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February 17, 2023

Via eTariff Filing

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: PJM Interconnection, L.L.C., Atlantic City Electric Company, Baltimore Gas and Electric Company, Commonwealth Edison Company, Delmarva Power & Light Company, Potomac Electric Power Company, and PECO Energy Company

Docket Nos.

ER21-201-002

ER21-203-002

ER21-204-002

ER21-205-002

ER21-206-002

ER21-209-002

Dear Secretary Bose:

Atlantic City Electric Company (“ACE”), Baltimore Gas and Electric Company (“BGE”), Commonwealth Edison Company (“ComEd”), Delmarva Power & Light Company (“DPL”), Potomac Electric Power Company (“Pepco”), and PECO Energy Company (“PECO”), collectively (“Exelon Companies”) submit¹ for filing this Response to the November 2, 2022 Order issued in the above-captioned proceedings.² The November 2022 Order in many instances seeks information relating to one or several of the Exelon Companies – we have indicated with respect to each issue identified below on which company’s behalf the response is tendered.

¹ Pursuant to Order No. 714, this filing is submitted by PJM on behalf of the Exelon Companies as part of an XML filing package that conforms with the Commission’s regulations. PJM has agreed to make all filings on behalf of the PJM Transmission Owners in order to retain administrative control over the PJM Tariff. Thus, the Exelon Companies have requested that PJM submit this filing in the eTariff system as part of PJM’s electronic Intra PJM Tariff.

² PJM Interconnection, LLC, et al., 181 FERC ¶ 61,098 (2022)(November 2022 Order).

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We note that the November 2022 Order directs a two-step compliance process. First, as summarized at P 75 of the Order, the Exelon Companies are directed to make this compliance filing providing modified tariff sheets, “in eTariff format,” reflecting all the ordered changes. And then second, as provided in P 76 of the Order, the Exelon Companies are to submit a “clean-up” filing “in eTariff”, once the current filing is acted upon, to put in place the appropriate tariff records consistent with this compliance filing and resulting order.

In order that the Commission can readily review the changes being made now, the attachments to this filing show the “new” modifications required by the November 2022 Order, added in redline on top of the tariff sheets that the Commission reviewed in the November 2022 Order.

After the Commission acts on the changes shown in this filing, the Exelon Companies will submit the active tariff records for each company with the appropriate effective dates in the eventual “clean-up” tariff filing. We note that the exact timing of the “clean-up” filing will not impact customer rates because the Exelon Companies have already implemented the rate changes to flow through 100% of the excess ADIT resulting from the Tax Cuts and Jobs Act.

I. RESPONSES TO SPECIFIC COMMISSION DETERMINATIONS

ADIT Worksheet:

In Order No. 864,³ the Commission required the ADIT Worksheet to include five categories of information: (1) how any ADIT accounts were re-measured and the excess or deficient ADIT contained therein; (2) the accounting for any excess or deficient amounts in Accounts 254 (Other Regulatory Liabilities) and 182.3 (Other Regulatory Assets), respectively; (3) whether the excess or deficient ADIT is protected or unprotected; (4) the accounts to which the excess or deficient ADIT are amortized; and (5) the amortization period of the excess or deficient ADIT being returned or recovered through the rates.⁴ The Commission stated that it expects public utilities to identify each specific source of excess or deficient ADIT, classify the excess or deficient ADIT as protected or unprotected, and list the proposed amortization period associated with each source in their proposed ADIT Worksheets.⁵

³ See *Public Utility Transmission Rate Changes to Address Accumulated Deferred Income Taxes*, 169 FERC ¶ 61,139 (2019) (“Order No. 864”), *reh’g denied*, 171 FERC ¶ 61,033 (2020).

⁴ Order No. 864, 169 FERC ¶ 61,139 at PP 52, 62.

⁵ *Id.* at P 65.

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Each of the Exelon Companies proposed to comply with the ADIT Worksheet requirements of Order No. 864 by including two ADIT worksheets: (1) an ADIT worksheet that demonstrates excess and deficient ADIT (ADIT Worksheet); and (2) an ADIT Worksheet that demonstrates the ADIT remeasurement as a result of the Tax Cuts and Jobs Act (Remeasurement Worksheet).⁶ The Exelon Companies provide populated Excel versions of these worksheets as attachments to their Compliance Filings.

COMMISSION DETERMINATION – CATEGORY 2: (PECO)

The Commission found at P 41 of the November 2022 Order that PECO’s ADIT worksheets do not comply with Order No. 864 ADIT Worksheet category 2 requirement. Although Instruction 1 to PECO’s proposed ADIT Remeasurement Worksheet explains that PECO will make a corresponding change in regulatory assets (Account 182.3) and regulatory liabilities (Account 254) to reflect the increase or decrease in taxes payable resulting from a change in tax law, the Commission concluded this note does not provide the necessary information to determine the amounts that have been included in Account 254 or Account 182.3. Accordingly, the Commission directed PECO to modify its ADIT Remeasurement Worksheet to clearly display the deficient ADIT amounts that are included as regulatory assets in Account 182.3 and excess ADIT amounts that are included as regulatory liabilities in Account 254 (e.g., by added new columns and/or rows).

RESPONSE TO COMMISSION DETERMINATION – CATEGORY 2: (PECO)

PECO will modify its formula rate, Attachment 9 “Excess / (Deficient) Deferred Income Taxes” to clearly display the deficient ADIT amounts that are included as regulatory assets in Account 182.3 and excess ADIT amounts that are included as regulatory liabilities in Account 254.

Refer to Attachment A, Lines 27 - 36 for proposed modifications. Attachment A is a redlined version of PECO Formula Rate Attachment 9 “Excess / (Deficient) Deferred Income Taxes”.

⁶ The ADIT Worksheet for each respective Exelon Companies is found in the following Attachment to their Formula Rate: ACE (Attachment 1B), BG&E (Attachment 1B), ComEd (Attachment 1B), Delmarva (Attachment 1B), Pepco (Attachment 1D), and PECO (Attachment 9). The Remeasurement Worksheet for each respective Exelon Companies is found in the following Attachment to their Formula Rate: ACE (Attachment 1C), BG&E (Attachment 1C), ComEd (Attachment 1C), Delmarva (Attachment 1C), Pepco (Attachment 1D), and PECO (Attachment 9A).

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This change, which has no impact to customer rates, will be made through eTariff after the Commission acts on this submission and directs the “clean-up” filing.

COMMISSION DETERMINATION – CATEGORY 3: (Exelon Companies other than PECO)

The Commission found at P 45 of the November 2022 Order that the Exelon Companies’ ADIT worksheets (for each of the companies other than PECO) partially comply with the Order No. 864 ADIT Worksheet category 3 requirements because their ADIT Remeasurement Worksheets identify whether any excess or deficient ADIT is protected or unprotected. However, the ADIT Remeasurement Worksheet for these Exelon Companies identifies ADIT as property, unprotected property, or non-property but on the respective ADIT Worksheets, ADIT is identified as property, unprotected property, or unprotected non-property. Accordingly, the Commission directed the Exelon Companies (other than PECO) to change all references to the non-property category throughout the ADIT Worksheets to “unprotected non-property”, in order to have complete, consistent references.

RESPONSE TO COMMISSION DETERMINATION – CATEGORY 3: (Exelon Companies other than PECO)

The Exelon Companies will modify the ADIT Worksheets for each company other than PECO to consistently use the “unprotected non-property” nomenclature. The Exelon Companies (other than PECO) will also make conforming edits throughout the formula rate templates.

Refer to Attachment B, Column (C) for an illustration of the proposed conforming edits. Attachment B is actually Attachment 1C “Deficient/Excess Deferred Income Taxes Worksheet” to the ACE Formula Rate. While the illustration is done for ACE, the same change would be made to the corresponding formula rate attachments of each of the other Exelon Companies other than PECO.

This change, which has no impact to customer rates, will be made through eTariff once the Commission acts on this submission and directs the “clean-up” filing.

COMMISSION DETERMINATION – CATEGORY 4: (Exelon Companies)

The Commission found in P 50 of the November 2022 Order that each of the Exelon Companies’ respective ADIT worksheets do not comply with Order No. 864 ADIT Worksheet category 4 requirements, because they do not show the accounts to which excess or deficient ADIT are amortized. Specifically, Exelon Companies’ respective ADIT Worksheets provides only a statement that excess and deficient ADIT is recorded to Accounts 411.1 and 410.1. This statement does not transparently convey the amounts recorded to each of those accounts.

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Accordingly, the Commission directed Exelon Companies to revise each of the ADIT Worksheets to show amortized excess ADIT amounts included in Account 411.1 and amortized deficient ADIT amounts included in Account 410.1.

