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AN EXELON COMPANY

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PECO
2301 Market Street
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Philadelphia, PA 19103

March 20, 2023

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

Subject: PECO Distribution System Improvement Charge Electric Operations
Electric Tariff No. 7, Supplement No. 24
Effective April 1, 2023 Docket No. M-2018-3000598

Dear Secretary Chiavetta:

In accordance with PECO's Joint Petition for Settlement to its 2021 Electric Distribution Rate Case Docket No. R-2021-3024601. PECO agreed not to implement a DSIC during the calendar year ending December 31, 2022 (except to implement any reconciliation of DSIC amounts in accordance with the Supplemental Implementation Order). The first DSIC in 2023 will be effective no earlier than March 31, 2023 based on DSIC-eligible expenditures during January and February 2023.

PECO met the 2021 Electric Distribution Rate Case settlement plant addition threshold by the end of January 2023 and therefore, PECO will resume the DSIC collection effective April 1st, 2023. The DSIC collection at this time will be calculated based on the LTIIP plant additions in February 2023.

The Company's latest reported Return on Equity ("ROE") of 6.26% see Schedule D-2 of PECO's Quarterly Earnings Report filed March 20, 2023) 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 February 9, 2023).

In addition, in compliance with the Supplemental Implementation Order entered on September 21, 2016 at Docket No. M-2012-2293611, PECO includes Attachment 3 which shows a comparison of actual DSIC-eligible plant as of January 31, 2023 vs. projected plant investment placed in service for the fully projected test year claimed in PECO's 2021 Electric Distribution Rate Case. This comparison shows that actual plant additions has exceeded the projected plant investment in PECO's 2021 Electric Distribution Rate Case.

This filing also includes an under collection balance of \$3,252. This was filed on January 13, 2023 as part of PECO's Annual Electric DSIC reconciliation at Docket No. M-2023-3037620.

Rosemary Chiavetta, Secretary
March 20, 2023
Page 2

The Company's DSIC rate will therefore change from 0% to a charge value of 0.06% effective with bills rendered on or after April 1, 2023.

The following attachments are included in support of the filing:
Attachment 1 – Supplement No. 5 to Electric Tariff No. 24
Attachment 2 – Calculation of the DSIC for the period April 1, 2023 to June 30, 2023
Attachment 3 – Actual Plant Additions vs. FPFTY

Thank you for your assistance in this matter and if you have any questions please contact Megan McDevitt, Senior Manager, Retail Rates at 267-533-1942 or via email at megan.mcdevitt@exeloncorp.com.

Sincerely,

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

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

ATTACHMENT 1

PECO Energy Company

Electric Service Tariff

COMPANY OFFICE LOCATION

2301 Market Street

Philadelphia, Pennsylvania 19103

For List of Communities Served, See Page 4.

Issued March 20, 2023

Effective April 1, 2023

**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 (DSIC) – 4th Revised Page No. 48

Revised DSIC rate from 0% to 0.06%.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

In addition to the net charges provided for in this Tariff, a value of 0.06% will apply consistent with the Commission Order dated October 22, 2015 at Docket No. P-2015-2471423, approving the DSIC.

(C)

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
- Other related capitalized costs.

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

(C) Denotes Change

ATTACHMENT 2

PECO
ATTACHMENT 2 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC
APPLICATION PERIOD: APRIL 1, 2023 THROUGH JUNE 30, 2023

$$\text{DSIC} = (\text{DSI} * \text{PTRR}) + \text{STFT} + \text{Dep} + e) * 1 / (1 - T) / \text{PQR}$$

Line No.			Amount
1	DSI	= Eligible Distribution System Improvement Costs (Attachment 2, Page 2, Column 7)	\$ 10,476,408
2	PTRR	= Pre-tax Return Rate applicable to DSIC eligible property (Attachment 2, Page 3, Line 4)	2.23%
3	DSI PTR	= Pre-tax Return on DSIC eligible property (Line 1 * Line 2)	\$ 234,064
4 (a)	STFT	= State Tax (After Tax) Flow Through (Attachment 2, Page 2, Column 9, Dec-22 + Jan-23 + Feb-23)	\$ (12,355)
4 (b)	STFT	= State Tax (Pre-Tax) Flow Through (4A * Attachment 2, Page 3, Column 4)	\$ (17,184)
5	Dep	= Depreciation expense applicable to DSIC eligible property (Attachment 2, Page 2, Column 8, Dec-22 + Jan-23 + Feb-23)	\$ 10,389
6	e	= Amount calculated (over)/under the annual reconciliation feature or Commission audit	\$ 3,252
7	Net Amt. Recoverable (w/o GRT)	= Net Amount to be Recovered/(Refunded) ((includes Over/Under) Collection) (w/o GRT) (Line 3 + Line 4(b) + Line 5 + Line 6)	\$ 230,521
8	Net Amt. Recoverable (w/ GRT)	= Net Amount to be Recovered/(Refunded) (includes Over/Under) Collection (w/ GRT) (Line 6 * Note 1)	\$ 244,975
9	PQR	= Projected quarterly revenues (Attachment 2, Page 2, Column 10, Apr-23 + May-23 + Jun-23 - Note 2)	<u>\$ 379,441,627</u>
10	DSIC	= Distribution System Improvement Rider (Line 8 / Line 9)	0.06%

