



pecoSM

AN EXELON COMPANY

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December 1, 2022

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

Subject: PECO Pro forma Tariff Supplement Revised DSIC Page
Electric Operations, Docket No. M-2012-2293611

Dear Secretary Chiavetta:

This letter transmits for filing with the Commission PECO Energy Company's (the "Company") proposed changes to its electric retail service tariff made in response to the Commission's October 27, 2022 Order – at Docket No. M-2012-2293611 – regarding distribution system improvement charge calculations. The October 27th Order stems from the Pennsylvania Supreme Court's decision in *McCloskey v. Pa. PUC*, 255 A.3d 416 (Pa. 2021). In *McCloskey*, the Supreme Court affirmed the holding of the Commonwealth Court that new statutory language added by Act 40 applied to the DSIC and altered its calculation. Specifically, the Court affirmed the Commonwealth Court's decision finding that Section 1301.1(a) of the Public Utility Code requires state income tax deductions and accumulated deferred federal income taxes (ADIT) associated with DSIC-eligible plant additions to be included in the DSIC calculation. This filing also corrects a typographical error on page 48, which references natural gas. The Company is concurrently filing a pro forma Gas Service Tariff Supplement to reflect similar changes in a separately docketed filing.

This filing includes the following:

- 1) Tariff pages including redline and clean copies of PECO's pro forma Electric Retail Tariff Supplement

Due to the continuing COVID-19 pandemic, PECO's employees are working in the office on a part-time basis. Accordingly, PECO employees will have limited access to photocopying and U.S. mail, among other services. PECO requests that all communications with PECO employees continue to be transmitted by email.

Rosemary Chiavetta, Secretary
December 1, 2022
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Thank you for your assistance in this matter and if you have any questions please contact Megan McDevitt, Senior Manager, Retail Rates at 215-841-6361 or via email at megan.mcdevitt@exeloncorp.com.

Sincerely,

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

cc: P. T. Diskin, Director, Bureau of Technical Utility Services (e-mail only)
K. A. Monaghan, Director, Bureau of Audits (e-mail only)
K. G. Sophy, Director, Office of Special Assistants (e-mail only)

PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street

Philadelphia, Pennsylvania 19103

For List of Communities Served, See Page 4.

Issued xxx x, xxxx

Effective xxx x, xxxx

**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 – X Revised Page No. 48 and X Revised Page No. 49**

This filing includes the Company's proposed changes to its electric retail service tariff made in response to the Commission's October 27, 2022 Order – in Docket No. M-2012-2293611 – regarding distribution system improvement charge calculations. The October 27th Order stems from the Pennsylvania Supreme Court's decision in *McCloskey v. Pa. PUC*, 255 A.3d 416 (Pa. 2021). In *McCloskey*, the Supreme Court affirmed the holding of the Commonwealth Court that new statutory language added by Act 40 applied to the DSIC and altered its calculation. Specifically, the Court affirmed the Commonwealth Court's decision finding that Section 1301.1(a) of the Public Utility Code requires state income tax deductions and accumulated deferred federal income taxes (ADIT) associated with DSIC-eligible plant additions to be included in the DSIC calculation. This filing is also correcting a typographical error on page no. 48 which references natural gas.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

In addition to the net charges provided for in this Tariff, a value of 0.00% will apply consistent with the Commission Order dated October 22, 2015 at Docket No. P-2015-2471423, approving the DSIC.

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 an electric distribution company must relocate its facilities; and (C)
Other related capitalized costs.

C. Effective Date: The DSIC will become effective January 1, 2016.

(C) Denotes Change

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC) (CONTINUED)

2. Computation of the DSIC

A. Calculation: The initial DSIC, effective January 1, 2016, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service between September 1, 2015 and November 30, 2015. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Billing for the DSIC will be on a bills rendered basis. Thus, changes in the DSIC rate will occur as follows:

Effective Date of Change	Date to which DSIC Eligible Plant Additions Reflected
January 1	September - November
April 1	December - February
July 1	March - May
October 1	June - August

B. Determination of Fixed Costs: The fixed costs of eligible distribution system improvements projects will consist of depreciation and pre-tax return, calculated as follows:

1. Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in the Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.

2. Pre-tax return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

C. Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service and the State Tax Adjustment Surcharge (STAS). To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of the STAS.

D. Formula: The formula for calculation of the DSIC is as follows:

$$DSIC = \frac{(DSI * PTRR) + STFT + Dep + e}{PQR} \times \frac{1}{(1-T)} \quad (C)$$

Where:

DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation and associated accumulated deferred income taxes pertaining to property-related book/tax depreciation timing differences resulting from the use of accelerated depreciation per Internal Revenue Code, 26 U.S. Code § 168. (C)

PTRR = Pre-tax return rate applicable to DSIC eligible property.

STFT = (State Tax Flow Through) Pre-tax flow through calculated on book-tax timing differences between accelerated tax depreciation and book depreciation net of federal tax. [NOTE: UTILITY MAY ELECT TO INCLUDE STFT CALCULATION IN THE PTRR COMPONENT]. (C)

Dep = Depreciation expense related to DSIC-eligible property.

e = Amount calculated (+/-) under the annual reconciliation feature or Commission audit, as described below.

T= If applicable, Pennsylvania Gross Receipts Tax rate in effect during the billing month, expressed in decimal form. (C)

PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from applicable customers. [NOTE: UTILITY TO MAKE ELECTION AND STATE WHETHER SUCH QUARTERLY REVENUES WILL BE DETERMINED ON THE BASIS OF EITHER THE SUMMATION OF PROJECTED REVENUES FOR THE APPLICABLE THREE-MONTH PERIOD OR ONE FOURTH OF PROJECTED ANNUAL REVENUES.] (C)

[NOTE: THE DSIC CALCULATION DOES NOT FACTOR IN THE PLANT OF ACQUIRED TROUBLED COMPANIES OR THE REVENUE OF CUSTOMERS ACQUIRED FROM TROUBLED COMPANIES UNTIL SUCH PLANT AND CUSTOMER RATES HAVE BEEN PART OF A BASE RATE CASE BY THE ACQUIRING UTILITY].

Supplement No. **XX** to
ELECTRIC PA P.U.C NO. 7

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PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street
Philadelphia, Pennsylvania 19103

For List of Communities Served, See Page 4.

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ISSUED BY: M. A. Innocenzo – President & CEO
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NOTICE

PECO Energy Company

Supplement No. ~~XX~~ to
Tariff Electric Pa. P.U.C. No. 7
~~XX~~ Revised Page No. 1
Supersedes ~~XX~~ Revised Page No. 1

LIST OF CHANGES MADE BY THIS SUPPLEMENT

DISTRIBUTION SYSTEM IMPROVEMENT CHARGE – ~~X~~ Revised Page No. 48 and ~~X~~ Revised Page No. 49

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PECO Energy Company

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~~xx~~ Revised Page No. 48
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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

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- Other related capitalized costs.

C. Effective Date: The DSIC will become effective January 1, 2016.

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