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September 18, 2020

**VIA E-Filing**

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. 37, Effective October 1, 2020, Docket No. M-2018-3000598

Dear Secretary Chiavetta:

The filing contains PECO's quarterly Electric Distribution System Improvement Charge ("DSIC") filing as required by paragraph B.1.6 of the Supplemental Implementation Order, Docket No. M-2012-2293611, entered September 21, 2016.

The Company's latest reported Return on Equity ("ROE") of 7.95% (see Schedule D-2 of PECO's Quarterly Earnings Report filed August 28, 2020) is below the Commission's authorized ROE of 9.45% for DSIC purposes (see Attachment F of the Commission's Electric Quarterly Earnings report issued August 6, 2020). Therefore, the DSIC rate will change from 0.08% to 0.14% effective with bills rendered on or after October 1, 2020.

The following attachments are included in support of the filing:

Attachment 1 - Supplement No. 37 to Tariff Electric No. 6

Attachment 2 - Calculation of DSIC for the period October 1, 2020 to December 31, 2020

As per the stay-at-home orders issued by the Governor and Philadelphia's Mayor due to the ongoing COVID-19 pandemic, PECO's office personnel 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. Further, per the PUC's directive to forgo mailing hard copies, PECO is making this submission by e-filing and requests that all communications with PECO, likewise, be transmitted by email.

Rosemary Chiavetta, Secretary  
September 18, 2020  
Page 2

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 or via email: rich.schlesinger@peco-energy.com.

Sincerely,

A handwritten signature in black ink, appearing to read "R.W." followed by a long horizontal flourish.

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

Copies to: P. T. Diskin, Director, Bureau of Technical Utility Services (via e-mail only)  
R. A. Kanaskie, Director, Bureaus of Investigation & Enforcement (via e-mail only)  
K. A. Monaghan, Director, Bureau of Audits (via e-mail only)  
K. G. Sophy, Director, Office of Special Assistants (via e-mail only)  
Charis Mincavage, McNees, Wallace and Nurick (via e-mail only)  
Ade Bakare, McNees, Wallace and Nurick (via e-mail only)  
Office of Consumer Advocate (via e-mail only)  
Office of Small Business Advocate (via e-mail only)

# ATTACHMENT 1

**PECO Energy Company**

**Electric Service Tariff**

**COMPANY OFFICE LOCATION**

**2301 Market Street**

**Philadelphia, Pennsylvania 19103**

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**For List of Communities Served, See Page 4.**

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**Issued September 18, 2020**

**Effective October 1, 2020**

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

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**NOTICE**

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LIST OF CHANGES MADE BY THIS SUPPLEMENT

**DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) – 5<sup>th</sup> revised Page No. 46**

Revised DSIC rate from 0.08% to 0.14%.

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**DISTRIBUTION SYSTEM IMPROVEMENT CHARGE**  
**(DSIC)**

In addition to the net charges provided for in this Tariff, a value of 0.14% 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: OCTOBER 1, 2020 THROUGH DECEMBER 31, 2020**

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

| Line No. |                                      |   |   | <u>Amount</u>         |
|----------|--------------------------------------|---|---|-----------------------|
| 1        | DSI                                  | = | Eligible Distribution System Improvement Costs<br>(Attachment 1, Page 2, Column 6)  | \$ 15,968,229         |
| 2        | PTRR                                 | = | Pre-tax Return Rate applicable to DSIC eligible property<br>(Attachment 1, Page 3, Line 4)                                | 2.26%                 |
| 3        | DSI PTR                              | = | Pre-tax Return on DSIC eligible property<br>(Line 1 * Line 2)   | \$ 360,089            |
| 4        | Dep                                  | = | Depreciation expense applicable to DSIC eligible property<br>(Attachment 1, Page 2, Column 7, June-20 + July-20 + Aug-20) | \$ 82,674             |
| 5        | e                                    | = | Amount calculated (+/-) under the annual reconciliation feature or Commission<br>audit                                    | \$ -                  |
| 6        | Net Amt.<br>Recoverable<br>(w/o GRT) | = | Net Amount to be Recovered/(Refunded) ((includes Over/Under) Collection) (w/o<br>GRT)<br>(Line 3 + Line 4 - Line 5)       | \$ 442,763            |
| 7        | Net Amt.<br>Recoverable (w/<br>GRT)  | = | Net Amount to be Recovered/(Refunded) (includes Over/Under) Collection (w/<br>GRT)<br>(Line 6 * <b>Note 1</b> )           | \$ 470,524            |
| 8        | PQR                                  | = | Projected quarterly revenues<br>(Attachment 1, Page 2, Column 8, Oct-20 + Nov-20 + Dec-20 - <b>Note 2</b> )               | <u>\$ 333,045,018</u> |
| 9        | DSIC                                 | = | Distribution System Improvement Rider<br>(Line 7 / Line 8)  | 0.14%                 |

**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 = \$22,199,251.

\$ 23,164,251



**PECO**  
**ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC PRE-TAX RATE OF RETURN**  
**APPLICATION PERIOD: OCTOBER 1, 2020 THROUGH DECEMBER 31, 2020**

| Line No. |   | Capitalization<br>Ratio<br><br>(1) | Embedded<br>Cost<br><b>Note 1</b><br>(2) | Rate of Return<br><br>(3) = (1) * (2) | Tax Multiplier<br><b>Note 2</b><br>(4) | Pre-Tax Rate of<br>Return<br><br>(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 March 31, 2020 at Docket No. M-2020-3020940 (issued August 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%.  
 $1/[(1 - 9.99\%) \times (1 - 21\%)] = 1.406313504$