PECO ENERGY COMPANY (“PECO”)

Preliminary Challenges by
Philadelphia Area Industrial Energy Users Group (“PAIEUG”)

2024 FORMULA RATE UPDATE Docket No. ER17-1519

January 27, 2025

In accordance with PECO Energy Company’s (“PECO”) Formula Rate Implementation Protocols set forth in its Attachment H-7C, the Philadelphia Area Industrial Energy Users Group (“PAIEUG”) hereby submits its Preliminary Challenges pertaining to PECO’s May 30, 2024 Informational Filing of its 2024 Formula Rate Annual Update in FERC Docket No. ER17-1519 (“2024 Update”).

UNRESOLVED ISSUES

PAIEUG PC-1 Unsupported and Incorrect Inputs to PECO’s 2023 Quarterly AFUDC Rate Calculations

In reference to PECO’s responses to PAIEUG-1-20, PAIEUG-1-24, PAIEUG-1-25, PAIEUG-1-26, “Attachment PAIEUG-1-26(a),” PAIEUG-1-27, “Attachment PAIEUG-1-27(a),” PAIEUG-1-29, PAIEUG-1-30, PAIEUG-1-31, “Attachment PAIEUG-1-31(a),” PAIEUG-2-101, PAIEUG-2-102, and PAIEUG-2-103. PECO provided data related to its inputs and calculations of its quarterly AFUDC rate calculations. In response to PAIEUG-1-22, PECO stated that “PECO did not elect to implement an AFUDC waiver in any period of 2023.”

However, PECO computed quarterly 2023 AFUDC rate calculations as shown on “Attachment PAIEUG1-26(a)” for the cost of borrowed funds and the cost of other funds that used inputs for long-term debt balances (“D” input) and common equity balances (“C”) input that were on the prior quarter’s ending balances, and the Long-Term Debt cost rates were based on the long-term debt outstanding at the end of the prior calendar quarter, inputs for the short-term debt balance and the 13-average of construction work in progress inputs were based on the 1 month of actuals and 3 months of forecast. Also, the AFUDC rate calculations provided in “Attachment PAIEUG1-26(a)” did not include support for PECO’s calculation of the short-term debt cost rates (“s” input) of 4.60% for the first quarter, 5.00% for the second quarter, 0.00% for the third quarter (even though PECO had short-term debt balances outstanding in the third quarter), and 5.40% for the fourth quarter.

FERC’s AFUDC regulations (Electric Plant Instruction No. 3(17)) require that the inputs for the balances of Long-Term Debt and Common Equity be based on the prior year’s ending book balances and for 2023, the long-term debt balances and common equity balances should be based on the December 31, 2022 balances. Also, FERC’s AFUDC regulations require the short-term debt balances be based on the actual daily weighted average balance of short-term debt outstanding during the calendar year, a thirteen monthly average of the end of month balances of construction work in progress, and the long-term debt cost rate is to be computed on a yield to maturity basis for the debt outstanding at the end of the prior calendar year.

Without an AFUDC waiver from the requirements of Electric Plant Instruction No. 3(17), PECO is not permitted to compute its maximum AFUDC rate in a manner different from the requirements of FERC's AFUDC regulations. PECO's responses and supporting documentation fail to demonstrate that the quarterly AFUDC borrowed and other funds rates used by PECO during 2023 did not result in PECO capitalizing borrowed funds AFUDC and other funds AFUDC at rates that exceeded the maximum allowed annual borrowed funds and other fund rates under Electric Plant Instruction No. 3(17) which requires the use of actual book data computed on an annual basis. PAIEUG does not possess the necessary data to fully evaluate and independently determine whether (i) PECO's 2023 quarterly AFUDC rates fully complied with FERC regulations and rules, and (ii) PECO capitalized AFUDC during calendar year 2023 in excess of the maximum annual amount allowed under FERC's AFUDC regulations.

Based upon PECO's failure to provide support for and justify PECO's variances from FERC's AFUDC regulations and to demonstrate that the AFUDC borrowed funds and other funds rates used by PECO during calendar year 2023 did not result in the capitalization of borrowed funds and other funds AFUDC in excess of the maximum amounts allowed by FERC regulations, PAIEUG challenges PECO's 2023 AFUDC rates and the amount AFUDC capitalized by PECO during calendar year 2023 for any construction work in progress balances that will ultimately be used as the source of any inputs to PECO's formula rate transmission revenue requirement calculations. PAIEUG challenges the AFUDC calculations and inputs therein and requests that PECO provide the needed supporting information and explanations of its derivation of quarterly inputs to its quarterly AFUDC rate calculations and allow PAIEUG the opportunity to review and evaluate the requested information to assess the reasonableness of PECO's 2023 AFUDC rates and capitalized AFUDC.

PAIEUG PC-2 Inclusion of Depreciation Expenses from Service Company on PECO's Books

In reference to PECO's response to data requests PAIEUG-1-10, PAIEUG-1-11, and PAIEUG-2-97 with regard to the amounts recorded in Account 403-403.1 (Depreciation Expense) and Account 404-405 (Amortization Expense) in the Q4-2023 Form 60 of EBSC, the data requests asked PECO to provide the complete calculation of the reported amounts for depreciation expense and amortization expense for 2023 on the most detailed account basis available. The data requests also asked for a year-over-year calculation of each service company's Account 108 and Account 111 for each of the past three years and, PHISCO and EBSC depreciation expense amounts allocated to PECO and recorded in 2023, by FERC account. In addition, PAIEUG requested supporting documentation as to how the amounts were derived, including any assumptions or allocations utilized. PECO responded that "Given that this request pertains to the Form 60 and addresses Service Company depreciation and amortization, this information is beyond the scope of PECO's Annual Formula Rate Update." PAIEUG challenges these amounts given the fact that PECO responded that it has recorded this depreciation on its books, and PAIEUG believes it is unreasonable to claim that it's beyond the scope of the rate filing when the expenses are charged through the transmission rate. PAIEUG requests that PECO provide the source of the rates, if reported anywhere, and how those rates were calculated, including parameters (i.e. life, net salvage) and depreciation technique used (i.e. remaining life, whole life).

PAIEUG PC-3 Missing Capitalization Policies

In reference to PECO's response to data request PAIEUG-1-13, PAIEUG requested PECO provide a copy of EBSC and PECO's most recent capitalization policies and identify any changes to these policies within the last 10 years. PECO did not provide its capitalization policies or changes within the last 10 years in its response to PAIEUG-1-13 without the requested capitalization policies or changes, PAIEUG cannot verify PECO's statements. For the foregoing reasons, PAIEUG challenges all capitalized labor included in plant accounts included in the transmission formula rate until PECO provides additional information.

PAIEUG PC-4 Improper Recording of Amounts to A&G Accounts Instead of the Proper Functional Account

In reference to PECO's response to PAIEUG 2-3, Attachment PAIEUG-2-3(a) related to affiliate charges included on PECO's books, it appears that PECO has recorded amounts to Account 920 and 923 that appear to be directly assignable to either transmission, distribution or gas. It is unclear why PECO is recording these amounts to A&G accounts rather than to their proper functional account. PAIEUG challenges the $230,963 to Account 920 and $85,707 to Account 923 as they do not appear to be administrative and general in nature and should be recorded to the proper functional account.

PAIEUG PC-5 Unsupported and Non-responsive Response on TSO North Assets

In reference to PECO's responses to PAIEUG-1-42 regarding TSO North assets, PECO was asked to provide a detailed tabulation of the TSO North assets included in each FERC account and the associated amounts. In response to PAIEUG-1-42, PECO identified the December 2023 TSO North Plant In Service balance of $1,668,331 for FERC Account 350, Land and Land Rights (a Transmission functional plant account), and $5,629,150 for FERC Account 352, Structures and Improvements (also a Transmission functional plant account). PECO states that these assets are for the purchase of land and the building and renovation costs have yet to be included in the formula rate template.

