

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
BUREAU OF AUDITS**



**REPORT ON PECO ENERGY COMPANY**

**STATEMENTS OF  
NON-BYPASSABLE TRANSMISSION SERVICE CHARGE  
DECEMBER 1, 2019 — NOVEMBER 30, 2021**

**DECEMBER 12, 2024  
DOCKET NO. D-2023-3038754**

**PA PUC BUREAU OF AUDITS  
DOCKET NO. D-2023-3038754**

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**Background**

PECO Energy Company (PECO or company) is a wholly-owned subsidiary of Exelon Corporation, headquartered in Chicago, Illinois. PECO provides transmission and distribution of electric and natural gas service to retail customers in southeastern Pennsylvania. As an electric and natural gas distribution company, PECO's operations are subject to regulation by the Pennsylvania Public Utility Commission (PUC or Commission). According to PECO's annual reports filed with the PUC, for the years 2021 and 2020, PECO's total electric distribution revenues from customers, including default service sales, were \$2,400,172,832 and \$2,298,451,898; respectively.

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 (RTEP) costs, Expansion Cost Recovery costs, and Generation Deactivation/Reliability Must Run costs. These costs were originally recovered through the Transmission Service Charge (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.

Effective December 1, 2018, the adjustment to the NBT reflected the impact of approved Regional Transmission Expansion Plan (RTEP) credits being refunded to the PECO Zone by PJM Interconnections, LLC (PJM), pursuant to a settlement agreement with the Federal Energy Regulatory Commission (FERC) at Docket No. EL05-121-009. The NBT will continue to reflect RTEP credits that PJM will refund through 2025 as specified in the FERC settlement, in addition to PECO's retention of credits related to pre-2011 Transmission Enhancement charges as per PUC decision at Docket Nos. C-2018-3006242 and C-2019-3010737.

The audit of the TSC for the 12-month periods ended November 30, 2021 and November 30, 2020 can be found at Docket No. D-2023-3038752 on the PUC's website (<http://www.puc.pa.gov>).



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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 Non-Bypassable Transmission Service Charge Over/Under Collections for the 12-month periods ended November 30, 2021 and November 30, 2020.

### **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. Those 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 Non-Bypassable Transmission Service Charge Statements, referred to above, present fairly, in all material respects, the Non-Bypassable Transmission Service Charge revenue and expenses of PECO Energy Company as of November 30, 2021 and November 30, 2020, 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 PECO Energy Company's revenue and expenses.

*Kelly Monaghan, CPA*

Kelly A. Monaghan, CPA, CGFM, CFE, CISA  
Director  
Bureau of Audits  
Harrisburg, PA  
December 12, 2024

**PA PUC BUREAU OF AUDITS  
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**Non-Bypassable Transmission Service Charge (NBT)<sup>1</sup>  
Over/(Under) Collections (Section 1307(e))  
for the 12 months ended November 30, 2021<sup>2</sup>**

<u>Rate Class</u>	<u>NBT Revenue</u> (1)	<u>NBT Costs</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Rates R, RH	\$ 50,245,010	\$ 48,645,192	\$ 1,599,818
Rate GS	21,853,315	20,023,168	1,830,148
Rates PD, HT, EP	28,187,920	27,082,219	1,105,701
Rates SLE, SLS, SLC POL, AL, TLCL	<u>63,484</u>	<u>69,433</u>	<u>(5,949)</u>
Total	<u>\$ 100,349,730</u>	<u>\$ 95,820,012</u>	<u>\$ 4,529,718</u>

<sup>1</sup> As reported to the Commission at Docket No. M-2021-3029889. Arithmetic differences are due to rounding.

<sup>2</sup> Notes to the Financial Statements are an integral part of this report.

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**Non-Bypassable Transmission Service Charge (NBT)<sup>3</sup>  
Over/(Under) Collections (Section 1307(e))  
for the 12 months ended November 30, 2020<sup>4</sup>**

<u>Rate Class</u>	<u>NBT Revenue</u> (1)	<u>NBT Costs</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Rates R, RH	\$ 35,325,102	\$ 34,304,093	\$ 1,021,009
Rate GS	16,701,778	16,317,157	384,621
Rates PD, HT, EP	22,898,118	21,992,739	905,379
Rates SLE, SLS, SLC POL, AL, TLCL	<u>44,339</u>	<u>51,348</u>	<u>(7,009)</u>
Total	<u>\$ 74,969,337</u>	<u>\$ 72,665,337</u>	<u>\$ 2,304,000</u>

<sup>3</sup> As reported to the Commission at Docket No. M-2020-3023320. Arithmetic differences are due to rounding.

<sup>4</sup> 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 Non-Bypassable Transmission Service Charge (NBT) 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 8, 2021 and December 17, 2020. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2021-3029889 and M-2020-3023320.

**2 - NBT Revenue**

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

**3 - NBT Costs**

The NBT Costs are the charges incurred by PECO to acquire applicable transmission services under the PJM Open Access Transmission Tariff (OATT) on behalf of PECO's distribution service customers.

**4 - Over/(Under) Collections**

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

- Variation between the actual volumes billed to customers and the estimates used to determine the NBT rates; and,
- Variation between the actual NBT costs and the estimates used to determine the NBT 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 William S. Pierce, CPA and Jenny Kalna.