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March 15, 2021

**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. 48, Effective April 1, 2021, 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 8.36% (see Schedule D-2 of PECO's Quarterly Earnings Report filed November 30, 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 January 14, 2021). Therefore, the DSIC rate will change from 0.35% to 0.73% effective with bills rendered on or after April 1, 2021.

The following attachments are included in support of the filing:

Attachment 1 - Supplement No. 48 to Tariff Electric No. 6

Attachment 2 - Calculation of DSIC for the period April 1, 2021 to June 30, 2021

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  
March 15, 2021  
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  
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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 March 15, 2021**

**Effective April 1, 2021**

**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) – 7<sup>th</sup> revised Page No. 46**  
Revised DSIC rate from 0.35% to 0.73%.

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

In addition to the net charges provided for in this Tariff, a value of 0.73% 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, 2021 THROUGH JUNE 30, 2021**

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

Line No.			<u>Amount</u>
1	DSI	=	Eligible Distribution System Improvement Costs (Attachment 1, Page 2, Column 6) \$ 81,332,221
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) \$ 1,834,071
4	Dep	=	Depreciation expense applicable to DSIC eligible property (Attachment 1, Page 2, Column 7, Dec-20 + Jan-21 + Feb-21) \$ 428,402
5	e	=	Amount calculated (+/-) under the annual reconciliation feature or Commission audit \$ -
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) \$ 2,262,473
7	Net Amt. Recoverable (w/ GRT)	=	Net Amount to be Recovered/(Refunded) (includes Over/Under) Collection (w/ GRT) (Line 6 * <b>Note 1</b> ) \$ 2,404,329
8	PQR	=	Projected quarterly revenues (Attachment 1, Page 2, Column 8, Apr-21 + May-21 + Jun-21 - <b>Note 2</b> ) <u>\$ 327,587,049</u>
9	DSIC	=	Distribution System Improvement Rider (Line 7 / Line 8) 0.73%

**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 = \$22,557,446. \$ 23,522,446

**PECO**  
**ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC by MONTH**  
**APPLICATION PERIOD: APRIL 1, 2021 THROUGH JUNE 30, 2021**

Month	Incremental Plant Additions	Cumulative Plant Additions	Cost of Removal	Accumulated Depreciation	Retirements	Eligible Distribution System Improvement Projects (net of accumulated depreciation and retirements)	Depreciation Expense	Projected Distribution Revenues
	(1)	(2)	(3)	(4)	(5)	(6) = (2) - (3) - (4) - (5)	(7)	(8)
<b>Dec-20</b>	\$ 25,786,920	\$ 68,245,404	\$ (3,059,402)	\$ 420,963	\$ -	\$ 70,883,843	\$ 118,801	\$ 132,020,994
<b>Jan-21</b>	\$ 4,671,048	\$ 72,916,452	\$ (3,051,775)	\$ 563,428	\$ -	\$ 75,404,799	\$ 149,508	\$ 138,891,236
<b>Feb-21</b>	\$ 5,205,206	\$ 78,121,659	\$ (3,926,151)	\$ 715,589	\$ -	\$ 81,332,221	\$ 160,093	\$ 123,755,878
<b>Mar-21</b>						\$ -		\$ 116,759,451
<b>Apr-21</b>						\$ -		\$ 106,931,773
<b>May-21</b>						\$ -		\$ 112,642,201
<b>Jun-21</b>						\$ -		\$ 131,535,522

**PECO**  
**ATTACHMENT 1 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC PRE-TAX RATE OF RETURN**  
**APPLICATION PERIOD: APRIL 1, 2021 THROUGH JUNE 30, 2021**

Line No.		Capitalization Ratio  (1)	Embedded Cost <b>Note 1</b> (2)	Rate of Return  (3) = (1) * (2)	Tax Multiplier <b>Note 2</b> (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, 2020 at Docket No. M-2020-3023406 (issued January 14, 2021).

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