



pecoSM

AN EXELON COMPANY

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PECO
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Philadelphia, PA 19103

March 20, 2024

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. 46
Effective April 1, 2024 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 5.478% (see Schedule D-2 of PECO's Quarterly Earnings Report filed November 29, 2023) is below the Commission's authorized ROE of 9.75% for DSIC purposes (see Attachment F of the Commission's Electric Quarterly Earnings report issued January 18, 2024). Therefore, the DSIC rate will change from 1.01% to 1.29% effective with bills rendered on or after April 1, 2024.

This filing also includes an under-collection balance of \$29,599. This was filed on January 17, 2024 as part of PECO's Annual Electric DSIC reconciliation at Docket No. M-2024-3045505.

The following attachments are included in support of the filing:
Attachment 1 – Supplement No. 46 to Electric Tariff No. 7
Attachment 2 – Calculation of the DSIC for the period April 1, 2024 to June 30, 2024

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,

cc: P. T. Diskin, Director, Bureau of Technical Utility Services (e-mail only)
K. A. Hafner, Director, Office of Special Assistants (e-mail only)
A. C. Kaster, Director, Bureau of Investigation & Enforcement (e-mail only)
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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, 2024

Effective April 1, 2024

**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) – 8th Revised Page No. 48

Revised DSIC rate from 1.01% to 1.29%.

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DISTRIBUTION SYSTEM IMPROVEMENT CHARGE
(DSIC)

In addition to the net charges provided for in this Tariff, a value of 1.29% 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, 2024 THROUGH JUNE 30, 2024

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

| Line No. | | | Amount |
|----------|--------------------------------------|---|-----------------------|
| 1 | DSI | = Eligible Distribution System Improvement Costs (Attachment 2, Page 2, Column 7) | \$ 202,446,066 |
| 2 | PTRR | = Pre-tax Return Rate applicable to DSIC eligible property (Attachment 2, Page 3, Line 4) | 2.28% |
| 3 | DSI PTR | = Pre-tax Return on DSIC eligible property (Line 1 * Line 2) | \$ 4,613,614 |
| 4 (a) | STFT | = State Tax (After Tax) Flow Through (Attachment 2, Page 2, Column 9, Dec-23 + Jan-24 + Feb-24) | \$ (48,226) |
| 4 (b) | STFT | = State Tax (Pre-Tax) Flow Through (4A * Attachment 2, Page 3, Column 4) | \$ (66,709) |
| 5 | Dep | = Depreciation expense applicable to DSIC eligible property (Attachment 2, Page 2, Column 8, Dec-23 + Jan-24 + Feb-24) | \$ 1,008,727 |
| 6 | e | = Amount calculated (over)/under the annual reconciliation feature or Commission audit | \$ 29,599 |
| 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) | \$ 5,585,231 |
| 8 | Net Amt. Recoverable (w/ GRT) | = Net Amount to be Recovered/(Refunded) (includes Over/Under) Collection (w/ GRT) (Line 7 * Note 1) | \$ 5,935,421 |
| 9 | PQR | = Projected quarterly revenues (Attachment 2, Page 2, Column 10, Apr-24 + May-24 + June-24 - Note 2) | <u>\$ 460,102,604</u> |
| 10 | DSIC | = Distribution System Improvement Rider (Line 8 / Line 9) | 1.29% |

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. Revenues reflected exclude the forementioned revenues.

PECO
ATTACHMENT 2 - COMPUTATION OF CUMULATIVE PROPOSED ELECTRIC DSIC PRE-TAX RATE OF RETURN
APPLICATION PERIOD: APRIL 1, 2024 THROUGH JUNE 30, 2024

| 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 | 47.22% | 4.23% | 2.00% | - | 2.00% |
| 2 | Common Equity | 52.78% | 9.75% | 5.15% | 1.383261703 | 7.12% |
| 3 | Total | <u>100.00%</u> | | <u>7.14%</u> | | <u>9.12%</u> |
| 4 | 9.12% Annual PTRR / 4 quarters = 2.28% Quarterly PTRR | | | | | |

Note 1:

Line 2, Column (2), from the PUC's Quarterly Earnings Report page 18, line 7, dated September 30, 2023 at Docket No. M-2023-3044811 (issued January 18, 2024).

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 8.49% and Fed. Tax rate is 21%.

$$1/[1-(21\%+(8.49\%*(1-21\%)))] = 1.383261703$$