RESPONSE TO COMMISSION DETERMINATION – CATEGORY 4: (Exelon Companies)

ACE, BGE, ComEd, DPL, and Pepco will modify Attachment 1B – Deficient / Excess Deferred Income Tax Amortization Worksheet to include a column indicating the FERC account to which amortization associated with excess or deficient ADIT amounts are recorded.

Refer to Attachment C, Column (C) for illustrative example. Attachment C is actually Attachment 1B “Deficient/Excess Deferred Income Taxes Amortization Worksheet” to the ACE Formula Rate. While the illustration is done for ACE, the same change would be made to the corresponding formula rate attachments of each of the other Exelon Companies other than PECO.

PECO will modify Attachment 9 – Excess / (Deficient) Deferred Income Taxes to include a column indicating the FERC account to which amortization associated with excess or deficient ADIT amounts are recorded.

Refer to Attachment A, Column (a) for proposed modifications. Attachment A is a redlined version of PECO Formula Rate Attachment 9 “Excess / (Deficient) Deferred Income Taxes”.

This change, which has no impact to customer rates, will be made through eTariff once the Commission acts on this submission and directs the “clean-up” filing.

COMMISSION DETERMINATION – CATEGORY 5 (Part 1): (Exelon Companies)

The Commission found at P 62 of the November 2022 Order that the Exelon Companies did not provide supporting documentation necessary to justify the proposed amortization periods for excess and deficient ADIT related to unprotected property and unprotected non-property. For example, the Commission noted that Exelon did not demonstrate the proposed amortization periods represent no longer than a reasonable estimate of the remaining lives of the underlying assets or that the amortization periods reasonably balance passing through the benefits of the Tax Cuts and Jobs Act to customers in a timely manner while avoiding rate shock.

RESPONSE TO COMMISSION DETERMINATION – CATEGORY 5 (Part 1): (Exelon Companies)

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The amortization periods for unprotected property and unprotected non-property for ACE, BGE, ComEd, DPL, and Pepco were agreed to in the Docket No. ER19-5 Settlement Agreement at Sections 2.1.1.2 and 2.1.1.3.⁷ (For convenience of reference, the Docket No. ER19-5 Settlement Agreement, without its various attachments, is appended to this response as Attachment D. The referenced sections are at pages 3-4 of Attachment D.) The Docket No. ER19-5 Settlement Agreement was approved by the Commission in the September 24, 2020 Settlement Order.⁸ The amortization periods for PECO are likewise based on settlement agreement, as provided in the PECO Settlement Agreement at Section 2.7.⁹ (For convenience of reference, the PECO Settlement Agreement, without its various attachments, is appended to this response as Attachment E. The referenced section is at pages 9-10 of Attachment E.) The PECO Settlement Agreement was approved by the Commission on December 5, 2019.¹⁰

The Settlement Agreements demonstrate that customers of each Exelon Company agreed that the amortization periods reasonably balance passing through the benefits of the Tax Cuts and Jobs Act to customers in a timely manner while avoiding rate shock. Because most of the unprotected property and unprotected non-property dollars have already flowed under those settlements, switching to some other methodology would most likely require customers to pay back dollars that had already flowed – a result that would be contrary to the settlements and unjust in the circumstances.

The remaining life for the underlying assets giving rise to unprotected property is approximately 35 – 45 years for each of the Exelon Companies. The settled amortization periods are usually much shorter, and in no case are they longer than a reasonable estimate of the remaining lives of those underlying assets.

COMMISSION DETERMINATION – CATEGORY 5 (Part 2): (Exelon Companies)

The Commission found at P 63 of the November 2022 Order that the Exelon Companies did not demonstrate the use of the term “full benefits” is equivalent to “returning the full amount of

⁷ *Commonwealth Edison Co., et al.*, Submission of Settlement Agreement, Docket Nos. ER19-5 et al. (April 24, 2020). (“Settlement Agreement”).

⁸ *Commonwealth Edison Co., et al.*, 172 FERC ¶ 61,272 (2020) (“September 24, 2020 Settlement Order”).

⁹ *PJM Interconnection, LLC*, Submission of Settlement Agreement, Docket No. ER17-1519 (July 22, 2019), (“PECO Settlement Agreement”).

¹⁰ See *PJM Interconnection, L.L.C.*, 169 FERC ¶ 61,186 (2019) (“PECO Settlement Order”).

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excess or deficient ADIT”, as contemplated by Order No. 864. The Commission directed each of the Exelon Companies to state whether its proposal “will return the full amount of excess ADIT resulting from the Tax Cuts and Jobs Act”.

RESPONSE TO COMMISSION DETERMINATION – CATEGORY 5 (Part 2): (Exelon Companies)

The Exelon Companies affirm and commit that their respective formula rates return the full amount of excess ADIT resulting from the Tax Cuts and Jobs Act.

Additional ADIT Worksheet-Related Requirements:

COMMISSION DETERMINATION – ADDITIONAL REQUIREMENTS: (Pepco)

The Commission found at P 66 of the November 2022 Order that Pepco’s compliance filings does not include the populated ADIT Remeasurement Worksheet (i.e., Attachment 1F) required by Order No. 864.

RESPONSE TO COMMISSION DETERMINATION – ADDITIONAL REQUIREMENTS: (Pepco)

Please refer to Attachment F for Pepco’s populated 2020 ADIT Remeasurement Worksheet (i.e., Attachment 1 F).

COMMISSION DETERMINATION – ADDITIONAL REQUIREMENTS: (PECO)

The Commission found at P 72 of the November 2022 Order that PECO’s ADIT Remeasurement Worksheet does not comply with Order No. 864 because Note A, by making references to specific EDIT values as of December 31, 2017, does not apply to future tax rate changes.

RESPONSE TO COMMISSION DETERMINATION – ADDITIONAL REQUIREMENTS: (PECO)

PECO will modify Note A to clarify that when new tax changes occur, new EDIT values will be provided at the next Annual Update. PECO will also delete Note D, which is no longer necessary and could be construed as limiting the worksheet to the 2017 tax rate change.

Refer to Attachment A, Notes A and D for proposed modifications. Attachment A is a redlined version of PECO Formula Rate Attachment 9 “Excess / (Deficient) Deferred Income Taxes”

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This change, which has no impact to customer rates, will be made through eTariff once the Commission acts on this submission and directs the “clean-up” filing

II. DOCUMENTS SUBMITTED WITH THIS FILING

The Exelon Companies submit:

1. This compliance letter;
2. Attachment A: Redlined PECO Attachment 9 – Excess / (Deficient) Deferred Income Taxes;
3. Attachment B: Redlined ACE Formula Rate Attachment 1C – Deficient / Excess Deferred Income Taxes Worksheet;
4. Attachment C: Redlined ACE Formula Rate Attachment 1B – Deficient / Excess Deferred Income Tax Amortization Worksheet;
5. Attachment D: Docket No. ER19-5 Settlement Agreement, without its various attachments, submitted to the Commission on April 24, 2022. Approved by the Commission September 24, 2020;
6. Attachment E: PECO Settlement Agreement, without its various attachments, submitted to the Commission July 22, 2019 in Docket No. ER17-1519. Approved by the Commission December 5, 2019; and
7. Attachment F: Pepco’s populated 2020 ADIT Remeasurement Worksheet (i.e., Attachment 1F) from Pepco’s 2020 Annual Update (in Excel).

III. SERVICE

The Exelon Companies will serve this filing on all parties on the official service list in the referenced dockets. In addition, PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission’s regulations¹¹, PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <https://www.pjm.com/library/filing-order> with a specific link to the newly-filed document, and

¹¹See 18 CFR §§ 35.26 and 385.2010(f)(3).

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will send an email on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region¹² alerting them that this filing has been made by PJM and is available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the Commission's eLibrary website located at the following link: <https://elibrary.ferc.gov/> in accordance with the Commission's regulations and Order No. 714.

IV. CONCLUSION

For the reasons discussed above, the Exelon Companies respectfully request that the Commission accept their compliance filings contained herein.

Respectfully submitted,

/s/ Stan Berman

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/s/ Amy L. Blauman

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¹²PJM already maintains, updates, and regularly uses e-mail lists for all PJM members and affected state commissions:

CERTIFICATE OF SERVICE

I hereby certify that I have this day served an electronic copy of the foregoing document upon each person designated on the official service list established in Docket Nos. ER21-201, 203, 204, 205, 206, and 209.

Dated this 17th day of February 2023.

