

PECO ENERGY COMPANY



**REPORT ON THE STATEMENTS OF
TRANSMISSION SERVICE CHARGE
FOR THE 12-MONTH PERIODS ENDED
NOVEMBER 30, 2019 AND NOVEMBER 30, 2018**

**Pennsylvania Public Utility Commission
Bureau of Audits
November 8, 2021**

Docket No. D-2020-3021354

PECO ENERGY COMPANY

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PECO ENERGY COMPANY

Background

PECO Energy Company (PECO) is principally engaged in providing transmission and distribution of electric and natural gas services to retail customers in southeastern Pennsylvania. As an electric distribution and natural gas distribution company, PECO's operations are subject to regulation by the Pennsylvania Public Utility Commission (PUC or Commission). PECO is a wholly-owned subsidiary of Exelon Corporation headquartered in Chicago, Illinois. According to PECO's annual reports filed with the PUC, for the years 2019 and 2018, PECO's total electric distribution revenues from customers, including default service sales, were \$2,248,656,149 and \$2,221,191,403, respectively.

PECO provides electric distribution service in an area of approximately 1,900 square miles with a population of approximately 4 million, including 1.6 million in the city of Philadelphia. During 2019, PECO delivered electricity to approximately 1.7 million residential, commercial, and industrial customers.

By Order entered December 21, 2010, the Commission approved a Joint Petition for Settlement (Settlement) at Docket No. R-2010-2161575, establishing new base rates for PECO's electric operations effective January 1, 2011. Among other matters, the Settlement allowed PECO to establish a TSC tariff rider.

By Order entered December 4, 2014, at Docket No. P-2014-2409362, the Commission allowed PECO to establish a Non-Bypassable Transmission Service Charge (NBT) applicable to all PECO distribution customers, effective June 1, 2015. The NBT permits PECO to recover Regional Transmission Expansion Plan costs, Expansion Cost Recovery costs, and Generation Deactivation/Reliability Must Run costs. These costs were originally recovered through the TSC. As of June 1, 2015, the TSC allows PECO to recover PJM Network Integration Transmission Service costs, Non-Firm Point to Point Transmission costs, and the cost for working capital associated with the purchase of transmission service from PJM.

The audit of the NBT for the 12-month periods ended November 30, 2019 and November 30, 2018 can be found at Docket No. D-2020-3021330 on the PUC's website (<http://www.puc.pa.gov>).



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PENNSYLVANIA PUBLIC UTILITY COMMISSION
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Independent Auditor's Report to the Pennsylvania Public Utility Commission

Report on the Financial Statements

We have audited PECO Energy Company's Statements of Transmission Service Charge Over/Under Collections for the 12-month periods ended November 30, 2019 and November 30, 2018.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether these statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in these statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of these statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of these statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of these statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Transmission Service Charge Statements, referred to above, present fairly, in all material respects, the Transmission Service Charge revenue and expenses of PECO Energy Company as of November 30, 2019 and November 30, 2018, in conformity with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

Report on Other Legal and Regulatory Requirements

The accompanying statements were prepared for the purpose of complying with the rules and regulations of the Pennsylvania Public Utility Commission and are not intended to be a complete presentation of the PECO Energy Company's revenue and expenses.

Kelly Monaghan

Kelly A. Monaghan, CPA, CGFM, CFE, CISA
Director
Bureau of Audits
Harrisburg, PA
November 8, 2021

PECO ENERGY COMPANY

**Transmission Service Charge (TSC)¹
Over/(Under) Collections (Section 1307(e))
for the 12 months ended November 30, 2019²**

<u>Rate Class</u>	<u>TSC Revenue</u> (1)	<u>TSC Costs</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Rates R, RH	\$ 49,213,586	\$ 52,480,912	\$ (3,267,326)
Rate GS	12,931,596	11,705,204	1,226,392
Rates PD, HT, EP	1,049,365	1,848,026	(798,662)
Rates SLE, SLS, SLC, POL, AL, TLCL	12,788	11,022	1,765
Total	<u>\$ 63,207,335</u>	<u>\$ 66,045,164</u>	<u>\$ (2,837,831)</u>

¹ As reported to the Commission at Docket No. M-2019-3014997. Arithmetic differences are due to rounding.

² Notes to the Financial Statements are an integral part of this report.

PECO ENERGY COMPANY

**Transmission Service Charge (TSC)³
Over/(Under) Collections (Section 1307(e))
for the 12 months ended November 30, 2018⁴**

<u>Rate Class</u>	<u>TSC Revenue</u> (1)	<u>TSC Costs</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Rate R, RH	\$ 49,807,989	\$ 48,605,368	\$ 1,202,621
Rate GS	12,401,285	10,712,624	1,688,661
Rates PD, HT, EP	898,468	1,539,524	(641,055)
Rates SLE, SLS, SLC POL, AL, TLCL	<u>17,797</u>	<u>10,098</u>	<u>7,699</u>
Total	<u>\$ 63,125,539</u>	<u>\$ 60,867,614</u>	<u>\$ 2,257,926</u>

³ As reported to the Commission, at Docket No. M-2018-3006537. Arithmetic differences are due to rounding.

⁴ Notes to the Financial Statements are an integral part of this report.

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Notes to the Financial Statements

1 - Statements

The Statements of Transmission Service Charge (TSC) Over/(Under) Collections presented in this report are condensed from the officially filed statements. The audit was conducted on PECO's officially filed 1307(e) statements submitted to the PUC in accordance with Section 1307(e)(1) of the Public Utility Code on December 18, 2019 and December 14, 2018. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2019-3014997 and M-2018-3006537.

2 - TSC Revenue

TSC Revenue is derived by multiplying the sales volumes billed during the month by the applicable TSC rate, excluding E-Factor, to each kilowatt-hour (kWh) of energy or kilowatt (kW) of demand supplied to customers who receive default service from PECO.

3 - TSC Costs

The TSC Costs are the applicable charges incurred by PECO to acquire transmission service on behalf of default service customers under the PJM Open Access Transmission Tariff (OATT) as approved by the Federal Energy Regulatory Commission.

4 - Over/(Under) Collections

The Over/(Under) Collection is the difference between the TSC Revenue and TSC Costs. The resulting amount represents the portion of TSC Revenue refundable or TSC Costs recoverable through subsequent TSC rates. Differences arise for two primary reasons:

- Variation between the actual volumes billed to customers and the estimates used to determine the TSC rates; and,
- Variation between the actual TSC costs and the estimates used to determine the TSC rates.

Acknowledgement

We wish to express our appreciation to the officers and staff of PECO Energy Company for their cooperation and assistance. The audit was conducted by Gerville J. Brown.