In response to PAIEUG-1-42, PECO responded by provided PECO's accounting breakdown for its total acquisition cost of the Kennett Square facility was recorded at time of purchase recorded in PECO's Account 350 of $1,668,331 and Account 352 of $5,629,150 and costs incurred beyond the purchase price are included in FERC Accounts

107 and 108 and have not been placed in service and therefore are not part of PECO's 2024 Annual Update. Also, PECO responded by stating "[n]o revenues related to Kennett Square were recorded in 2023. Any additional information not provided is beyond the scope of the formula rate discovery."

PAIEUG does not agree with PECO's claim that the information that was requested by PAIEUG but not provided by PECO is beyond the formula rate discovery. For example, the following questions pertain to the TSO assets which are included in the transmission formula rate. However, PECO did not respond to discovery question PAIEUG-1-42 asking for supporting information and documentation for the TSO North plant investment balances recorded in Accounts 350 and 352 as of December 2023, how the purchase price was allocated amongst the joint owners and whether any depreciation expense provisions have been recorded by PECO and included in the 2023 ATRR calculation, and the nature of operating business work activities that occurred at TSO North during 2023.

Based on PECO's lack of responses and/or partial and incomplete responses to PAIEUG's discovery questions on TSO North including but not limited to the cost of TSO North assets and construction work in progress and retirement work in progress balances, operating expenses, and operating revenues recorded in PECO's FERC accounts, PAIEUG challenges the inclusion of any inputs for assets, liabilities, expenses, and lack of revenues associated with TSO North in PECO's 2023 ATRR. That is, PAIEUG fully reserve their rights to challenge any transmission formula rate cost components and inputs for TSO North included in the 2023 ATRR. For the 2023 ATRR, PAIEUG challenges (i) PECO's inclusion of the plant investment balances of $1,668,331 in FERC Account 350 and of $5,629,150 in FERC Account 352 on the basis that PECO has failed to adequately support the derivation of these input amounts and to explain how these plant assets were "used and useful" in providing transmission service pursuant to PECO's open access transmission tariff and (ii) the lack of revenues associated with this facility.

In addition, PAIEUG challenges the following expenses being included in transmission expense accounts as they are general in nature and should be recorded to an A&G account as they support the general function of the facility.

a. Supplemental Data 2a – Account 573 - Facilities Rentals/Leases in the amount of $11,200.00

b. Supplemental Data 2a – Account 573 - Guard/Security Services in the amount of $393.12

c. Supplemental Data 2a – Account 573 - Indir Bill -BSC Exelon Utility in the amount of $35,861.80

d. Supplemental Data 2a – Account 573 - Janitorial Services in the amount of $1,466,091.75

e. Supplemental Data 2a – Account 573 - Office Supplies in the amount of $350.19

f. Supplemental Data 2a – Account 573 - Other Professional in the amount of $204,949.39

g. Supplemental Data 2a – Account 573 - Other Services in the amount of $20,982.22

h. Supplemental Data 2a – Account 573 - Postage & Delivery in the amount of $26.17

i. Supplemental Data 2a – Account 573 – Utilities in the amount of $46,693.13

PAIEUG PC-6 Employee Settlement Expenses Improperly Included in Transmission Rates

In reference to PECO's response to PAIEUG-1-50, PECO stated, "PECO does not have payments and expenses resulting from employment practices that were found to be discriminatory by a judicial or administrative decree. In 2023, PECO incurred a total of $18,013 associated with employee settlements. $11,045 was incurred directly by PECO and recorded to FERC Account 925. $6,968 was allocated to PECO from EBSC and recorded to FERC Account 923." PAIEUG notes that this is in disagreement with FERC's guidance to record these types of costs in non-operating accounts and Accounting Release 12 related to employee discriminatory practices. It is unclear whether PECO intends to remove these amounts from Accounts 923 and 925 in accordance with FERC policy.

Under Federal Energy Regulatory Commission ("FERC") Accounting Release 12 ("AR-12"), "expenditures made by the utility resulting from employment practices that were found to be discriminatory by a judicial or administrative decree, or that were the result of a compromise settlement or consent decree are to be reported in Account 426" and excluded from the COS. Examples of the types of costs in AR-12 that should be excluded from a utility's COS include:

i. Legal fees reimbursed to the plaintiffs,
ii. In-house and outside legal costs in unsuccessful defense against charges of discriminatory practices,
iii. Damage awards to plaintiffs,
iv. Duplicate labor cost such as back pay, bonus or other pay awards to plaintiffs where other employees have already been paid by the utility for prior services, and
v. Cost of reporting, training and recruiting undertaken as a result of a court order, administrative decree or settlement which are in addition to those which otherwise would be incurred to assure continuing equal employment opportunity.
vi. Fines or penalties are to be recorded in Account 426.3, Penalties, and all other costs are to be recorded in Account 426.5, Other deductions.

Furthermore, in PECO's affiliate, ComEd, audit the Commission found these expenses impermissible in rates. FERC audit staff stated:

> During the audit period, ComEd recorded costs associated with alleged employment discrimination lawsuits in Account 925, Injuries and Damages. The alleged employment discrimination suits were filed by two former employees of ComEd with the Illinois Department of Human Rights in 2019 and 2020. The first alleged employment discrimination suit was settled by ComEd and the employee during the audit period. The second alleged employment discrimination suit is ongoing, and ComEd has recorded amounts on its books for the potential cost it may incur to settle or fully litigate the case. The first compromise settlement agreement resolved all claims against ComEd that the employee might have arising during the employee's tenure and separation from the company. ComEd recorded the compromise settlement payment for the first alleged employment discrimination suit and the potential cost associated with the second alleged employment discrimination suit in Account 925, instead of in Account 426.5, as required by the Commission's accounting regulations and Accounting Release No. 12.
>
> Audit staff makes no finding relating to the prudence of ComEd's decision to settle or litigate, or relating to ComEd's right – set forth in the Commission's accounting regulations – to seek alternative rate treatment for these costs.[40] Rather, audit staff evaluated ComEd's accounting for the compromise settlement payment in the first case and the potential costs associated with the second case at issue. Audit staff's review determined that the compromise settlement payments and potential costs are related to claims of employment discrimination. Since the compromise settlement payments and the other potential costs are related to employment discrimination claims, Accounting Release No. 12 requires ComEd to record the amounts in Account 426.5. ComEd's recording of the compromise settlement payments and the other potential costs of alleged employment discrimination in Account 925 was inconsistent with the Commission's accounting requirements. As a result of the improper accounting for compromise settlement payments and for the other potential costs of alleged employment discrimination, ComEd overstated its annual transmission revenue requirement and overbilled wholesale transmission customers.

For the foregoing reasons, PAIEUG challenges the inclusion of employee settlements in accordance with FERC's AR-12. To the extent that PECO has included any other similar type expenses in the formula rate template, PAIEUG objects to the inclusion of these impermissible expenses in the transmission formula rate.

PAIEUG PC-7 Objection to Vendor Data

In reference to PECO's responses to PAIEUG-1-51, PECO stated, "The Company views this as an unreasonable request. Providing all the detailed vendor information including descriptions of services and purpose of payment for all 30 FERC Transmission O&M and A&G accounts is unduly burdensome." PAIEUG challenges all vendor charges included in PECO's transmission formula rate until this information is provided, especially in light of the ComEd bribery charges which were included through vendors and 501 c(4) organizations.

PAIEUG PC-8 Unsupported Excluded Interconnection Facilities from Transmission Formula

In reference to PAIEUG-1-74 and PAIEUG-2-109, PECO's response that interconnections are 100% offset with CIAC reimbursements is unsupported. PAIEUG has not been able to verify this statement in the plant data provided by PECO as it did not appear that there were any CIAC reimbursements being included in transmission plant accounts. PAIEUG requests that PECO provide supporting documentation to substantiate PECO's statements.

