

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
BUREAU OF AUDITS**



**REPORT ON
PECO ENERGY COMPANY**

**STATEMENTS OF
GENERATION SUPPLY ADJUSTMENT
FOR THE 12-MONTH PERIODS ENDED
DECEMBER 31, 2023, DECEMBER 31, 2022,
AND DECEMBER 31, 2021**

**MARCH 4, 2026
DOCKET NO. D-2025-3053204**

**PA PUC BUREAU OF AUDITS
DOCKET NO. D-2025-3053204**

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Background

PECO Energy Company (PECO) is a wholly-owned subsidiary of Exelon Corporation, headquartered in Chicago, Illinois. PECO provides transmission and distribution of electric and natural gas services to retail customers in southeastern Pennsylvania. As an electric distribution 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 2023, 2022, and 2021, PECO's total electric distribution revenues from customers, including default service sales, were \$2,895,299,596; \$2,877,406,660; and \$2,400,172,832; respectively.

PECO provides electric distribution service in an area of approximately 1,900 square miles with a population of approximately 4 million, including 1.6 million in the City of Philadelphia. By end of the year 2023, PECO delivered electricity to approximately 1.7 million residential, commercial, and industrial customers.

By Order entered December 3, 2020, at Docket No. P-2020-3019290, the Commission approved PECO's Generation Supply Adjustment (GSA) Rider through its Default Service Plan for the period June 1, 2021 through May 31, 2025. The GSA Rider permits PECO to recover from its default service customers, the cost of procuring power plus associated administrative expenses incurred in acquiring power and attaining regulatory approval of any procurement strategy and plan.



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Independent Auditor's Report to the Pennsylvania Public Utility Commission

Opinion

We have audited PECO Energy Company's Statements of Generation Supply Adjustment Over/Under Collections for the 12-month periods ended December 31, 2023, December 31, 2022, and December 31, 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PECO Energy Company's Statements of Generation Supply Adjustment Over/Under Collections for the 12-month periods ended December 31, 2023, December 31, 2022, and December 31, 2021 and the results of its operations for the years then ended in accordance with accounting principles generally accepted in the United States of America and the requirements of the Pennsylvania Public Utility Commission.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of PECO Energy Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

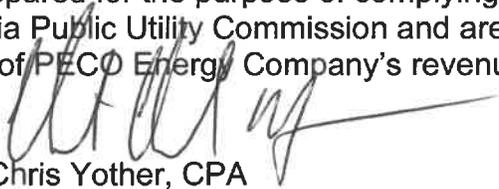
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PECO Energy Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PECO Energy Company's ability to continue as a going concern for a reasonable period of time.

The auditor is required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that the auditor identified during the audit.

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.



Chris Yother, CPA
Director
Bureau of Audits
Harrisburg, PA
March 4, 2026

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**Generation Supply Adjustment (GSA)¹
Over/(Under) Collections (Section 1307(e))
for the 12 months ended December 31, 2023²**

<u>Rate Class</u>	<u>GSA Revenue</u> (1)	<u>GSA Costs</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Residential	\$ 868,882,737	\$ 854,146,296	\$ 14,736,441
Small Commercial and Industrial	166,230,434	165,003,014	1,227,420
Large Commercial and Industrial (Hourly)	<u>49,823,307</u>	<u>41,865,352</u>	<u>7,957,955</u>
Total	<u>\$ 1,084,936,478</u>	<u>\$ 1,061,014,662</u>	<u>\$ 23,921,816</u>

¹ As reported to the Commission at Docket No. M-2024-3045909.

² Notes to the Financial Statements are an integral part of this report.