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 = \$4,213,220 annual / 4 quarters = \$1,053,305; projected non-bypassable costs for the quarter = \$24,272,535.

\$ 25,325,840

PECO
ATTACHMENT 2 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC PRE-TAX RATE OF RETURN
APPLICATION PERIOD: APRIL 1, 2023 THROUGH JUNE 30, 2023

Line No.		Capitalization Ratio (1)	Embedded Cost Note 1 (2)	Rate of Return (3) = (1) * (2)	Tax Multiplier Note 2 (4)	Pre-Tax Rate of Return (5) = (3) * (4)
1	Long-Term Debt	46.62%	4.12%	1.92%	-	1.92%
2	Common Equity	53.38%	9.45%	5.04%	1.390861207	7.02%
3	Total	<u>100.00%</u>		<u>6.97%</u>		<u>8.94%</u>
4	8.94% Annual PTRR / 4 quarters = 2.23% Quarterly PTRR					

Note 1:

Line 2, Column (2), from the PUC's Quarterly Earnings Report page 18, line 7, dated September 30, 2022 at Docket No. M-2023-3037661 (issued February 9, 2023).

Note 2:

The tax multiplier is calculated as follows: $1/[1-(\text{Fed Rate}+(\text{Pa. Tax Rate} \times (1 - \text{Fed Rate})))]$ where the Pa. tax rate is 8.99% and Fed. Tax rate is 21%.

$$1/[1-(21\%+(8.99\%*(1-21\%)))] = 1.390861207$$

ATTACHMENT 3

Attachment 3
PECO Energy Company - Electric

	Electric Balance @12/31/2020 A	Electric Additions in 2021 B	Electric Additions in 2022 C	Electric Additions in Jan 2023 D	Electric Balance @ 1/31/2023 E=A+B+C+D	Allocation % To Electric Distribution F	Electric Distribution Balance @ 1/31/2023 G=E*F
<i>(in \$1,000)</i>							
Intangible Plant							
E302 - Franchises and Consents	\$ 163			\$ -	\$ 163	90.55%	\$ 148
E303 - Misc Intangible Plant	217,334	8,766	27,646	606	254,351	90.84%	231,050
Sub-total Intangible Plant	\$ 217,497	\$ 8,766	\$ 27,646	\$ 606	\$ 254,514		\$ 231,198
Transmission Plant	1,717,865	63,685	92,841	2,004	1,876,395	0.00%	-
Distribution Plant	7,222,987	592,154	625,153	70,342	8,510,635	100.00%	8,510,635
General Plant	305,143	19,754	18,652	559	344,108	90.55%	311,593
Total	\$ 9,463,491	\$ 684,359	\$ 764,292	\$ 73,511	\$ 10,985,653		\$ 9,053,426

2021 Electric Rate Case

	Electric Balance @12/31/2020 A	Electric Additions in 2021 B	Electric Additions in 2022 C	Electric Balance @ 12/31/2022 D=A+B+C	Allocation % To Electric Distribution E	Electric Distribution Balance @ 12/31/2022 F=D*E
<i>(in \$1,000)</i>						
Intangible Plant						
E302 - Franchises and Consents	\$ 163			\$ 163	90.55%	\$ 148
E303 - Misc Intangible Plant	217,334	23,242	16,792	257,368	90.84%	233,790
Sub-total Intangible Plant	\$ 217,497	\$ 23,242	\$ 16,792	\$ 257,531		\$ 233,938
Transmission Plant	1,717,865	128,233	175,899	2,021,997	0.00%	-
Distribution Plant	7,222,987	639,302	643,258	8,505,547	100.00%	8,505,547
General Plant	305,143	8,717	7,278	321,137	90.55%	290,793
Total	\$ 9,463,491	\$ 799,494	\$ 843,227	\$ 11,106,212		\$ 9,030,278