PAIEUG PC-9 Unsupported Excluded Radial Facilities from Transmission Formula

In reference to PAIEUG-1-74 and PAIEUG-2-109, regarding PECO's response to whether radials are excluded from rates, PECO appears to state that it has only removed low voltage radials. It is unclear what PECO defines as "low voltage" and does not discuss how it has treated higher voltage radials. PAIEUG requests that PECO provide its definition of "low voltage" and identify the taps being included in transmission rates. For the foregoing reasons, PAIEUG challenges PECO's treatment of radials as it does not appear that PECO has properly removed these items and/or has not provided support for such statements.

PAIEUG PC-10 PECO's Establishment of $30M "Regulatory Liability" and PECO's Treatment of $390M Remeasurement of PA Corporate Income Tax Rate Change due to PECO Not Maintaining "Rate Base Neutrality"

A. In response to PAIEUG-2-115(c), PECO stated that the Company followed ASC 740-10-45-15 in recognizing the effects of the PA income tax rate change enacted on July 8, 2022. In PAIEGU 2-110a (b), the Company appears to have established a regulatory liability of $30M for excess deferred taxes that will be passed through to customers in future rates. PECO did not provide (i) any supporting documentation, (ii) transactions/Journal entries or (iii) the FERC Accounts which were impacted with the establishment of the $30M regulatory liability. PAIEUG is unable to independently verify the establishment of the $30M regulatory liability.

Additionally, in subpart (c), the Company stated that the total deferred income taxes were approximately $390 million. The Company did not provide any (i) supporting documentation, (ii) transactions/journal entries or (iii) the FERC Accounts which were impacted with the establishment of the $390M regulatory liability. PAIEUG is unable to independently verify the establishment of the $390M regulatory liability. PAIEUG's position is that PECO has not properly followed FERC Order 864 in the Company's treatment of the PA Corporate Income Tax Rate Change. Therefore, PAIEUG challenges both PECO's establishment of the "regulatory liability" in the amount of $30M and the Company's treatment of the approximate $390M remeasurement of the PA Corporate Income Tax Rate Change due to PECO not maintaining "rate base neutrality." (See also PAIEUG-1-76, PAIEUG-1-77.)

B. PECO's response to PAIEUG-1-76 is deficient in regard to how the Company has maintained rate base neutrality within the 2023 ATRR schedule. The schedules "4B – ADIT BOY" and "4C - ADIT EOY" lines 3, 15, and 27 are not labeled as being related to the PA Corporate Income Tax Rate Change and no specific lines above each section of ADIT (190, 282, & 283) are labeled as being related to the PA Corporate Income Tax Rate Change. Based on review of both the Company's responses to PAIEUG-1-76 and PAIEUG-1-77, PECO has not demonstrated that "rate base neutrality" has in fact been maintained. The Company has also not demonstrated with complete supporting documentation, (e.g., PowerTax or Power Provision or other tax reports) and calculations (in active Excel format) that the $38M increase in income tax expense for the one-time reduction of PECO's deferred income taxes has been appropriately calculated. Therefore, PAIEUG further challenges whether PECO has "maintained rate base neutrality" for the transmission formula rates. (See also PAIEUG-2-110 and PAIEUG-2-115).

C. PECO's response to PAIEUG-1-77 states "PECO is not permitted to adjust the ATRR for any statutory tax changes until Docket No. ER21-209-003 is approved." However, PECO in responses to PAIEUG-1-76 and PAIEUG-1-77, the Company appears to have recorded transactions to FERC Accounts 190, 282, 283 and 182.3 which do impact the ATRR related to the PA Corporate Income Tax Rate Change. PAIEUG challenges PECO's treatment of the PA Corporate Income Tax Rate

Change in regards to the remeasurement and to the maintaining of rate base neutrality.

PAIEUG PC-11 Unfunded Reserves for Non-Pension PostRetire BenfObl

In response to PAIEUG-1-84 and in the “Confidential Attachment PAIEUG-1-83(a),” Excel rows 13 - 19, PECO lists the various components/items of FERC Account 228.3 for the thirteen months 12/31/2022 - 12/31/2023 and the 13-month average of each. PECO has not included any of the “Non-Pension PostRetire BenfObl” amounts as being Unfunded Reserves. In footnote A of the attachment, PECO claims this is in a restricted account, but these amounts appear to be the amounts retained by the company before moving them to a restricted account; therefore they should be included as offsets to rate base until they have been transferred. PAIEUG challenges PECO’s treatment of excluding this balance in the Unfunded Reserves amounts included in the formula rate. (See also PAIEUG-1-34 and PAIEUG-2-73)

PAIEUG PC-12 Unfunded Reserves for Account Payable Other

In response to PAIEUG-1-85 and in the “Confidential Attachment PAIEUG-1-83(a),” Excel rows 21 - 26, PECO lists the various components/items of FERC Account 228.4 for the thirteen months 12/31/2022 - 12/31/2023 and the 13-month average of each. PECO has not included any of the component “Account Payable Other” as being an Unfunded Reserve. In footnote C of PECO’s attachment, PECO states that “Account Payable Other within 228.4 include invoiced amounts that are paid out in the near term.” However, it is unclear why these amounts are being included in a long-term account if they are paid out in the near term. PAIEUG requests further clarification on the cycle in which these amounts are accrued and paid out and identify whether there are any long term amounts included in this balance. (See also PAIEUG-1-34 and PAIEUG-2-73)

PAIEUG PC-13 Unfunded Reserves for Other Accrued Expenses

In response to PAIEUG-1-86 and in the “Confidential Attachment PAIEUG-1-83(a),” Excel rows 31 - 52, PECO lists the various components/items of FERC Account 242 for the thirteen months 12/31/2022 - 12/31/2023 and the 13-month average of each. PECO has not included any of the components/items related to “Other Accrued Expenses,” as being Unfunded Reserves. In footnote E of PECO’s attachment, PECO states that “Other accrued expenses include estimated accruals that are paid out in the near term.” However, it is unclear why these amounts are being included in a long-term account if they are paid out in the near term. PAIEUG requests further clarification on the cycle in which these amounts are accrued and paid out and identify whether there are any long-term amounts included in this balance. (See also PAIEUG-1-34 and PAIEUG-2-73)

PAIEUG PC-14 Unresponsive to Request for Information on All Intangible Assets

In reference to PECO's response to PAIEUG-2-80, "Attachment PAIEUG 2-80(a)," PECO didn't include a detailed listing of "Various Projects <$100k" for each the following:

a. Intangibles – General in the amount of $898,787

b. IT NERC CIP – Transmission in the amount of $26,686

c. IT Other – Transmission in the amount of $52,350

PAIEUG challenges these intangible assets as the "Various Projects <$100k" is an arbitrary threshold set by PECO and does not provide the detailed descriptions of each intangible asset requested by PAIEUG. For the foregoing reasons, PAIEUG challenges these assets until additional information is provided by PECO.

PAIEUG PC-15 "Distribution Related" Intangible Plant Improperly Functionalized as "General Related" Intangible Plant

In reference to PECO's response to PAIEUG-2-80, "Attachment PAIEUG 2-80(a)," PECO provided supporting information for certain items of intangible items. As part of this response PECO identified "general" related intangible plant assets that appear to be improperly allocated in the formula rate. Specifically, the following items appear to be directly related to distribution but are allocated in the formula rate using the Wages and Salaries allocator. PECO's formula rate functionalizes Intangible Plant based on (i) transmission, (ii) distribution and (iii) general as shown on Attachment 4D – Intangible Plant. The following intangible plant items should be excluded from transmission in its entirety or should be allocated to general (see each subpart for support of PAIEUG's position on each asset):

a. Project ID: CVISFRNI7 - Sensus Flexware RNI License in the amount of $2,079,000 - This software appears to integrate with PECO's customer information and billing system for its retail customers to reduce service calls by integrating with AMI, DER, and outage management systems. See https://sensus.com/products/regional-network-interface-rni/ (Description and Related Sections tab of this website).

b. Project ID: ITCS32085 - AMOS Enh 2019 Cap SW in the amount of $1,366,241 - Per PECO's 2021 Summer Readiness Overview dated May 28, 2021, PECO indicates that the Advanced Metering Outage System ("AMOS") software provide the ability to create, analyze and escalate retail customer outage events.[1]

c. Project ID: ITCS32082 - DER Intrcnction Backend R1 CL in the amount of $366,514 – PECO's Distributed Energy Resources ("DER") interconnection software supports PECO's distribution function.