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ATTACHMENT A
PECO Formula Rate, Attachment 9

Excess/(Deficient) Deferred Income Taxes

Redlined to Show Proposed Modifications

Notes:

- A EDIT data, including EDIT amortization amount and balance, for Protected, Non-Protected Property and Non-Protected, Non-Property shall reflect the Transmission portion of EDIT amounts. The amounts and categorization of these balances as of December 31, 2017 is: Protected Property - Transmission (Line 15): \$79,726,712; Protected Property - Electric General to be allocated between Distribution and Transmission (Line 16):\$1,683,749; Protected Property - Common to be allocated between Distribution, Transmission and Gas (Line 19):\$11,901,494; Non-Protected Property (Line 23):\$16,962,821; Non-Protected Non-Property (Line 26):(\$260,021). The amount and categorization for future tax rate changes will be specified in the Annual Update following the tax rate change.
- B The amortization schedule of the EDIT balance related to Tax Cuts and Job Act of 2017 shall be consistent with the following periods:
- | | |
|------------------------------|---------|
| Protected: | ARAM |
| Non-Protected Property: | 7 years |
| Non-Protected, Non-Property: | 5 years |
- The Non-Protected Property EDIT balance shall be fully amortized by the end of 2024 and the Non-Protected, non-Property EDIT balance shall be fully amortized by the end of 2022.
- C The data of the annual amortization amount and balance are from PECO's Tax Accounting records.
- ~~D EDIT balance was reclassified from ADIT to EDIT in December 2017.~~

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ATTACHMENT B

ACE Formula Rate, Attachment 1C

Deficient/Excess Deferred Income Taxes Worksheet

Redlined to Show Proposed Modifications

Atlantic City
Electric Company
Accumulated
Deferred Income
Taxes
Remeasurement
Attachment 1C -
Deficient / Excess
Deferred Income
Taxes Worksheet

Tax Cuts and Jobs Act of 2017

Line	Detailed Description	Description	Category	ADIT - Pre Rate Change (December 31, 2017)					ADIT - Post Rate Change (December 31, 2017)					Deficient / (Excess) Deferred Income Taxes (December 31, 2017)							
				Federal Gross Timing Difference	Federal ADIT @ 35%	State ADIT	Federal Timing Difference	Total ADIT	Federal Gross Timing Difference	Federal ADIT @ 21%	State ADIT	Federal Timing Difference	Total ADIT	Rate Change Deferred Tax Impact	Non-Recoverable	Income Tax Regulatory Asset / Liability Deferred Taxes	Deficient / (Excess) ADIT Balance	Jurisdiction Allocator	Electric Transmission	Allocator (Note B)	Transmission Allocated
(A)	(B)	(C)	(D)	(E) = (D) * 35%	(F)	(G)	(H) = (E) + (F)	(I)	(J) = (I) * 21%	(K)	(L)	(M) = (H) - (J)	(N) = (M) - (O)	(O)	(P)	(Q) = (N) - (O)	(R)	(S)	(T)	(U) = (Q) * (T)	(V)
1	NJ AMA	1999 AMT	Unprotected Non-Property														Plant	Yes	33.300%		190
2	Accrued Payroll Taxes - Manual	Accrual Labor Related	Unprotected Non-Property														Labor	Yes	6.530%		190
3	Accrued Liab-Required	Accrual Labor Related	Unprotected														Labor	Yes	6.530%		190

FERC Account 190 - Non-Current (Note A)

50	Liabilities -SERP (92420L) - Contra	SERP	Property <u>Unprotected</u> Non-Property							Labor	Yes	0.000 %	190
51	Accrued Liab-SERP	SERP	Property <u>Unprotected</u> Non-Property							Labor	Yes	6.530 %	190
52	Deferred Credits - Deferred MTC Tax Rev	Stranded Costs	Property <u>Unprotected</u> Non-Property							Plant	Yes	0.000 %	190
53	NJ Oth Reg Liability-Tax Benefits	Stranded Costs	Property <u>Unprotected</u> Non-Property							Plant	Yes	0.000 %	190
54	Use Tax Payable	Use Tax Reserve	Property <u>Unprotected</u> Non-Property							Plant	Yes	0.000 %	190
55	Federal NOL	Federal NOL	Protected Property							Plant	Yes	33.300 %	190
56	NJ NOL	State NOL	Property <u>Unprotected</u> Non-Property							Plant	Yes	33.300 %	190
57	SFAS109-Regulatory Liability Electric FAS 109	FAS109 Non-TCJA	N/A							N/A	No	0.000 %	190
58	Regulatory Asset Electric	FAS109 Non-TCJA FAS 109	N/A							N/A	No	0.000 %	190
59	SFAS109-Regulatory Liability	Regulatory Liability	N/A							N/A	No	0.000 %	190

66	Asset Basis (PowerTax) - State Fixed Asset Basis (PowerTax) - CIAC State Fixed Asset Basis (PowerTax) - FT	Property (PowerTax)	Protected Property							100% Distribution	No	0.000%	282
67	Asset Basis (PowerTax) - FT	Non-Protected Property (PowerTax)	Unprotected Property							Plant	Yes	33.300%	282
68	Asset Basis Differences (Non-PowerTax) - Non-Protected	Non-Protected Property (Non-PowerTax)	Unprotected Property							Plant	Yes	33.300%	282
69	Asset Basis Differences (Non-PowerTax) - Non-Protected CIAC State Fixed Asset Basis (Non-PowerTax)	Non-Protected Property (Non-PowerTax)	Unprotected Property							100% Distribution	No	0.000%	282
70	Asset Basis (Non-PowerTax) - State Fixed Asset Basis (Non-PowerTax)	Non-Protected Property (Non-PowerTax)	Unprotected Property							Plant	Yes	33.300%	282
71	Asset Basis (Non-PowerTax) - CIAC State Fixed Asset Basis (Non-PowerTax)	Non-Protected Property (Non-PowerTax)	Unprotected Property							100% Distribution	No	0.000%	282

72 **Total FERC Account 282**

FERC Account

**t 283 -
Non-
Current
(Note
A)**

73	Other Regulatory Assets - Vacation Accrual	Accrual Labor Related	<u>Unprotected</u> Non- Propert y							Labor	Yes	6.530 %	283
74	Regulatory Assets - NJ BGS Deferral	BGS Deferred Related - Retail	<u>Unprotected</u> Non- Propert y							Plant	Yes	33.30 0%	283
75	Regulatory Assets - NJ NGC Deferral	BGS Deferred Related - Retail	<u>Unprotected</u> Non- Propert y							Plant	Yes	33.30 0%	283
76	Deferred Credits- General	Interest on Contingent Taxes	<u>Unprotected</u> Non- Propert y							Plant	No	0.000 %	283
77	Unamorti zed Loss on Reacquir ed Debt	Loss on Reacquired Debt	<u>Unprotected</u> Non- Propert y							Plant	Yes	33.30 0%	283
78	Miscellan eous Deferred Debits - General	Misc. Deferred Debits - Retail	<u>Unprotected</u> Non- Propert y							Plant	Yes	33.30 0%	283
79	NUG Buy-out	NUG BUYOUT	<u>Unprotected</u> Non- Propert y							Plant	Yes	33.30 0%	283
80	Renewab le Energy Credits - NJ	Other- 283	<u>Unprotected</u> Non- Propert y							Plant	Yes	33.30 0%	283
81	Solar Renewab le Energy	Other- 283	<u>Unprotected</u> Non-							Plant	Yes	33.30 0%	283

Total
Unprotected

Total
Deficient
/
(Excess)
ADIT

Instructions

1. In accordance with ASC 740, deferred tax assets and liabilities are adjusted (re-measured) for the effect of the changes in tax law (including tax rates) in the period that the change is enacted. Adjustments are recorded in the appropriate deferred tax balance sheet accounts (Accounts 190, 281, 282 and 283) based on the nature of the temporary difference and the related classification requirements of the accounts. If as a result of action or expected action by a regulator, it is probable that the effect of a future increase or decrease in taxes payable resulting from a change in tax law or rates will be recovered from or passed through to customers through future rates, a regulatory asset or liability is recognized in Account 182.3 (Other Regulatory Assets), or Account 254 (Other Regulatory Liabilities), as appropriate, for that probable future revenue or reduction in future revenue. The amortization of deficient and excess deferred income taxes that will be recovered from or passed through to customers through future rates will be recorded in FERC Accounts 410.1 (Provision for Deferred Income Taxes, Utility Operating Income) and 411.1 (Provision for Deferred Income Taxes—Credit, Utility Operating Income), as appropriate. Re-measurements of deferred tax balance sheet

accounts may also result in re-measurements of tax-related regulatory assets or liabilities that had been recorded prior to the change in tax law. If it is not probable that the effect of a future increase or decrease in taxes payable resulting from a change in tax law or rates will be recovered from or passed through to customers through future rates, tax expense will be recognized in Account 410.2 (Provision for Deferred Income Taxes, Other Income or Deductions) or tax benefit is recognized in Account 411.2 (Provision for Deferred Income Taxes-Credit, Other Income or Deductions), as appropriate.

