the Pennsylvania Public Utility Commission, Maryland Public Service Commission, New Jersey Board of Public Utilities, Delaware Public Service Commission, Public Service Commission of the District of Columbia and the Federal Energy Regulatory Commission.

- Client Services. Comprised of the business functions of the Legal Department, including financial management, client billing, business planning and analysis, human resources, systems management, and general administration.

Cost Assignment:

- Costs for lawyers and paralegals are directly charged to Client Companies when possible and the remaining services are allocated on the Modified Massachusetts Formula, an average of each Client Company's Gross Revenues, Total Assets and Direct Labor to the totals of all Client Companies.

Human Resources

Human Resources is divided into two groups – (i) General HR activities, including support functions such as diversity, planning and development, employee health and benefits, compensation planning, management and employee development; HR planning, technology and metrics for HR field units; worker's compensation administration; benefits administration services; payroll processing; myHR Service Center Support, HR/Payroll system maintenance and HR process improvement support and metric reporting; (ii) Labor Relations, including development and management of labor relations strategy in support of business units with represented employees.

Cost Assignment:

- Whenever possible, service costs are directly charged to Client Companies.
- Most general Human Resources Activities costs are directly charged to Client Companies on a unit price basis based on the total employee headcount of each Client Company. Payroll processing costs are directly charged to Client Companies on a unit price based on paycheck counts of each Client Company.
- Labor Relations costs are directly charged to Client Companies on a unit price basis based on the headcount of represented employees of each Client Company or direct charged based on time and materials.

Transportation

- Transportation. Coordinates corporate aircraft services.

Cost Assignment:

- Service costs are directly charged to Client Companies on a unit price based on total occupied flight hours of each Client Company.

Real Estate

Includes real estate portfolio and asset management strategy, lease administration for facilities, land or infrastructure obligations, property management, mail services and other real estate consulting services, generally concentrating on non-utility and non-power plant operations.

Cost Assignment for the above mentioned area:

- Service costs are allocated to Client Companies based on occupied square footage.

2) EXELON UTILITIES AREA

Exelon Utilities is comprised of a small utility-focused corporate governance and oversight function that will facilitate collaboration among the utilities to achieve the highest standards of organizational effectiveness, operational excellence, financial discipline and efficiency, and customer and stakeholder satisfaction.

Utility Strategy & Policy includes utility-wide strategy formulation and implementation, regulatory policy/issue alignment and implementation, utility investment and business model strategy and scenario analysis and analytical support to the utilities.

Utility Oversight includes governance and oversight of a Peer Group structure that aligns across the client utilities to drive consistency, best practices and innovation in the core functions of the Management Model; tracks performance regarding key performance indicators, improvement initiatives and industry standards; analyzes opportunities and develops recommendations on issues pertinent to leadership; coordinate of the business planning process and provides oversight of Management Model documentation integration across the Utilities.

Cost Assignment for the above mentioned groups:

- Whenever possible, service costs are directly charged to specific utility companies.
- The remaining corporate governance costs that cannot be directly charged are allocated to the Utilities based on a utility variation of the Modified Massachusetts Formula, an average of each utility's Gross Revenues, Total Assets and Direct Labor to the totals of all utility companies.

Transmission Strategy & Compliance manages the Exelon Utilities' interface with the applicable regional transmission and reliability organizations, oversees the implementation of FERC Regulations, NERC Reliability Standards and EU Physical CISS Programs to ensure ongoing compliance, represents utilities' interests and implements corporate strategy in both PJM Regional Transmission Organization and Regional Reliability Organization stakeholder proceedings, and also provides market intelligence and analytic support to strategic transmission studies and other initiatives as needed.

Cost Assignment:

- Whenever possible, service costs are directly charged to specific utility companies.
- Remaining service costs that benefit participating utilities are allocated for transmission related activities based on transmission peak load allocation, or allocated based on total gas delivered for Gas DOT compliance activities.

3) CORPORATE GOVERNANCE AREAS

The Corporate Governance Areas house employees who provide corporate governance services for the Exelon system of companies. The Corporate Governance Areas in BSC include:

Finance. Includes Senior Executive Vice President and CFO Exelon, Finance, Treasury (cash management services, facility and commitment fees, letter of credit fees, and bank service fees), Controller, External Audit fees, Tax (consolidated Federal and state returns), Financial Planning and Analysis, Internal Audit and Financial Controls (Sarbanes-Oxley compliance), Risk Management, Investor Relations, Capital Markets, Insurance Services, and External Reporting.

Executives and General BSC Activities. Includes Exelon senior leadership positions including President and Chief Executive Officer and other Executive Committee members. Also includes general activities, such as income and other taxes, severance and interest, and Board of Directors costs and shareholder meetings.

Communications, Public Advocacy and Corporate Relations. Includes Exelon Corporation advertising/brand management, donations/contributions, sponsorships and annual report creation, shareholder/investor external communications, and other communication services; as well as Client Company public advocacy, advertising, coordination of donations/contribution approval, corporate/media relations, and corporate and external communications; public affairs activities; internal communications; and photography, videography and video production services.

Governmental and Regulatory Affairs and Public Policy. Includes executive oversight; management services for compliance with Federal laws, regulations and other policy requirements including relationship management with Congress, Administration and regulators; strategy development and lobbying and advocacy related to Federal legislative and regulatory initiatives; wholesale market development activities; competition initiative activities; PAC administration and operation; grassroots activities; and Federal public affairs activities.

Legal Governance. Includes General Counsel, Corporate Strategy, and the Corporate Governance group (including the corporation's compliance and ethics program and Corporate Secretary and shareholder services).

Corporate Development. Includes strategic expertise and governance in the evaluation and execution of merger and acquisition opportunities, evaluating

company assets for divestiture opportunities, and providing financial and transactional support to restructuring projects.

Corporate Strategy, Innovation & Sustainability. Provides strategic support for senior leadership; program leadership for Exelon's sustainable growth strategy; and corporate-wide governance, oversight and support for the innovation, environment and safety functions.

Physical Security. Includes corporate security functions such as security investigations and assessments, crisis management response and security related training.

Investments. Includes determining the investment strategy and asset allocation of Exelon's pension funds, VEBA post retirement funds and nuclear decommissioning funds, managing relationships with investment managers, overseeing daily investment activities and maintaining a well-diversified investment menu for the Employee Savings Plans. (Certain Investments Area costs are reimbursable by and therefore billed directly to the applicable funds and plans).

Cost Assignment for the Corporate Governance Areas:

- Whenever possible, service costs are directly charged to Client Companies.
- The remaining corporate governance costs that cannot be directly charged are allocated to Client Companies based on the Modified Massachusetts Formula, an average of each Client Company's Gross Revenues, Total Assets and Direct Labor to the totals of all Client Companies.