d. Project ID: ITCS32139 - DER Intrcnction Backend R3 CL in the amount of $269,684 – PECO's Distributed Energy Resources ("DER") interconnection software supports PECO's distribution function.

e. Project ID: ITCS32109 - DER Intrcnction Backend R1 CL in the amount of $244,641 – PECO's Distributed Energy Resources ("DER") interconnection software supports PECO's distribution function.

f. Project ID: ITCS32202 - PECO AMOS 2021 Enhancement SW in the amount of $836,868. When discussing PECO's summer readiness overview[2], PECO states that "As part of PECO's meter upgrades, AMOS has enhanced our ability to support outage management of the new Advanced Meter Infrastructure ("AMI") meters. The tool provides better visibility of an outage, which can lead to targeted restoration efforts. As of December 2021, more than 1.801 million new electric meters and more than 560,000 natural gas AMU modules have been installed across the PECO service territory."

g. Project ID: ITCS50900 – 2541-AMI Phase 3 SW in the amount of $681,061 – PECO's Advanced Metering Infrastructure ("AMI") supports its retail customers and should be treated in the same manner as "IT Smart Meter – Distribution" shown on tab "4D - Intangible Pnt" as being 100% distribution in Column (d.).

h. Project ID: ITCS32220 – EU Outage Journey SW in the amount of $617,414 - This software supports outage map information for PECO's retail customers.

i. Project ID: ITCS31997 - DMS Lifecycle App Upgrade SW in the amount of $548,622 - Per PECO's 2021 Summer Readiness Overview dated May 28, 2021, PECO indicates that the acronym "DMS" represents PECO's distribution system real-time management software.[3]

---

1 https://www.puc.pa.gov/media/1541/summer__reliability_2021-peco.pdf
2 https://www.puc.pa.gov/media/1932/summer_readiness2022-peco.pdf, Page 1-2.
3 *Id.*

j. Project ID: INNOVQLK2 - Qlik Sense CAIDI[4] in the amount of $ 673,769. This software appears to be related to CAIDI which is a metric utilized for the distribution system.

k. Project ID: INNOMDSW0 - Meter Defender Software in the amount of $360,664. PECO's meter defender supports its retail customers and should be treated in the same manner as "IT Smart Meter – Distribution" shown on tab "4D - Intangible Pnt" as being 100% distribution in Column (d.).

l. Project ID: ITCS32042 - Digital Solar Toolkit Release 4 SW in the amount of $258,804 - This software is associated with solar applications and interconnections for distribution. In Mr. McDonald's testimony, he states "To further facilitate solar applications and solar interconnections, PECO created a Digital Solar Toolkit with an interactive viability map. With this toolkit, customers can see if their home or area can support solar or other distributed generation resources or if any system upgrades would be necessary."[5]

m. ITCS32075 - EU Outage Map Impr (Kubra) CL in the amount of $245,309 - This software supports outage map information for PECO's retail customers.[6]

n. Project ID: METDEFSWC – Meter Defender Software Cap in the amount of $145,896. PECO's meter defender supports its retail customers and should be treated in the same manner as "IT Smart Meter – Distribution" shown on tab "4D - Intangible Pnt" as being 100% distribution in Column (d.).

o. Project ID: CONVERSION - Legacy Assets that originated prior to Powerplant in the amount of $162,934. – This project has no description and its unclear whether it is appropriately included.

p. Project ID: ITCS32261, Smart Energy Services IV SW[7] in the amount of $129,029. These services relate to commercial or residential solar, energy efficiency programs.

q. Project ID: ITCS00003 - Alternate CIMS Batch Skip SW in the amount of $113,753 - This software is associated with PECO's Customer Information and Marketing System ("CIMS") retail meter maintenance. PECO discusses recovery of these costs from its retail customer classes in its discussion of AMR and AMI

---

4 https://www.eia.gov/electricity/annual/html/epa_11_01.html#:~:text=CAIDI%20%3D%20Customer%20Average%20Interruption%20Duration,from%20utilities%20that%20do%20not.

5 https://www.peco.com/SiteCollectionDocuments/1.%20PECO%20St.%201%20-%20McDonald.pdf at 29.

6 https://www.kubra.com/products-and-services/customer-communications/utility-maps

7 https://www.smartenergyservices.us/about-us/

Meter Systems for distribution customers. [8] In PECO's 2020 PTRR, it identified "IT CIMS" as distribution and should treat this software similar to other CIMS software as shown in the PECO 2020 PTRR on tab "4D - Intangible Pnt," Line 10 - IT CIMS Distribution as being allocated 100% to distribution in Column (g.). Furthermore, it appears that in the ATRR PECO has failed to separately identify the CIMS assets as distribution. To the extent that PECO has recorded this software as general, PAIEUG challenges the functionalize of this asset as general in nature as it clearly relates to distribution.

r. Project ID: ITCS31353 - CIMS Meter Maint - CAP in the amount of $106,199 - This software is associated with PECO's Customer Information and Marketing System ("CIMS") retail meter maintenance. PECO discusses recovery of these costs from its retail customer classes. In PECO's 2020 PTRR, it identified "IT CIMS" as distribution and should treat this software similar to other CIMS software as shown on in the PECO 2020 PTRR tab "4D - Intangible Pnt," Line 10 - IT CIMS Distribution as being allocated 100% to distribution in Column (g.). Furthermore, it appears that in the ATRR PECO has failed to separately identify the CIMS assets as distribution. To the extent that PECO has recorded this software as general, PAIEUG challenges the functionalize of this asset as general in nature as it clearly relates to distribution.

s. Project ID: ITCS31930 - BIDA Grid T&D Domain SW in the amount of $693,065. The description of these assets indicates that they support both transmission and distribution. PAIEUG challenges the functionalization of this asset until PECO can further explain how this is 100% transmission and whether any amounts were directly recorded as distribution.

t. Project ID: ITCS01930 - BIDA Grid T&D Domain SW in the amount of $126,197. The description of these assets indicates that they support both transmission and distribution. PAIEUG challenges the functionalization of this asset until PECO can further explain how this is 100% transmission and whether any amounts were directly recorded as distribution.

u. Project ID: ITCS47600 - BIDA Grid T&D W2 SW in the amount of $114,167. The description of these assets indicates that they support both transmission and distribution. PAIEUG challenges the functionalization of this asset until PECO can further explain how this is 100% transmission and whether any amounts were directly recorded as distribution.

---

[8] Pennsylvania Public Utility Commission Docket No. C-2015-2475023, Rebuttal Testimony of Glenn Pritchard dated May 18, 2016 at 4-5.

v. Project ID: ITEED234P - EMS Implementation Project SW in the amount of $13,670,112. It is unclear how this asset is solely related to transmission. Typically, EMS systems support both the transmission and distribution functions. PAIEUG challenges the functionalization of this asset until PECO can further explain how this is 100% transmission and whether any amounts were directly recorded as distribution.

For the foregoing reasons, PAIEUG challenges these projects as being directly related to distribution and should be functionalized 0% in the transmission formula rate.