2. For deficient and (excess) accumulated deferred income taxes (ADIT) related to change(s) to income tax rates occurring after September 30, 2018, insert calculations that support the re-measurement amount delineated by category (i.e., protected property, unprotected property, and unprotected non-property).

3. Set the allocation percentages equal to the applicable percentages at the date of the rate change.

Notes

- A Categorization of items as protected or non-protected will remain as originally agreed, absent a change in guidance from the Internal Revenue Service (IRS) with respect to that items. Balances associated with the tax rate change will not be adjusted (except for amortization each year) absent audit adjustments, tax return amendments, or a change in IRS guidance. Any resulting changes

will be prominently disclosed including the basis for the change.

- B The allocation percentage in Column T are based on the applicable percentages at the date of the rate change and must remain fixed absent the Commission's express approval.

**EN
D**

ATTACHMENT C
ACE Formula Rate, Attachment 1B

Deficient/Excess Deferred Income
Taxes Amortization Worksheet

Redlined to Show Proposed Modifications

Atlantic City Electric Company
Deficient / Excess Deferred Income Taxes
Attachment 1B - Deficient / Excess Deferred Income Tax Amortization Worksheet

Federal Deficient / (Excess) Deferred Income Taxes

Tax Cuts and Jobs Act of 2017

Lin e	(A) Deficient / (Excess) Deferred Income Taxes	(B) Notes	(C) FERC Account ADIT Deficient / (Excess) Amortization n	(D) Amortization Fixed Period	(E) December 31, 2017 ADIT Deficient / (Excess)	(F) December 31, 2017 BOY Balance	(G) Current Year Amortization	(H) December 31, 2018 EOY Balance
Unprotected Non-Property								
1	ADIT - 190	(Note A)	411.1	4 Years	-	-	-	-
2	ADIT - 281	(Note A)	411.1	4 Years	-	-	-	-
3	ADIT - 282	(Note A)	411.1	4 Years	-	-	-	-
4	ADIT - 283	(Note A)	411.1	4 Years	-	-	-	-
5	Subtotal - Deficient / (Excess) ADIT							
Unprotected Property								
6	ADIT - 190	(Note A)	411.1	5 Years	-	-	-	-
7	ADIT - 281	(Note A)	411.1	5 Years	-	-	-	-
8	ADIT - 282	(Note A)	411.1	5 Years	-	-	-	-
9	ADIT - 283	(Note A)	411.1	5 Years	-	-	-	-
10	Subtotal - Deficient / (Excess) ADIT							
Protected Property								
11	ADIT - 190	(Note A)	411.1	ARAM	-	-	-	-
12	ADIT - 281	(Note A)	411.1	ARAM	-	-	-	-
13	ADIT - 282	(Note A)	411.1	ARAM	-	-	-	-
14	ADIT - 283	(Note A)	411.1	ARAM	-	-	-	-
15	Subtotal - Deficient / (Excess) ADIT							
16	Total - Deficient / (Excess) ADIT							

Tax Reform Act of 1986

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Line	Deficient / (Excess) Deferred Income Taxes	Notes	FERC Account ADIT Deficient / (Excess) Amortization	Amortization Fixed Period	September 30, 2018	September 30, 2018	December 31, 2018	
					ADIT Deficient / (Excess)	BOY Balance	Current Year Amortization	EOY Balance
20	Protected Property							
21	ADIT - 190	(Note B)	410.1	ARAM				
22	ADIT - 281	(Note B)	411.1	ARAM				
23	ADIT - 282	(Note B)	411.1	ARAM				
24	ADIT - 283	(Note B)	411.1	ARAM				
25	Subtotal - Deficient / (Excess) ADIT							
26	Total - Deficient / (Excess) ADIT							

Total Federal Deficient / (Excess) Deferred Income Taxes

Line	Deficient / (Excess) Deferred Income Taxes	Notes	FERC Account ADIT Deficient / (Excess) Amortization	Amortization Fixed Period	ADIT Deficient / (Excess)	BOY Balance	Current Year Amortization	EOY Balance
	(A)	(B)	(C)	(D)	(E)	(F) Blended Dates	(G)	(H) December 31, 2018
27	ADIT - 190		410.1					
28	ADIT - 281		411.1					
29	ADIT - 282		411.1					
30	ADIT - 283		411.1					
31	Total - Deficient / (Excess) ADIT	Col G entered in ATT H-1A, Line 41a						
32	Tax Gross-Up Factor	Att. H-1A, Line 132b						
33	Regulatory Asset / (Liability)							

Federal Income Tax Regulatory Asset / (Liability)

Line	Regulatory Assets / (Liabilities)	Notes	ADIT Deficient / (Excess)	BOY Balance	Current Year Amortization	EOY Balance		
	(A)	(B)	(C)	(D)	(E)	(F) Blended Dates	(G)	(H) December 31, 2018
34	Account 182.3 (Other Regulatory Assets)							
35	Account 254 (Other Regulatory Liabilities)							

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36 Total - Transmission Regulatory Asset / (Liability)

State Deficient / (Excess) Deferred Income Taxes

State Tax Rate Change

Lin e	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	Deficient / (Excess) Deferred Income Taxes	Notes	FERC Account ADIT Deficient / (Excess) Amortization	Amortization Fixed Period	ADIT Deficient / (Excess)	BOY Balance	Current Year Amortization	EOY Balance
37	Unprotected Non-Property							
38	ADIT - 190		410.1	4 Years	\$ -	\$ -	\$ -	\$ -
39	ADIT - 281		411.1	4 Years	-	-	-	-
40	ADIT - 282		411.1	4 Years	-	-	-	-
41	ADIT - 283		411.1	4 Years	-	-	-	-
42	Subtotal - Deficient / (Excess) ADIT				\$ -	\$ -	\$ -	\$ -
43	Unprotected Property							
44	ADIT - 190		410.1	5 Years	\$ -	\$ -	\$ -	\$ -
45	ADIT - 281		411.1	5 Years	-	-	-	-
46	ADIT - 282		411.1	5 Years	-	-	-	-
47	ADIT - 283		411.1	5 Years	-	-	-	-
48	Subtotal - Deficient / (Excess) ADIT				\$ -	\$ -	\$ -	\$ -
49	Protected Property							
50	ADIT - 190		410.1	NA	\$ -	\$ -	\$ -	\$ -
51	ADIT - 281		411.1	NA	-	-	-	-
52	ADIT - 282		411.1	NA	-	-	-	-
53	ADIT - 283		411.1	NA	-	-	-	-
54	Subtotal - Deficient / (Excess) ADIT				\$ -	\$ -	\$ -	\$ -
55	Total - Deficient / (Excess) ADIT				\$ -	\$ -	\$ -	\$ -

Total State Deficient / (Excess) Deferred Income Taxes

(A) (B) (C) (D) (E) (F) (G) (H)

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Line	Deficient / (Excess) Deferred Income Taxes	Notes	FERC Account ADIT Deficient / (Excess) Amortization	Amortization Fixed Period	December 31, 2017		December 31, 2018	
					ADIT Deficient / (Excess)	BOY Balance	Current Year Amortization	EOY Balance
56	ADIT - 190		410.1	\$ -	\$ -	\$ -	\$ -	
57	ADIT - 281		411.1	-	-	-	-	
58	ADIT - 282		411.1	-	-	-	-	
59	ADIT - 283		411.1	-	-	-	-	
60	Total - Deficient / (Excess) ADIT	Col G entered in ATT H-1A, Line 41b		\$ -	\$ -	\$ -	\$ -	
61	Tax Gross-Up Factor	Att. H-1A, Line 132b						
62	Regulatory Asset / (Liability)			\$ -	\$ -	\$ -	\$ -	

State Income Tax Regulatory Asset / (Liability)

Line	Regulatory Assets / (Liabilities)	Notes	(D)	(E)	December 31, 2017		December 31, 2018	
					(F)	(G)	(H)	
	(A)	(B)	(D)	(E)	(F)	(G)	(H)	
	Regulatory Assets / (Liabilities)	Notes		ADIT Deficient / (Excess)	BOY Balance	Current Year Amortization	EOY Balance	
63	Account 182.3 (Other Regulatory Assets)		\$ -	\$ -	\$ -	\$ -	\$ -	
64	Account 254 (Other Regulatory Liabilities)		-	-	-	-	-	
65	Total - Transmission Regulatory Asset / (Liability)		\$ -	\$ -	\$ -	\$ -	\$ -	

Federal and State Income Tax Regulatory Asset / (Liability)

Federal and State Income Tax Regulatory Asset / (Liability) related to Deficient / (Excess) Deferred Income Taxes

Line	Regulatory Assets / (Liabilities)	Notes	(D)	(E)	Blended Dates		December 31, 2018	
					(F)	(G)	(H)	
	(A)	(B)	(D)	(E)	(F)	(G)	(H)	
	Regulatory Assets / (Liabilities)	Notes		ADIT Deficient / (Excess)	BOY Balance	Current Year Amortization	EOY Balance	
66	Account 182.3 (Other Regulatory Assets)		\$ -	\$ -	\$ -	\$ -	\$ -	
67	Account 254 (Other Regulatory Liabilities)		-	-	-	-	-	

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Instructions

1. For transmission allocated deficient / (excess) accumulated deferred income taxes (ADIT) related to rate change(s) to income tax rates occurring after September 30, 2018, insert new amortization table(s) that delineates the deficient and (excess) ADIT by category (i.e., protected property, unprotected property, and unprotected non-property).
2. Set the amortization period for unprotected property to 5 years and unprotected non-property to 4 years. The amortization of deficient and (excess) ADIT designated as protected will be calculated using the Average Rate Assumption Method (ARAM) or a manner that complies with the normalization requirements.
3. Update applicable formulas in the "Total Federal Deficient / (Excess) Deferred Income Taxes" and "Total State Deficient / (Excess) Deferred Income Taxes" sections to ensure appropriate inclusion of deficient / (excess) ADIT balances related to rate changes occurring after September 30, 2018.
4. Insert note explaining the event giving rise to the deficient / (excess) ADIT including the start and end date for the amortization. The amortization ceases after the related regulatory asset / liability is drawn down to zero.