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**Generation Supply Adjustment (GSA)³
Over/(Under) Collections (Section 1307(e))
for the 12 months ended December 31, 2022⁴**

<u>Rate Class</u>	<u>GSA Revenue</u> (1)	<u>GSA Costs</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Residential	\$ 723,481,246	\$ 747,123,745	\$ (23,642,499)
Small Commercial and Industrial	140,947,897	141,452,615	(504,718)
Large Commercial and Industrial (Hourly)	<u>117,197,765</u>	<u>117,322,733</u>	<u>(124,968)</u>
Total	<u>\$ 981,626,908</u>	<u>\$ 1,005,899,093</u>	<u>\$ (24,272,185)</u>

³ As reported to the Commission at Docket No. M-2023-3037974.

⁴ Notes to the Financial Statements are an integral part of this report.

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**Generation Supply Adjustment (GSA)⁵
Over/(Under) Collections (Section 1307(e))
for the 12 months ended December 31, 2021⁶**

<u>Rate Class</u>	<u>GSA Revenue</u> (1)	<u>GSA Costs</u> (2)	<u>Over/(Under) Collections</u> (3) = (1) - (2)
Residential	\$ 582,575,624	\$ 575,928,758	\$ 6,646,866
Small Commercial and Industrial	100,863,211	99,310,382	1,552,829
Large Commercial and Industrial (Hourly)	<u>61,518,346</u>	<u>59,768,755</u>	<u>1,749,591</u>
Total	<u>\$ 744,957,181</u>	<u>\$ 735,007,895</u>	<u>\$ 9,949,286</u>

⁵ As reported to the Commission at Docket No. M-2022-3030618.

⁶ Notes to the Financial Statements are an integral part of this report.

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Notes to the Financial Statements

1 – Statements

The Generation Supply Adjustment (GSA) 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 January 31, 2024, January 31, 2023, and January 28, 2022. The statements are available on the PUC's website (<http://www.puc.pa.gov>) at Docket Nos. M-2024-3045909, M-2023-3037974, and M-2022-3030618.

2 – GSA Revenue

GSA Revenue is calculated by multiplying the applicable GSA rate, excluding the E-Factor, to each kilowatt-hour (kWh) of energy delivered to all customers who receive default service from PECO.

3 – GSA Costs

GSA Costs for the Residential and Small Commercial and Industrial rate classes are the amounts paid to the full requirements suppliers providing the power for the quarter, the spot market purchases for the quarter, plus the cost of any other energy acquired through short or long-term contracts during the period. GSA Costs include energy, capacity and ancillary services, distribution line losses, cost of complying with the Alternative Energy Portfolio Standards Act (AEPS), and applicable administrative costs.

GSA Costs for the Large Commercial and Industrial (Hourly) rate class are calculated by multiplying the PJM day ahead hourly price by the customer's usage in the hour summed up for all the hours in the month. Costs also included are capacity charges, ancillary services costs, AEPS Compliance, and applicable administrative costs.

4 – Over/(Under) Collections

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

- Variations between the actual volumes billed to customers and the estimates used to determine the GSA rates; and,
- Variations between the actual GSA Costs and the estimates used to determine the GSA rates.

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Disposition of Prior Audit Finding

The previous audit of PECO's GSA for the 12-month periods ended December 31, 2020 and December 31, 2019, at Docket No. D-2021-3026019, disclosed the following finding:

Finding – PECO overstated its February 2019 Residential Block/Spot Costs for Energy, Capacity and Ancillary Services by \$175,816.

The Residential Block/Spot Costs for Energy, Capacity and Ancillary Services for the month of February 2019 were \$423,465, which was reflected correctly in the General Ledger. However, PECO reported the costs as \$599,281 in the reconciliation statement filed with the PUC. This error occurred because the internal source document was not updated during the accounting close. As a result, Residential February 2019 costs were overstated by \$175,816.

Recommendations:

We recommended that PECO refund \$175,816 plus applicable interest to its Residential customers in its next GSA rate filing and to implement additional internal controls, including adequate review procedures to prevent this situation from occurring in the future.

Disposition:

PECO refunded \$175,816 plus \$48,910 in interest to its customers through the GSA rate that became effective September 1, 2023 at Docket No. M-2023-3041751. In addition, PECO implemented internal controls and review procedures to prevent and detect errors.