PAIEUG PC-16 Distribution Assets Improperly Included as Transmission Plant

In reference to PECO's responses to PAIEUG-1-91, "Attachment PAIEUG-1-91(a)" PAIEUG-2-33, and "Attachment PAIEUG-2-33(a), based on the voltage level of this asset, it appears that it should be considered a distribution switchyard. For the foregoing reasons, PAIEUG challenges these assets being included in transmission as they should be considered distribution. In addition, there appear to be general plant assets (*e.g.* trailers) that should be recorded to Account 392 – Transportation Equipment. To the extent that PECO disagrees with PAIEUG, PAIEUG requests that PECO provide a one-line diagram and identify where on the diagram the work being performed relates to in order to support its position.

a. PAIEUG-1-91, [27GPLSNON] - PLYMOUTH SB Non Routine in the amount of $2,291.92

b. PAIEUG-1-91, [27GPLTNON] - Plymouth Trailers Non Routine in the amount of $2,246.25

c. PAIEUG-1-91, [27GPLYMTR] - PLYMOUTH TRAILERS in the amount of $8,010.15

d. PAIEUG-1-91, [ECLAEEXP0] - Civic Switchyard¿Land Acq O&M in the amount of $981,045

e. PAIEUG-1-91, [ETS6637E2] - Civic 6637 UGT Line Reconduct in the amount of $876,200.83

f. PAIEUG-2-33, ETSCIVSY8 - Civic Switchyard ¿ 66kV in the amount of $4,162,233

PAIEUG PC-17 PECO's Improper Inclusion of Asset Retirement Costs in Plant Held for Future Use and Inclusion of These Amounts in the Transmission Formula Rate

In the response to PAIEUG-2-39, PECO stated that the reference on PECO's 2023 FERC Form 1, Page 214, Electric Plant Held for Future Use - Footnote (a) ARC included in transmission in the amount of $234,299 was related to "Asset Retirement Costs" (ARCs). The Company stated in the response that "…As the legal obligation is asbestos abatement in buildings that are going to be demolished without being used in operations, the cost should be charged to the account in which the cost of the land is recorded. ARC is not included in the transmission formula rate." However, after review of the Company's response and performing an analysis of the transmission portion of Account 105, Electric Plant Held for Future Use, there is an $11,232 unexplained variance included in the December 31, 2023 balance of $14,094,401. It would appear that PECO only removed $223,067 of the ARC and included $11,232 of the ARC in the balance. Therefore, PAIEUG challenges the inclusion of the $11,232 amount of variance, which appear to be ARC's which have been classified as transmission in the transmission rate base. Whether they are in Plant In Service or PHFFU - Account 105, PECO should not be including them in the transmission formula rate.

PAIEUG PC-18 PECO's Treatment of Capitalized Labor

In reference to PECO's response to PAIEUG-1-90 related to PECO's treatment of capitalized labor, PECO stated, "PECO does not have this information readily available. In addition, PECO objects to the various subparts given the burdensome nature of the questions. Moreover, the questions are not directly related to whether the Company's 2023 Formula Rate has been properly applied." PAIEUG challenges this response on the basis that this information is relevant to the 2023 Formula Rate as PECO has capitalized labor and included amounts in plant accounts charged through the transmission formula rate. See, FERC's audit of ComEd and FirstEnergy whereby the Commission determined that the overstatement of capitalized labor over-collected a return from transmission rate\payers.

> Audit staff's recommendations to remedy the audit findings are listed below.
> Details are in Section IV. Audit staff recommends that FirstEnergy…9. Submit a refund analysis to DAA that explains and details the following: (1) calculation of refunds that result from correcting the overstatement of transmission plant due to the improperly capitalized labor costs, as determined by the labor time study, plus interest; (2) determinative components of the refund; (3) refund method; (4) wholesale transmission customers to receive refunds; and (5) period(s) refunds will be made.[9]
>
> DAA recommends that ComEd…13.Retain an independent third-party entity to conduct a representative labor-time study for allocation of

[9] Letter order issued to FirstEnergy Corporation approving the final audit report covering the period January 1, 2015 to September 30, 2021, under Docket No. FA19-1-000.

> overhead costs incurred in 2023, and to assist with the development of procedures ComEd shall use after 2023 to periodically determine the allocation of overhead labor and labor-related costs capitalized by ComEd into the cost of construction…19. Submit a refund analysis to DAA that explains and details the following: (1) calculation of refunds, plus interest, that result from correction of the overstatement of electric plant in service due to the improper capitalization of labor costs, as determined by the labor time study conducted in response to Recommendation No. 13, from January 1, 2021 to the present; (2) determinative components of the refund; (3) refund method; (4) wholesale transmission customers to receive refunds; and (5) period(s) in which refunds will be made…21.Refund amounts disclosed in the refund report to wholesale transmission customers, with interest calculated in accordance with section 35.19a of the Commission's regulations.[10]

Based on the analysis provided by FERC there were impacts on the transmission formula rate. Therefore, these inquiries are relevant to the annual update. For the foregoing reasons, PAIEUG challenges the inclusion of all capitalized labor until this information can be provided.

PAIEUG PC-19 Civic, Political & Related Activities included in Account 930.2

In response to PAIEUG-2-65 and "Attachment PAIEUG-2-65(a)," PECO has included expenses that should have been recorded to Accounts 426.1 – Donations (includes all expenses associated with civic endeavors) and 426.4 - Exp. for Certain Civic, Political & Related Activities, which is also in accordance with footnote E which excludes these types of organizations. For the foregoing reasons, PAIEUG challenges the following expense being included in the formula rate template:

a. Excel Row 22, The Conference Board Gov't Relations Executives Council Member, in the amount of $2,224.

b. Excel Row 24, Economic Development Membership Fees in the amount of $128.

PAIEUG PC-20 Missing Information Related to EBSC Affiliate Expenses

In reference to PAIEUG-2-67 (a-d) and PAIEUG-2-68, PECO's additional workpaper F.14 shows screenshots of PECO's FERC Form 1, which shows these categories as being recorded to "various" expense accounts and does not provide footnote detail in the FERC Form 1 to demonstrate to which FERC accounts these items are being recorded. Furthermore, this workpaper does not provide the detailed journal entries, project

[10] Letter order issued to Commonwealth Edison Company approving the final audit report covering the period of January 1, 2017 through August 31, 2022, under Docket No. FA21-5-000.

descriptions or other related accounting entries as requested. PAIEUG challenges the inclusion of these costs until the information requested can be provided.

PAIEUG PC-21 Missing Reimbursements for Affiliate Reimbursements to Offset Expenses Included in the Transmission Formula Rate

In reference to PECO's response to PAIEUG-2-69 and based on "Attachment PAIEUG 2-69(a)," PECO states that it has included the reimbursements for Accounts 408.1, 920 and 926 based on a W&S allocator but it is unclear how those reimbursements are being treated. PAIEUG challenges PECO's treatment until it can clarify whether these reimbursements are offset to each account or whether they are being included as a revenue credit and identify where in the template these revenues are included.

PAIEUG PC-22 Potential Impermissible Gas Operations Expenses Included in Account 923

In reference to PECO's response to PAIEUG 2-89, "Attachment PAIEUG-2-89(a)" Column FERC ID entries in Account 923 under the Column "Proj – Descr" that state "EU GIS Elec/Gas Impl O&M" in the amount of $393,791.05, to the extent that PECO has included the portion related to Gas Operations expenses, PAIEUG challenges the inclusion of such expenses, as the expenses associated with these activities are impermissible to be included in rates.

PAIEUG PC-23 Customer Assistance Program Expenses Inappropriately Recorded in Account 923

In reference to PECO's response to PAIEUG 2-89, "Attachment PAIEUG-2-89(a)"Column FERC ID entries in Account 923 under the Column "Proj – Descr" that states "CAP Application Save & Res O&M in the amount of $2,603, this Customer Assistance Program for residential customers should be recorded to a Customer Account. For the foregoing reasons, PAIEUG challenges the inclusion of this expense in the transmission formula rate. In addition, any associated labor that should be recorded to distribution or customer account should be modified for purposes of the wages and salaries computation.

PAIEUG PC-24 Exelon Way Severance Expenses Inappropriately Recorded in Account 923

In reference to PECO's response to PAIEUG 2-89, "Attachment PAIEUG-2-89(a)" Column FERC ID entries in Account 923 under the Column "Proj – Descr" that states "Exelon Way Severance" in the amount of $1,231,943.42, it appears this may be associated with severance packages as a result of the divestiture of Exelon Generation and should be excluded from the formula rate template in accordance with the Hold Harmless Commitment (see footnote 25). For the foregoing reasons, PAIEUG challenges the inclusion of this expense in the transmission formula rate as PECO customers should be held harmless.