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Notes

- A Deficient and (excess) ADIT related to the Tax Cuts and Jobs Act of 2017 (TCJA) will be amortized beginning January 1, 2018 based on the prescribed amortization periods as provided in the Settlement in Docket No. ER19-5 et al. The amortization periods for unprotected property and unprotected non-property related deficient and (excess) ADIT are fixed and cannot be changed without the Commission's express approval except, balances and categorizations may be changed if required by audit adjustments, amendments to income tax returns, or new IRS guidance. The amortization of protected property related deficient and (excess) ADIT will be calculated using the Average Rate Assumption Method (ARAM) or a manner that complies with the normalization requirements and may vary by year depending on where each underlying asset resides in its individual life cycle. The unprotected property related deficient and (excess) ADIT will be fully amortized by December 31, 2022. The unprotected non-property related deficient and (excess) ADIT will be fully amortized by December 31, 2021. Note - The amortization formula in Column F will change based on where ACE resides in the amortization cycle. The current year amortization of deficient and (excess) ADIT is recorded in FERC Accounts 410.1 and 411.1.
- B The remaining unamortized deficient and (excess) ADIT related to the Tax Reform Act of 1986 will be amortized using the Average Rate Assumption Method (ARAM) as provided in the Settlement in Docket No. ER19-5 et al. The current year amortization of deficient and (excess) ADIT is recorded in FERC Accounts 410.1 and 411.1.

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ATTACHMENT D
ER19-5 ET AL. SETTLEMENT AGREEMENT
ACE, BGE, COMED, DPL, PEPCO
(WITHOUT SETTLEMENT ATTACHMENTS)

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Commonwealth Edison Company PJM Interconnection, L.L.C.	Docket Nos. ER19-5-000 ER19-5-001 ER19-5-002
Delmarva Power & Light Company PJM Interconnection, L.L.C.	ER19-6-000 ER19-6-001 ER19-6-002
Potomac Electric Power Company PJM Interconnection, L.L.C.	ER19-10-000 ER19-10-001 ER19-10-002
Baltimore Gas and Electric Company PJM Interconnection, L.L.C.	ER19-14-000 ER19-14-001 ER19-14-002
Atlantic City Electric Company PJM Interconnection, L.L.C.	ER19-18-000 ER19-18-001 ER19-18-002 (consolidated)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Settlement Agreement”) is made pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.602 (2020), by and among Atlantic City Electric Company (“ACE”); Baltimore Gas and Electric Company (“BGE”); Commonwealth Edison Co. (“ComEd”) on its own behalf and on behalf of its subsidiary Commonwealth Edison Co. of Indiana; Delmarva Power & Light Company (“Delmarva”); Potomac Electric Power Company (“Pepco”); Delaware Municipal Electric Corporation, Inc.; New Jersey Division of Rate Counsel; Office of the People’s Counsel of the District of Columbia; and Southern Maryland

Electric Cooperative, Inc. (each a “Settling Party” and all collectively, the “Settling Parties”).¹ The Settling Parties enter into this Settlement Agreement to resolve the matters set for hearing in the above-captioned consolidated dockets. Additionally, the following Non-Objecting Parties, have not executed the agreement as Settling Parties, but have participated in the settlement discussions and do not oppose the settlement:² Delaware Division of the Public Advocate; Delaware Public Service Commission; Maryland Office of People’s Counsel; and Maryland Public Service Commission (the Settling Parties and Non-Objecting Parties may be individually referred to as a “Party” or collectively as the “Parties”).

ARTICLE I

1.1 DEFINITIONS. The following terms have the meanings set forth herein:

“ADIT” means accumulated deferred income taxes.

“Catch-Up FAS 109 Proceedings” means FERC Docket Nos. ER17-528, ER18-899, ER18-903, ER18-904, and ER18-905.

“Exelon Companies” means ACE, BGE, ComEd, Delmarva, and Pepco.

“FAS 109 Proceedings” means the above-captioned dockets and proceedings.

“Formula Rate Templates” means the provisions contained in the following attachments to PJM’s OATT: Attachment H-1A (ACE); Attachment H-3D (Delmarva); Attachment H-9A (Pepco); Attachment H-13A (ComEd); and Attachment H-2A (BGE).

¹ The Maryland Office of People’s Counsel and Public Service Commission of the District of Columbia are erroneously listed on the execution page of this Settlement Agreement. They are not Settling Parties and their listing on the execution page should be disregarded.

² The New Jersey Board of Public Utilities (“NJBPU”) cannot join a Settlement Agreement except by vote of the Board at a public meeting. Staff of the NJBPU will recommend that the NJBPU become a Non-Objecting Party to the settlement. Once the NJBPU votes, the NJBPU will file a statement with the Commission as to the NJBPU’s position.

“Parties” means the Settling Parties and Non-Objecting Parties.

“PJM OATT” means the PJM Open Access Transmission Tariff.

“Settlement Effective Date” means the date this Settlement Agreement becomes effective in accordance with Section 3.3 of the Settlement Agreement.

“TCJA” means the Tax Cuts and Jobs Act of 2017.

ARTICLE II

The following terms are reflected in the revised Formula Rates under this Settlement Agreement and shall be followed by the Exelon Companies, beginning with the 2020 Annual Update including the true-up of 2019 rates in the 2020 Annual Update.

2.1. EXCESS/DEFICIENT DEFERRED TAXES RELATING TO TCJA.

2.1.1. AMORTIZATION PERIODS. The following amortization periods will be applied to compute the amortization of all excess or deficient ADIT arising from changes to income tax rates in the TCJA:

2.1.1.1. PROTECTED PROPERTY. An amortization period consistent with the Average Rate Assumption Method (“ARAM”) will be used to amortize excess or deficient ADIT related to protected property.

2.1.1.2. UNPROTECTED PROPERTY. For ACE, BGE, Delmarva, and Pepco, an amortization period of five years will be used to amortize excess or deficient ADIT related to unprotected property. For ComEd, an amortization period of the average remaining life will be used for unprotected property.

2.1.1.3. UNPROTECTED NON-PROPERTY. An amortization period of four years will be used to amortize excess or deficient ADIT related to unprotected non-property.

2.1.2. TCJA RELATED BALANCES. The unamortized transmission-related excess and deficient ADIT balances resulting from the TCJA (“TCJA ADIT Balances”), as of December 31, 2017, are as provided in Attachment C, Table 1.

2.1.2.1. TCJA AMORTIZATION START DATE. The TCJA ADIT Balances reflected in Attachment C, Table 1 will be amortized for accounting purposes beginning January 1, 2018 using the amortization periods specified in Section 2.1.1 above.

2.1.3. PRE-FILING TCJA AMORTIZATION CREDIT. The portion of the TCJA ADIT Balances reflecting amounts amortized for the nine months between the January 1, 2018 implementation of the TCJA and the October 1, 2018 FAS 109 Filings’ tariff effective date (“Pre-Filing TCJA Amortization”), is included in the Refund Amounts shown in Section 3.2. The respective amounts will be credited to ratepayers, with interest, in a one-time adjustment applied as part of the 2020 Annual Update. This one-time adjustment shall include and reflect the total rate base impact of the TCJA amortization from December 31, 2017 through October 1, 2018.

2.1.3.1. PRE-FILING TCJA AMOUNTS. The Pre-Filing TCJA Amounts, including the gross up for income taxes prior to interest, are as provided in Attachment C, Table 2.

