



pecoSM

AN EXELON COMPANY

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PECO
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Philadelphia, PA 19103

September 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. 32
Effective October 1, 2023 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 5.756% (see Schedule D-2 of PECO's Quarterly Earnings Report filed August 29, 2023) is below the Commission's authorized ROE of 9.65% for DSIC purposes (see Attachment F of the Commission's Electric Quarterly Earnings report issued July 13, 2023). Therefore, the DSIC rate will change from 0.25% to 0.69% effective with bills rendered on or after October 1, 2023.

Included in this filing is a correction to Incremental Plant Additions (Attachment 2, Page 2, Column 1). Plant additions of approximately(\$3.7M), \$1.8M and \$0.4M in March, April and May were inadvertently excluded from the June 20, 2023 filing. This adjustment to plant additions also causes changes to Depreciation, Deferred Income Taxes and State Tax Flow Through amounts (Attachment 2, Page 2). PECO has implemented an additional review process to prevent this error from occurring in the future.

The following attachments are included in support of the filing:

Attachment 1 – Supplement No. 32 to Electric Tariff No. 7

Attachment 2 – Calculation of the DSIC for the period October 1, 2023 to December 31, 2023

Rosemary Chiavetta, Secretary
September 20, 2023
Page 2

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)
K. A. Hafner, Acting Director, Office of Special Assistants (e-mail only)
R. A. Kanaskie, Director, Bureau of Investigation & Enforcement (e-mail only)
K. A. Monaghan, Director, Bureau of Audits (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 September 20, 2023

Effective October 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) – 6th Revised Page No. 48

Revised DSIC rate from 0.25% to 0.69%.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

In addition to the net charges provided for in this Tariff, a value of 0.69% 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: OCTOBER 1, 2023 THROUGH DECEMBER 31, 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)	\$ 97,698,692
2	PTRR	= Pre-tax Return Rate applicable to DSIC eligible property (Attachment 2, Page 3, Line 4)	2.26%
3	DSI PTR	= Pre-tax Return on DSIC eligible property (Line 1 * Line 2)	\$ 2,212,274
4 (a)	STFT	= State Tax (After Tax) Flow Through (Attachment 2, Page 2, Column 9, June-23 + July-23 + Aug-23)	\$ (53,703)
4 (b)	STFT	= State Tax (Pre-Tax) Flow Through (4A * Attachment 2, Page 3, Column 4)	\$ (74,693)
5	Dep	= Depreciation expense applicable to DSIC eligible property (Attachment 2, Page 2, Column 8, June-23 + July-23 + Aug-23)	\$ 420,645
6	e	= Amount calculated (over)/under the annual reconciliation feature or Commission audit	\$ -
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)	\$ 2,558,226
8	Net Amt. Recoverable (w/ GRT)	= Net Amount to be Recovered/(Refunded) (includes Over/Under) Collection (w/ GRT) (Line 6 * Note 1)	\$ 2,718,625
9	PQR	= Projected quarterly revenues (Attachment 2, Page 2, Column 10, Oct-23 + Nov-23 + Dec-23 - Note 2)	<u>\$ 392,215,034</u>
10	DSIC	= Distribution System Improvement Rider (Line 8 / Line 9)	0.69%

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 = \$26,612,046.

\$ 27,665,351

PECO
ATTACHMENT 2 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC PRE-TAX RATE OF RETURN
APPLICATION PERIOD: OCTOBER 1, 2023 THROUGH DECEMBER 31, 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	47.48%	4.23%	2.01%	-	2.01%
2	Common Equity	52.52%	9.65%	5.07%	1.390861207	7.05%
3	Total	<u>100.00%</u>		<u>7.08%</u>		<u>9.06%</u>
4	9.06% 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, 2023 at Docket No. M-2023-3041106 (issued July 13, 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%.

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