PAIEUG PC-25 Meter Expenses Inappropriately Recorded in Account 923

In reference to PECO's response to PAIEUG 2-89, "Attachment PAIEUG-2-89(a)" Column FERC ID entries in Account 923 under the Column "Proj – Descr," the following expenses should Meter expenses should be recorded to Account 586 - Meters Expenses or Account 588 - Miscellaneous Distribution Expenses:

a. AMI Meter Data Repository O&M in the amount of $1,403.89

b. AMI Meter Data Repository -O&M in the amount of $409,146.75

For the foregoing reasons, PAIEUG challenges the inclusion of these expenses in the transmission formula rate. In addition, any associated labor that should be recorded to distribution or customer account should be modified for purposes of the wages and salaries computation.

PAIEUG PC-26 Inappropriate Recovery of ARO settlements from a Regulatory Asset to Transmission Accumulated Depreciation Without Commission Authorization

In reference to PECO's response to PAIEUG 2-41 PECO stated, "The ARO settlements are recorded to 108000 - Accumulated Provision for Depreciation of Electric Plant in Service. See below for the amounts recorded by function."

FERC Account	Function	Amount
108000	Distribution	$ (334,655)
108000	Transmission	14,977
		$ (319,678)

PECO also stated, "$14,977 allocated to transmission is in the Annual Update." However, under Order No. 631 and subsequent precedent, AROs are not allowed to be included in formula rate billings unless FERC authorizes rate recovery. Furthermore, Attachment 4 – Rate Base, Note J, which applies to accumulated depreciation, states "Excludes ARO amounts." PECO does not appear to have received FERC approval for the regulatory asset or the recovery of ARO prior to putting these amounts in the transmission formula rate nor does PECO's tariff allow for the recovery of ARO. For the foregoing reasons, PAIEUG challenges inclusion of ARO costs in rates. See also PAIEUG I-48.

January 27, 2025

PAIEUG PC-27 Stores Expenses Loading Rate Applied to Materials and Supplies Issued from Inventory

In reference to PECO's response to PAIEUG-2-45, PECO explained its procedures for charging stores expenses to Account 163, Stores Expenses Undistributed, and clearing the stores expenses from Account 163 during the calendar year. PECO stated "In accordance with the FERC Uniform System of Accounts, FERC Account 163 includes the cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage, handling and distribution of materials and supplies. The costs are initially recorded to FERC Account 163 and then cleared by applying a loading charge via a calculated materials handling rate which will distribute the expense equitable to capital and O&M projects over stores issues annually. The rate is calculated at the beginning of the year based on forecasted stores handling costs and material issuances. The rate is reviewed during the year and updated as needed to ensure that FERC Account 163 is zero at year-end."

Under PECO's stores expense clearing methodology, all stores expenses recorded in Account 163 during a calendar year are cleared from and loaded onto the cost of materials and supplies issued from inventory during that calendar year. As a result, Account 163 has a zero balance at the beginning and at the end of each calendar year. While PECO fully clears and allocates all of the calendar year's stores expenses, PECO still had Account 154, Plant Materials and Operating Supplies, total company materials and supplies inventory balances at December 31, 2022 of $52,491,353 and at December 31, 2023 of $67,118,805. For purposes of PECO's 2023 ATRR (Attachment 4, Rate Base Worksheet, Lines 1-13, Column (g)), PECO's balance for transmission materials and supplies inventory was $14,412,712 at December 31, 2022 and $14,572,737 at December 31, 2023.

PECO's process of allocating, clearing, and loading 100% of a calendar year's stores expenses to issuances of material and supplies inventory result in an over-allocation and clearing of stores expenses from Account 163 to the accounts the 2023 material and supplies issuances that were charged to during 2023, including operating expense accounts and construction work in progress/electric plant in service that impact PECO's transmission revenue requirement. The Company's process of allocating, clearing, and loading 100% of the calendar year's stores expenses to issuances of material and supplies inventory implies that the Company incurred **no stores expenses** related to the following during the year: (i) labor to maintain the material and supplies inventory at all inventory locations; (ii) labor recording the receipts of material and supplies purchases to inventory locations; (iii) labor performing monthly, quarterly, semiannual inventory balances counts at inventory locations; (iv) labor to record transfers of material and supplies inventory to and from (among) affiliates; and (v) labor to determine whether there are any obsolete inventory for potential write-offs for a Company material and supplies inventory which had a BOY/EOY average total Company inventory of $59,805,079 and 13-mo average Transmission inventory of $14,050,302. Furthermore, FERC's Uniform System of Accounts, Account 163, paragraph B, states "the account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense over stores issues. The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies…" The Uniform System of Accounts requirement clearly provides for a stores expense balance in Account 163 at the end of a calendar year for Account 154 inventory balances and a loading charge that equitably assigns the stores expenses to the materials and supplies issues overall rather than using a clearing rate that will distribute all stores expenses over a specified time period of one calendar year.

For the reasons discussed above, PAIEUG challenges PECO's method of clearing stores expenses and computing a stores expenses clearing rate applied to materials and supplies issues that results in an over-allocation of 2023 stores expenses to the FERC accounts charged with materials and supplies issuances during calendar year 2023.

PAIEUG PC-28 Non-responsive Data for Account 921 – Office Supplies and Expenses

In reference to PECO's response to PAIEUG 1-92, "Attachment PAIEUG-1-92(a)" PECO did not provide the detailed journal entries as requested. The lack of data provided did not allow PAIEUG to fully review these expenses. (See PECO's response to 2021 ATRR's PAIEUG I-97 for an example of a more detailed response.) Therefore, PAIEUG challenges the expenses included in this account until this detail is provided.

PAIEUG PC-29 Impermissible Lobbying, Political or Civic Type Expenses Included in Account 921

In reference to PECO's response to PAIEUG 1-92, "Attachment PAIEUG-1-92(a)" Column Project, PECO has included the following expenses associated with [GOVAFOTHR] Misc. costs-Governm. Affairs in the amount of $169,342.02 in Account 921. These expenses appear to be related to lobbying, political or civic expenses that should be recorded to Account 426.4 - Expenditures for Certain Civic, Political and Related Activities. For the foregoing reasons, PAIEUG challenges the inclusion of these types of expenses in the formula rate template.

PAIEUG PC-30 Impermissible Social, Charitable or Community Welfare Expenses Recorded in Account 921

In reference to PECO's response to PAIEUG 1-92, "Attachment PAIEUG-1-92(a)," Column Project, [EXRLVOLUN] Corp Relations Volunteer Costs in the amount of $56,885.74 in Account 921. These costs appear to be related to charitable or civic activities that should be recorded to a below the line Account 426 (e.g. Account 426.4). Furthermore, it is unclear whether any of these costs include grant money or other funds to support charitable or civic organizations.

PAIEUG PC-31 Impermissible Advertising Expenses in Account 921

In reference to PECO's response to PAIEUG 1-92, "Attachment PAIEUG-1-92(a)," Column Project, PECO has included the following marketing and advertising type expenses in Account 921. These expenses should be recorded Account 930.1, General Advertising Expenses, per the FERC USofA. For the foregoing reasons, PAIEUG challenges the inclusion of these expenses in the formula rate template as they appear to be advertising or for corporate image expenses.

a. [EXRLPSCTB] Public Relations Services in the amount of $1,859.72
b. [EXRLPSEXP] Explorers Public Relations in the amount of $4,147.46

PAIEUG PC-32 Impermissible Donations, Civic or Goodwill Activities Recorded in Account 921

In reference to PECO's response to PAIEUG 1-92, "Attachment PAIEUG-1-92(a)," Column Project, the following expenses have been recorded in Account 921 and should have been recorded to a below the line 426 Account as these costs are goodwill/civic in nature:

a. [EXRLUNITE] Corp Relations United Way Cost in the amount of $11,790.99. It appears that these costs are related education programs in school grades 3-12, which according to these programs include cash grants.
b. [INNOVATE1] PECO INNOVATION PROGRAM in the amount of $9,707.05. It appears that these costs are goodwill/civic in nature to assist education programs in school grades 3-12.[11] [12]

PAIEUG PC-33 Missing Distribution Gross Plant In Service 13-Month Average Balances

In reference to PECO's response to PAIEUG-2-70, PAIEUG's data request was related to tab "Attachment H-7," Page 2 of 5, Line 3 – Distribution Gross Plant In Service in the amount of $8,574,945,771, PECO stated, "Distribution Gross Plant In Service is associated with PECO's distribution line of business. As a result, Distribution Plant in Service is not included in rate base within the transmission formula rate." PAIEUG disagrees with PECO's assertion that the Distribution Gross Plant In Service balance has no effect on the transmission formula rate. This balance is utilized to compute the gross plant allocator shown on Attachment H-7, page 2 of 5, Line 8, Column (4) - GP =

[11] https://www.need.org/programs/peco/
[12] https://www.need.org/wp-content/uploads/2023/12/Energy-Innovation-Challenge-2024-Flyer.pdf

17.58%. For the foregoing reasons, PAIEUG challenges this balance until the information can be provided and verified.