2.1.3.2. PRE-FILING TCJA AMORTIZATIONS REVERSAL. If and to the extent the Commission reverses, in a final, non-appealable decision, its determination in Docket No. RM19-5 that pre-tariff filing TCJA impacts must be flowed through formula rates, or if and to the extent a final, non-appealable decision in the Catch-Up FAS 109 Proceedings determines

that Pre-Filing TCJA Amortization need not be flowed through formula rates, the Settling Parties agree that the Exelon Companies may recover the Pre-Filing TCJA Amortization specified in Section 2.1.3.1, above, plus interest, from customers through a one-time adjustment applied at the next formula rate annual update following such determination.

2.1.4. TCJA WORKSHEETS. The revised Formula Rate Templates under this Settlement, included as Attachment B, incorporate worksheets that address excess and deficient ADIT resulting from the TCJA, and thus when populated will identify: (1) how any ADIT accounts were re-measured and the excess or deficient ADIT contained therein; (2) the amount of excess or deficient ADIT recorded in Accounts 182.3 (Other Regulatory Assets) and 254 (Other Regulatory Liabilities); (3) whether the excess or deficient ADIT is protected or unprotected (and further broken down as appropriate, as between unprotected property or unprotected non-property); (4) the accounts to which the current year amortization of the excess or deficient ADIT is recorded; and (5) the amortization periods of the excess or deficient ADIT being returned or recovered through the rates. When populated, the worksheets will also identify each specific source of the excess or deficient ADIT and list the amortization period associated with each classification or source. In addition, the populated worksheets will provide: (1) supporting documentation necessary to justify the amortization periods and/or reference to the order or agreement in which the amortization periods used were authorized for the amounts at issue; and (2) supporting documentation for the excess and deficient ADIT inputs to the worksheets as part of the annual update process.

2.2. EXISTING NON-TCJA TAX RATE CHANGES. With respect to non-TCJA tax rate changes that went into effect prior to October 1, 2018:

2.2.1. EXISTING NON-TCJA BALANCES. The transmission-related portion of the unamortized excess and deficient ADIT balances resulting from changes in income tax rates unrelated to the TCJA, as of September 30, 2018, broken out to show protected property, unprotected property, and unprotected non-property, are set out in Attachment C, Table 3.

2.2.2. EXISTING NON-TCJA AMORTIZATION. The unamortized excess and deficient ADIT balances set forth in Attachment C, Table 3 will be amortized using the amortization periods specified in Section 2.1.1 above.

2.3. FUTURE TAX RATE CHANGES. New income tax rate changes (including local, state, and federal income tax rate changes) effective on or after October 1, 2018 (“New Tax Rates”) will be addressed as follows:

2.3.1. AUTOMATIC REFLECTION AND AMORTIZATION OF NEW TAX RATES. New Tax Rates will automatically be reflected in the tariff and, as discussed in 2.3.2, the ADIT balances will be re-measured to determine the amount of excess or deficient ADIT resulting from the New Tax Rates. Amortization of any excess or deficient ADIT associated with the New Tax Rates will be applied in the next formula rate annual update and that update will reflect the full amortization from the re-measurement date of the New Tax Rates, subject to review and challenge in the formula rate annual update process (including, but not limited to, the amount of excess and/or deficient ADIT, the re-measured ADIT balances, categorizations and functionalizations, appropriateness of adjustments to the final tax returns for the period, and compliance with IRS regulations). The amortization periods specified in Section 2.1.1 will be used to compute the amount of

amortization that will be included as adjustments to the ITA in the rates unless changes in amortization periods are required by FERC order, IRS regulation or ruling, or statute.

Unless so required, any proposal to use different amortization periods from those specified in Section 2.1.1 will require an FPA Section 205 or FPA Section 206 filing.

Notwithstanding the foregoing, in the first annual update after the implementation of New Tax Rates by ComEd, customers of ComEd may dispute the ComEd amortization period for unprotected property for that New Tax Rate as part of a challenge to the update.³

2.3.2. INITIAL BALANCES AND CATEGORIZATION OF NEW TAX RATES. In the first annual update after the implementation of New Tax Rates, the worksheets, that are incorporated into the revised Formula Rate Templates included as part of this Settlement as Attachment B, will be populated showing: (1) how any ADIT accounts were re-measured and the excess or deficient ADIT resulting from the New Tax Rate; (2) the accounting for any excess or deficient ADIT in Accounts 182.3 (Other Regulatory Assets) or 254 (Other Regulatory Liabilities); (3) whether the excess or deficient ADIT is protected or unprotected (and further broken down, as appropriate, between unprotected property or unprotected non-property); (4) the accounts to which the amortization of the excess or deficient ADIT is recorded; and (5) the amortization period of the excess or deficient ADIT being returned or recovered through the rates. The worksheets will also identify each specific source of the excess or deficient ADIT and list the amortization period associated with each classification or source. In addition, the Exelon Companies will provide: (1) reference to the order or agreement in which the amortization periods

³ Consistent with ComEd's formula rate protocols, ComEd has the burden with respect to such a challenge.

used were authorized for the amounts at issue or supporting documentation necessary to justify a revision to the agreed upon amortization periods; and (2) supporting documentation for the excess and deficient ADIT inputs to the worksheets as part of the annual update process.

2.4. FLOW-THROUGH AMOUNTS.

2.4.1. UNAMORTIZED FLOW-THROUGH BALANCES. The transmission-related portion of unamortized balances of excess or deficient ADIT related to Flow-Through accounting, as of September 30, 2018, are provided in Attachment C, Table 4.

2.4.2. AMORTIZATION PERIODS. The unamortized Flow-Through balances as of September 30, 2018 will be amortized over the time periods specified in Attachment C, Table 5.

2.4.3. NEW FLOW-THROUGH AMOUNTS. No amortization or recovery of new flow-through amounts will be permitted absent an FPA Section 205 or FPA Section 206 filing.

2.5. AFUDC EQUITY.

2.5.1. AFUDC EQUITY BALANCES. The unamortized balances of the transmission-related AFUDC Equity as of September 30, 2018, are provided in Attachment C, Table 6.

2.5.2. AMORTIZATION. The Exelon Companies may recover through an adjustment through their ITAs in their Formula Rate Templates an amount equal to the tax effect of the non-deductibility (for federal and state income tax purposes) of Equity AFUDC amounts included as part of annual book depreciation expense in their annual update filings.

2.5.3. NEW AFUDC EQUITY AMOUNTS. New AFUDC Equity amounts will automatically flow through the rate as part of the annual book depreciation expense of the new AFUDC Equity balances in the same manner as provided in 2.5.2., and shall be subject to review and challenge in the formula rate annual update process. Each annual update will include a workpaper identifying new AFUDC Equity originations included in the update.

2.5.4. DEPRECIATION RATE STUDIES . Within five years of the effective date of the Settlement Agreement, and at least once every five years thereafter, each Exelon Company will file a new depreciation study pursuant to FPA Section 205 and request approval of its depreciation rates (unless the company has otherwise submitted an FPA Section 205 rate filing that addresses its depreciation rates in the prior five years). This commitment will be reflected as a note in each Exelon Company's Formula Rate Template.

2.6. OTHER TEMPORARY OR PERMANENT DIFFERENCES. A new FPA Section 205 rate filing by an Exelon Company or FPA Section 206 rate filing by other entities or initiated by the Commission sua sponte will be required before that Exelon Company may reflect in its formula rate template expenses disallowed by the TCJA or any FAS 109 amounts other than the amortizations of the unamortized balances of excess and deficient ADIT related to the TCJA, New Tax Rates, Flow-Through Amounts, and AFUDC Equity, specified herein.

2.7. OTHER ISSUES.

2.7.1. NET OPERATING LOSS (NOL) ADIT. Any federal NOL related to the TCJA which has been previously determined to be Protected by performing the "with and without test" has been classified as Protected and amortized using Average Remaining Life ("ARL"). The applicable Exelon Company will classify any future NOL ADIT as protected or unprotected at

the time of remeasurement following any New Tax Rate change(s) upon performing the “with and without test.” Any future NOL ADIT that is determined to be related to accelerated depreciation upon performing the “with and without test” will be classified as protected and amortized using ARL or ARAM, but ARAM may only be used to the extent the Exelon Company confirms that it has the capability to tie NOL to specific property. Future NOLs that are not related to accelerated depreciation shall be classified as unprotected and amortized over the same period as unprotected property as identified in Attachment C, Table 1. Such treatment will apply for each NOL ADIT, absent a change in IRS guidance on this issue.

2.7.2. COST OF REMOVAL (COR) ADIT. Any federal COR ADIT related to the TCJA for which the net salvage values are included in the Depreciation Study have been and will remain classified as protected, absent a change in IRS guidance on this issue, and amortized using ARAM. The future COR ADIT amounts that are not related to the net salvage values included in the then current Depreciation Study will be classified as unprotected and amortized over the same period as unprotected property as identified in Attachment C, Table 1.