PAIEUG PC-34 Potential Prepaid Commission Agreement and Expense Included In Transmission Rates

In reference to PECO's response to PAIEUG-2-74, PECO states that this prepayment is related to a "prepaid commission agreement" that is amortized over 22 years. However, it is unclear (i) whether this agreement is with a regulatory body or another third-party, (ii) why this agreement was put into place and (iii) how this supports the network transmission function. PAIEUG challenges this prepayment and underlying expense until further information can be provided.

PAIEUG PC-35 Rent for Attaching Lines to SEPTA Ducts and Verizon Poles

In reference to PECO's response to PAIEUG-2-74, PECO states that this prepayment "Item relates to unamortized SEPTA ducts, Verizon poles occupied by PECO, the current portion of the CSX transportation lease, and railroad rents," which are ultimately recorded to transmission expense accounts. It is unclear (i) why PECO is paying rent for attaching lines to SEPTA ducts and Verizon poles and (ii) what portion of the prepayment is related to those two items. For the foregoing reasons, PAIEUG challenges these prepayments and associated expenses until PECO can provide a further explanation as to why these are properly included in transmission.

PAIEUG PC-36 Missing Details for Revenue Credits

In reference to PECO's response to PAIEUG-2-82, items a.- Intercompany Rent Distribution in the total amount of $434,270, and e. – Other related to Customer O&M billings and various miscellaneous Income in the total amount of $258,398, PECO did not provide the FERC account(s) where the underlying expenses associated with these revenues are recorded; therefore PAIEUG is unable to confirm that no amounts were included in the transmission formula rate. For the foregoing reasons, PAIEUG challenges the exclusion of these revenues as offsets to the transmission formula until this information can be provided as previously requested in this discovery request.

PAIEUG PC-37 Missing Revenue Credits Related to Affiliate Level Arrangements for Amounts Included in CWIP

In reference to PECO's response to PAIEUG-2-82, item d. - Intercompany Billings – Other in the total amount of $1,431,681, since these revenues are associated with CWIP, it is unclear whether PECO offset CWIP to account for these revenues. To the extent that PECO did not offset CWIP to account for the revenues, PAIEUG challenges PECO's treatment of this revenue item as it appears that PECO would have overstated the CWIP amounts being utilized in the AFUDC calculation and eventually would have overstated its capitalized projects.

PAIEUG PC-38 Potential Missing Non-Firm Point to Point Revenue Credits

In reference to PECO's response to PAIEUG-2-82, item f.- Other in the total amount of $1,017,715, it is unclear whether the non-firm point to point revenue was included in PECO's load divisor. To the extent that it was not, PECO should have included these revenues as an offset to rate base. PAIEUG challenges the treatment of these revenues until further confirmation can be made.

PAIEUG PC-39 Missing Details for Various Miscellaneous Income Revenues

In reference to PECO's response to PAIEUG-2-85, PECO did not provide the details to allow PAIEUG to verify whether these revenues should be included as offsets to rates to the extent any associated underlying expenses were included in transmission rates. For the foregoing reasons, PAIEUG challenges the omission of the following revenues as offsets to transmission rates until this information can be provided:

a. Customer O&M Billings in the amount of $46,586
b. Various Miscellaneous Income in the amount of $211,812

PAIEUG PC-40 Non-responsive Data Provided for Account 923

PAIEUG's discovery request to PAIEUG 1-93 and PAIEUG 2-117, PAIEUG requested "In reference to PECO's 2023 FERC Form 1 Pages 320-323 (Electric Operation and Maintenance Expenses), Line 184, Account 923 - Outside Services Employed, please provide a detailed tabulation (Excel format) of every entry booked to this account during 2023 in the amounts $96,807,419, including name, description of category or type, detail journal entries and associated amounts. This detail should not be summary level and should be taken directly from the accounting system or if initially charged from the service company should demonstrate the detail of what the original cost represents including detailed journal entries of the work being performed." PECO has provided high level summary data for Account 923. This data does not provide the detailed information requested (i.e. detailed journal entries which would have included vendor names and detailed project descriptions). PAIEUG challenges the expenses included in Account 923 until this information is provided (See PECO's response to 2022 Annual Update discovery request PAIEUG I-123).

January 27, 2025

PAIEUG PC-41 Advertising Expenses in Account 923

In reference to PECO's response to PAIEUG 1-93, "Attachment PAIEUG-1-93(a)," the following expenses appear to be advertising and public relations services which are general advertising and aimed at promoting PECO's image and should have been recorded to Account 930.1:

a. Excel Row 121 - [514071] Advertising Services in the amount $467,431

b. Excel Row 122 - [514071] Advertising Services in the amount $687

c. Excel Row 123 - [514072] Promotional Services in the amount $10,311

d. Excel Row 124 - [514073] Public Relation Services in the amount $23,853

For the foregoing reasons, PAIEUG challenges these expenses being included in Account 923 as they should have been included in Account 930.1 and removed from the transmission formula rate template.

PAIEUG PC-42 Advance Metering Outage System Expenses Inappropriately Included in Account 923

In reference to PECO's response to PAIEUG 1-93, "Attachment PAIEUG-1-93(a)," Excel 354, [ITCS4504] AMOS & ACON 2023 Enhanceme O&M in the amount of $60,422. This appears to be an Advance Metering Outage System and should have been recorded to distribution. For the foregoing reasons, PAIEUG challenges these expenses being included in Account 923 until additional information is provided.

PAIEUG PC-43 Retail Rate Case Expenses Inappropriately Included in Account 923

In reference to PECO's response to PAIEUG 1-93, "Attachment PAIEUG-1-93(a)," Excel 368 - [ITCS11105] IT Rate Case O&M in the amount of $119,808 appears to be associated with retail rate case. For the foregoing reasons, PAIEUG challenges these expenses being included in Account 923 as they should have been recorded to a distribution account or to Account 928 – Regulatory Expenses and directly assigned to retail customers.

PAIEUG PC-44 SPP Charges Inappropriately Included in Account 923

In reference to PECO's response to PAIEUG 1-93, "Attachment PAIEUG-1-93(a)," Excel 441 - [BITA673P] SPP Market Event in the amount of $78,260. This appears to be associated are SPP charges coming through PECO, however, PECO participates in the PJM RTO. PAIEUG challenges on the basis that PECO is not a member of the SPP RTO. For the foregoing reasons, PAIEUG challenges these expenses being included in Account 923 as they do not appear to provide a benefit to PECO.