2.7.3. ASSET RETIREMENT OBLIGATIONS (ARO) AND REGULATORY ASSETS/LIABILITIES. The Exelon Companies will not include any ADIT or excess/deficient ADIT relating to AROs or regulatory asset/liabilities (other than FAS 109 regulatory asset/liabilities as authorized in this settlement) absent prior Commission approval.

2.7.4. IRS OR TAX GUIDANCE CHANGES. Categorization of items as protected or unprotected will remain as reflected in the attached workpapers that contains the categorizations absent a change in IRS guidance with respect to that item. Unamortized excess and deficient ADIT balances associated with changes in income tax rates will not be

adjusted (except for amortization each year) absent audit adjustments, amendments to income tax returns, or change(s) in IRS guidance. Parties also retain their rights under FPA Section 205 and FPA Section 206 to seek changes to the categorizations.

2.8. WORKPAPERS AND FORMULA RATE. Each annual update will include the following workpapers, in addition to the worksheets that are part of the Formula Rate Templates themselves:

2.8.1. ACCUMULATED DEFERRED INCOME TAX SUPPORT. Work papers that provide additional detail with respect to the ADIT balances reported in Tab 1 of the Formula Rate.

2.8.2. AFUDC EQUITY DEPRECIATION. Supporting work paper for the origination and depreciation of AFUDC Equity amounts.

2.8.3. ASSET RETIREMENTS. Informational work papers that provide additional detail regarding the tax treatment of annual plant retirements and / or dispositions.

ARTICLE III

3.1 TARIFF CHANGES. Effective June 1, 2020, the Formula Rate Templates included as Attachment B to this Settlement Agreement shall replace and supersede the Formula Rate Templates currently included in the PJM OATT.⁴ Attachment A to this Settlement Agreement

⁴ The Formula Rate Templates for ACE and Delmarva include, in italics, language relating to the rate treatment of Materials and Supplies (“M&S Language”) that is currently pending before the Commission in Docket Nos. ER20-1187 (ACE) and ER20-1188 (Delmarva). The M&S Language will only be used in determining ACE and Delmarva’s Annual Transmission Revenue Requirements (ATRRs) consistent with the effective dates established by the Commission in Docket Nos. ER20-1187, and ER20-1188. ACE and Delmarva acknowledge and agree that the M&S Language is subject to the rulings of the Commission in Docket Nos. ER20-1187 and

shows in redline/strikeout the agreed-upon changes to the Formula Rate Templates. Within thirty (30) days following the Settlement Effective Date, the Exelon Companies shall submit the tariff records included in Attachments A and B to FERC through eTariff as a compliance filing, to be effective on June 1, 2020. The Parties shall not oppose or protest a filing made by the Exelon Companies in conformity with this Section 3.1.⁵

3.2 REFUNDS. In the event this Settlement Agreement becomes effective in accordance with Section 4.3, each of the Exelon Companies will make refunds to their customers for the January 1, 2018 through December 31, 2018 accounting period which will be a one-time adjustment which includes a gross-up for income taxes, by reducing the otherwise applicable transmission revenue requirement in their 2020 Formula Rate Annual Updates by the following amounts:⁶

ER20-1188, and that certain Parties have not agreed to the M&S Language. If the M&S Language is modified or rejected in Docket Nos. ER20-1187 and ER20-1188, ACE and Delmarva will make a compliance filing to conform the M&S Language as required by the orders in those dockets. This settlement does not resolve the M&S language and Parties remain free to take any position in Docket Nos ER20-1187 and ER20-1188 concerning the amendments in those dockets. ACE and Delmarva agree to hold customers harmless from inclusion of the M&S Language in the Formula Rate Templates so that the ultimate amounts charged are consistent with the orders and outcome in Docket Nos. ER20-1187 and ER20-1188.

⁵ Concurrent with the filing of this Settlement Agreement, Pepco is filing a settlement agreement in FERC Docket No. ER19-1475 that settles various other issues relating to Pepco's rates. Because both settlements are being filed simultaneously, and apply to overlapping rate periods, the tariff sheets for Pepco are being submitted in Docket No. ER19-1475 and thus are not attached here. Those tariff sheets incorporate both the agreed changes relating to FAS 109 as well as the changes that have been agreed to in Docket No. ER19-1475. Pepco will formally file its tariff amendments through eTariff in Docket No. ER19-1475, with a similar request for interim rate relief, and such filing will satisfy its obligations in this docket. The Parties agree not to oppose or protest the filings made by Pepco in conformity with this footnote.

⁶ The values in the table are calculated in Attachment C, Table 7, which is being filed with this Settlement Agreement.

Company	Principal amount of reduction to 2020 revenue requirement	Interest	Total reduction with interest
ACE	(\$15,500,960)	\$ (1,738,843)	\$ (17,239,803)
BGE	(\$13,275,522)	(1,489,201)	(14,764,723)
ComEd	(\$11,667,672)	(1,308,838)	(12,976,510)
Delmarva	(\$14,229,531)	(1,596,219)	(15,825,750)
Pepco	(\$14,098,605)	(1,581,532)	(15,680,136)

These amounts will be specifically identified in the Exelon Companies' respective 2020 Annual Updates, which will include a notation to identify the credit. These reductions include all principal and interest associated with the refunds, so no additional principal or interest shall be added to the refunds.

In addition to the refunds specified in the table above, the Exelon Companies will apply the new Formula Rate Templates and the Rate Principles in Article III of this Settlement Agreement in calculating the true-up of rates charged the prior year that will be calculated as part of the 2020 Annual Update, with interest as provided in the Formula Rate Templates for true-up amounts.

3.3 UNCONTESTED MOTION FOR INTERIM RATES AND EXPEDITED CONSIDERATION. Simultaneously with filing of this Settlement Agreement, the Exelon Companies shall file with the Chief Administrative Law Judge an Uncontested Motion for Interim Rates and Expedited Consideration, requesting an order by May 1, 2020 that would put the tariff changes as provided in Section 3.1 into effect on an interim basis allowing their use for

the computations in the 2020 Annual Updates to be submitted by the Exelon Companies⁷, and further provide that the Refunds provided in Section 3.2 will be put into effect on an interim basis and included in the 2020 Annual Updates. The Uncontested Motion for Interim Rates and Expedited Consideration will request a shortened response time for answers to the motion. The Exelon Companies shall be authorized to represent that all Parties support granting the Uncontested Motion for Interim Rates and Expedited Consideration and the shortened response time for answers. In the event that the Commission rejects this Settlement Agreement or a Party timely files a notice described in Section 4.3 objecting to a condition or modification ordered by the Commission, a correction will be applied in the next annual update to restore the originally filed rates, refunding or surcharging with interest any amounts that were collected or refunded that were different from the originally filed rate.

3.4 DOCKET NO. RM19-5 COMPLIANCE FILING OBLIGATIONS. The Exelon Companies will file a motion seeking to delay the due date of their compliance filing obligations pursuant to Order No. 864 until thirty days after the Commission acts on this Settlement and may indicate that all the Parties support or do not oppose that motion. The Parties agree that the revisions to the Formula Rate Templates and other agreements herein are intended to fully address the Exelon Companies' compliance filing obligations under Order No. 864 and believe that Commission acceptance of the Settlement Agreement will resolve those compliance filing obligations. In the event that the Commission does not extend the due date for the Exelon Companies' Order No. 864 compliance filings, and if the Commission rejects this Settlement Agreement, or a Party timely files a notice described in Section 4.3 objecting to a condition or modification ordered by the Commission, the Exelon Companies may, within 30 days, submit

⁷ Expected to be submitted as informational filings on or before May 15, 2020

revised RM19-5 compliance filings, and all Parties will be free to respond to those compliance filings.

3.5 REHEARING. In the event that this Settlement Agreement becomes effective pursuant to Section 4.3, all requests for rehearing and clarification in the FAS 109 Proceedings will be deemed withdrawn. In the event that the Commission rejects this Settlement Agreement or a Party timely files a notice described in Section 4.3 objecting to a condition or modification ordered by the Commission, then the Parties may withdraw the request that the Commission hold in abeyance such rehearing requests and requests for clarification.

3.6 PENDING LITIGATION. The Settling Parties agree that the Settlement Agreement, once made effective, resolves all issues in the FAS 109 Proceedings. Parties remain free to pursue issues in any other proceedings, including in the Catch-Up FAS 109 Proceedings, and in Docket RM19-5, except as expressly provided in this Settlement Agreement.