PAIEUG PC-45 Potential CTA Expenses in Account 923 Included in the Transmission Formula Rate

In reference to PECO’s response to PAIEUG 1-93, “Attachment PAIEUG-1-93(a),” appears that PECO has included following CTA expenses related to the Exelon Generation Divestiture in Account 923. However, Attachment 4E does not provide enough detail to ensure that the following costs were removed from the template. PAIEUG requests that PECO provide confirmation that they were removed and to the extent that these expenses were not removed, PAIEUG challenges the inclusion of these expenses in rates as they should be removed under the hold harmless commitment.

a. Excel 148 - [SPCOMCTAP] Comm Separation CTA costs in the amount of $342,932
b. Excel 266 - [SPFINCT1P] Tax Separation CTA costs in the amount of $43,772
c. Excel 269 - [SPSMO01P] Controller Separation CTA cost in the amount of 56,522
d. Excel 273 - [SPCOMCTAP] Comm Separation CTA costs in the amount of $24,682
e. Excel 278 - [SPHRCTAP] HR Separation CTA costs in the amount of $43,926
f. Excel 282 - [SPLGLCTAP] Legal Separation CTA costs in the amount of $110,418
g. Excel 288 - [SPREFCTAP] RE&F Separation CTA costs in the amount of $157,357
h. Excel 334 - [SPSUPCTAP] Supply Separation CTA costs in the amount of $153,093
i. Excel 452 - [SPRETO03P] Separation CTA Retention in the amount of $212,623
j. Excel 453 - [SPSEV003P] Separation CTA Severance in the amount of $2,843,707

PAIEUG PC-46 Lobbying or Regulatory Affairs Costs

In reference to PECO’s response to PAIEUG-2-8 and “Attachment PAIEUG-2-8(c),” this data appears to be summary-level detail not taken directly from PECO’s accounting system. PECO did not provide a detailed description of what the expenses totaling represent, including whether any are related to outside vendors detailed journal entries that display journal entry detailed descriptions, project descriptions, expense descriptions, work order numbers, etc. The level of detail provided by PECO is not sufficient enough for PAIEUG to be able to review and verify from the data provided what amounts would be associated with lobbying. For the foregoing reasons, PAIEUG challenges these costs until additional information is provided by PECO.

PAIEUG PC-47 Unsupported Inclusion of all the Pennsylvania House Bill 1342 Rate Change as Transmission

In reference to PECO's response to PAIEUG 2-79, PECO did not provide any documentation, workpapers or guidance (FERC, Third-Party, etc.) to support the Company's statement, "In reference to Attachment "4C – ADIT EOY" line 13g, the amount of $30,345,216 is attributable to the Pennsylvania House Bill 13 is related exclusively to transmission." The Company failed to provide any supporting tax workpapers (PowerTax, Power Provision, etc.) which demonstrated that the entire balance of the Pennsylvania House Bill 1342 Rate Change was "Transmission" related and that none of the balance was related to "Gas, Prod, Retail or Other Related." PAIEUG challenges the inclusion of all the Pennsylvania House Bill 1342 Rate Change as "Transmission" related until PECO provides supporting tax documentation to support the Company's position.

PAIEUG PC-48 Non-response to Discovery on Amounts Written Off from Account 107

In reference to PECO's response to PAIEUG 1-62, PAIEUG requested that PECO "identify if the company has any one-time reclassifications from FERC Account 107 (with the amounts of each credit specified) to FERC O&M or A&G accounts (the offsetting debits with the FERC Account Number and amounts of each debit specified) related to construction costs for certain scopes of work that were not pursued for abandoned, cancelled, postponed or rescoped CWIP projects in 2023? If so, please provide the following:

a. Describe the scope of work that were not pursued and/or rescoped.

b. State the reasoning behind why they were not pursued or rescoped.

c. Explain why these amounts were not written off to Account 426.5.

d. Explain why PECO did not seek FERC authorization to write-off amounts from CWIP.

e. Identify the FERC account and associated amounts recorded by project and where the write-offs were recorded."

It appears that PECO inadvertently provided response to PAIEUG 1-63 for data request PAIEUG 1-62 instead of the requested information. For the foregoing reasons, PAIEUG challenges any amounts written off from 107 until the requested information is provided.

PAIEUG PC-49 Exelon Divestiture of its Generation Assets and the Impact on PECO's Transmission Formula Rate

Based on the information that PECO provided in PAIEUG 1-101 - PAIEUG 1-103, it appears that PECO and/or Exelon have not clearly defined the transaction costs associated with the divestiture and only record "incremental" costs as being deemed part of the transaction. Given the limited information provided by PECO it appears that through this formula rate process, PAEIUG has not obtained enough information to confirm Exelon's hold harmless commitment directed in FERC's August 24, 2021 Order[13] in Docket No. EC21-57 to the transmission customers. Furthermore, it appears that the administrative and general allocations being charged to PECO are now higher than when the generating company was a part of the consolidated group receiving services from Exelon Business Services. PAIEUG continues to challenge any transaction and transition related costs being allocated to PECO from EBSC and included in the transmission formula rate.

PAIEUG PC-50 Missing Data Requested on Accounts 352 and 353

In reference to PECO's response to PAIEUG 2-33, "Attachment PAIEUG-2-33(a)," related to PECO's 2023 FERC Form 1, Pages 204-207 (Electric Plant In Service (Account 101, 102, 103 and 106)), Column c., PAIEUG requested that PECO provide: "(i) the nature of the 2023 Additions; and (ii) a detailed listing (Excel format), including detailed journal entry descriptions, name of asset, asset description, amount and other related entries in the accounting system that provide details for the 2023 Additions" for Accounts 352 and 353. In "Attachment PAIEUG-2-33(a)," the tabs for Account 352 and Account 353 didn't include a detailed listing of "Various Projects with Net Additions under $100K" for each of these two accounts. PAIEUG challenges this as it is an arbitrary threshold set by PECO and does not provide a detailed listing of all the additions requested by PAIEUG. For the foregoing reasons, PAIEUG challenges these assets included in Various Projects with Net Additions under $100K for Account 352 in the amount of $103,334 and Account 353 in the amount of $900,924 until additional information is provided by PECO.

PAIEUG PC-51 Distribution Asset Recorded as Communication Equipment

In reference to PECO's response to PAIEUG 2-38, "Attachment PAIEUG-2-38(a)," Excel Row 15, EPEMLBRC0 - Mall & Lomb Distribution ID in the amount of $135,311, this does not appear to be communication equipment but related to distribution assets. For the foregoing reasons, PAIEUG challenges this asset being included in Account 397 as it should have been recorded as distribution plant.

---

[13] *Exelon Generation Co., LLC, et al.*, 176 FERC ¶ 61,121 at P 32 & n.43 (2021) ("Exelon Generation Order").

PECO ENERGY COMPANY ("PECO")

Preliminary Challenges by
Philadelphia Area Industrial Energy Users Group ("PAIEUG")

2024 FORMULA RATE UPDATE Docket No. ER17-1519

January 27, 2025

PAIEUG PC-52 Improper Inclusion of Mutual Assistance Expenses in the Transmission Formula Rate

Based on PECO's response to PAIEUG 2-53, it appears that PECO only included amounts in Account 588. Based on PECO's response to PAIEUG 2-69 and the attachment provided, PECO included $56,097 in Account 926 and $15,070 in Account 408.1 associated with mutual assistance. Therefore, it does not appear that PECO has properly removed all of the mutual assistance expenses from the template. For the foregoing reasons, PAIEUG challenges the inclusion of these amounts in the transmission formula rate.

PAIEUG PC-53 Financial and Communication Services Included in Account 924 – Property Insurance

In reference to PECO's response to PAIEUG 2-60 and the attachment provided, the response does not show what type of insurance/vendor name has been recorded to this account. It appears that based on the information provided this insurance is related to financial services and communication services which are not associated with property insurance. For the foregoing reasons, PAIEUG challenges the inclusion of the amounts included in Account 924 until further information can be provided as originally requested.

PAIEUG PC-54 Treatment of Greenhat Reimbursements

In reference to PECO's responses to PAIEUG 2-105, based on PECO's response, PECO appears to indicate that Greenhat expenses were never charged through prior transmission rates and therefore the offsetting revenues should only be recorded to Account 555. Please provide confirmation of PAIEUG's understanding of the Greenhat expenses. To the extent that PECO previously charged Greenhat expenses through the transmission formula rate, PAIEUG challenges the treatment of PECO's reimbursements as the refunds should follow the same percentages and/or allocations as the expenses that were flowed through the transmission formula rate in prior years.