3.7 2019 ANNUAL UPDATES. The Settlement Agreement, once made effective, resolves all challenges to FAS 109 pertaining to Flow-through amounts, AFUDC Equity amounts, and tax rate change amounts in the 2019 Annual Update and the 2019 excess/deficient amounts will be reflected in the 2019 true-ups as part of the 2020 Annual Updates. Any such challenges that are pending will be withdrawn and no new challenge to the 2019 Annual Updates can be filed pertaining to these items. The deadline for challenges to FAS 109 Amounts in the 2019 Annual Updates for ACE, Delmarva, and Pepco is tolled until the Settlement Agreement is made effective or is rejected.

3.8 POST-2019 ANNUAL UPDATES. The Settlement Agreement does not resolve disputes concerning post-2019 Annual Updates by any of the Exelon Companies, except that the companies shall adhere to the balance amounts that have been agreed to as specified in Sections

2.1.2, 2.1.3.1, 2.4.1, and 2.5.1 and in Tables 1-6 of Attachment C and the calculation of interest as specified in the table in Section 3.2, which are referenced therein, and no entity may challenge those balance amounts or interest amounts in annual updates.

ARTICLE IV

4.1. SCOPE OF THE AGREEMENT. This Settlement Agreement constitutes the entire agreement among the Settling Parties with respect to the subject matter addressed herein, and supersedes any and all prior or contemporaneous representations, agreements, instruments and understandings between them, whether written or oral. There are no other oral understandings, terms, or conditions, and none of the Settling Parties has relied upon any representation, express or implied, not contained in this Settlement Agreement.

4.2. NON-SEVERABILITY. The Parties agree and understand that the various provisions of this Settlement Agreement are not severable and shall not become operative unless and until this Settlement Agreement and the revised tariff records provided for herein become effective as described in Section 4.3.

4.3. EFFECTIVENESS OF SETTLEMENT AGREEMENT. This Settlement Agreement shall become effective thirty (30) days after (a) the Commission accepts or approves this Settlement Agreement without condition or modification by Final Order, or (b) the Commission accepts or approves this Settlement Agreement with condition(s) or modification(s) by Final Order, if no Party files notice with the Commission within fifteen (15) days of the acceptance or approval of the Settlement Agreement stating that it objects to such condition(s) or modification(s). If any Party files such notice, the Settlement Agreement shall be null and void and of no force or effect, and the Parties shall be deemed to have reserved all of their respective rights and remedies in this proceeding. For purposes of this Settlement Agreement, an order

shall be deemed to be a “Final Order” as of the date rehearing is denied by the Commission, or if rehearing is not sought, the date on which the right to seek Commission rehearing expires.

(While the Settlement Effective Date will likely be after June 1, 2020, the effective date of the Formula Rate amendments under this Settlement, assuming it is made effective, will be June 1, 2020).

4.4. RESERVATIONS. Notwithstanding the provisions of Section 4.3, the provisions of Sections 4.6 and 4.7 shall become effective upon execution of the Settlement Agreement.

4.5. NO PRECEDENT. This Settlement Agreement is submitted pursuant to Rule 602 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.602 (2020), and is inadmissible as evidence in any proceeding except a proceeding involving a claim of breach of, or an effort to enforce, this Settlement Agreement. No element of this Settlement constitutes precedent or should be deemed “settled practice” as that term was interpreted in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980). It is further understood and agreed that this Settlement Agreement constitutes a negotiated agreement with multiple elements of consideration and, except as explicitly set forth herein, no Settling Party shall be deemed to have approved, accepted, agreed or consented to any principle or position by entering into this Settlement Agreement..

4.6. SETTLEMENT DISCUSSIONS. The discussions between and among the Parties that have produced this Settlement Agreement have been conducted with the explicit understanding, pursuant to Rule 602 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.602 (2020), that all offers of settlement and discussions relating thereto shall be privileged and confidential, shall be without prejudice to the position of any Party, or participant presenting any such offer or participating in any such discussion, and are not to be used in any manner in

connection with this proceeding, any other proceeding, or otherwise, except to the extent necessary to enforce its terms. Notwithstanding the foregoing, the Parties agree that the terms of the settlement may be shared with the participants in the ER19-1475 proceeding (namely, Pepco, SMECO, DC OPC, MD OPC, FERC Trial Staff and the Settlement Judge) to ensure conforming changes to the ER19-1475 settlement.

4.7. FURTHER ASSURANCES. Each Party shall cooperate with, and shall not take any action inconsistent with: (i) the filing of this Settlement Agreement with the Commission, and (ii) efforts to obtain Commission acceptance or approval of this Settlement Agreement without change or condition. No Party shall take any action that is inconsistent with the provisions of this Settlement Agreement. Without limitation of the foregoing, no Party may submit a section 205 or 206 filing under the FPA to change the deferred tax provisions of the Formula Rates while this Settlement Agreement is pending before the Commission for approval, nor may any Party support such a request by another entity.

4.8. WAIVER. No provision of this Settlement Agreement may be waived except through a writing signed by an authorized representative of the waiving Settling Party or the waiving Settling Parties. Waiver of any particular provision of this Settlement Agreement shall not be deemed to waive any other provision or provisions hereof.

4.9. MODIFICATIONS/STANDARD OF REVIEW. Unless the Settling Parties otherwise agree in writing, any modification to this Settlement Agreement proposed by a Party after the Settlement Agreement has become effective in accordance with Section 4.3 shall, as between the Parties, be subject to the “public interest” standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the *Mobile-Sierra* doctrine), as clarified in *Morgan*

Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, 554 U.S. 527 (2008) and refined in *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 558 U.S. 165, 174-75 (2010). The standard of review for any modifications to this Settlement Agreement requested by a non-Party or initiated by the Commission acting *sua sponte* will be the most stringent standard permissible under applicable law. See *NRG Power Mktg., LLC v. Maine Pub. Utils. Comm'n*, 558 U.S. at 174-75.

4.10. SUCCESSORS AND ASSIGNS. This Settlement Agreement is binding upon and for the benefit of the Settling Parties and their successors and assigns.

4.11. CAPTIONS AND REFERENCES TO SECTIONS. The captions in this Settlement Agreement are for convenience of reference only and are not a part of this Settlement Agreement and do not in any way limit or amplify the terms and provisions of this Settlement Agreement and shall have no effect on its interpretation. Unless otherwise indicated, references to “Sections” in this Settlement Agreement refer to sections in this Settlement Agreement and references to “Articles” in this Settlement Agreement refer to articles in this Settlement Agreement.

4.12. AMBIGUITIES NEUTRALLY CONSTRUED. This Settlement Agreement is the result of negotiations among, and has been reviewed by, each Settling Party and its respective counsel. Accordingly, this Settlement Agreement shall be deemed to be the product of each Settling Party, and no ambiguity shall be construed in favor of or against any Settling Party based on authorship of this Settlement Agreement.

4.13. AUTHORIZATION. Each person executing this Settlement Agreement on behalf of a Settling Party represents and warrants that he or she is duly authorized and empowered to act on

behalf of, and to authorize this Settlement Agreement to be executed on behalf of, the Settling Party that he or she represents.

4.14. NOTICES. All notices, demands, and other communications hereunder shall be in writing and shall be delivered to each Settling Party's "Corporate Official" as found on the Commission's website at <http://www.ferc.gov/docs-filing/corp-off.asp> or the representative(s) of each Settling Party included on the official service list in the FAS 109 Proceedings. Notices will also be provided to the persons on the Commission's official service list in the FAS 109 Proceedings.

4.15. COUNTERPARTS. This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

4.16 SECTION 205 AND 206 FILINGS. Except as expressly provided in this Settlement Agreement, nothing contained herein shall be construed as affecting in any way the right of any of the Exelon Companies unilaterally to make an application of any type to the Commission to modify prospectively, in whole or in part, their Formula Rates under Section 205 of the FPA, or to oppose any filing made or action taken under Section 206 of the FPA. Except as expressly provided in this Settlement Agreement, nothing contained herein shall be construed as affecting in any way the right of the Commission, any Party, or any other entity to unilaterally make an application of any type to the Commission to modify prospectively, in whole or in part, the Formula Rates under Section 206 of the FPA, or to oppose any filing made under Section 205 of the FPA.

IN WITNESS WHEREOF, the Settling Parties execute this Settlement Agreement.

BALTIMORE GAS AND ELECTRIC CO.

By: Mark D. Case Date: 04/22/2020

COMMONWEALTH EDISON CO.

By: _____ Date: _____

ATLANTIC CITY ELECTRIC CO.; DELMARVA POWER & LIGHT CO.;
POTOMAC ELECTRIC POWER CO.,

By: _____ Date: _____

DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.

By: _____ Date: _____

MARYLAND OFFICE OF PEOPLE'S COUNSEL

By: _____ Date: _____

NEW JERSEY DIVISION OF RATE COUNSEL

By: _____ Date: _____

OFFICE OF THE PEOPLE'S COUNSEL OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

SOUTHERN MARYLAND ELECTRIC POWER COOPERATIVE, INC.

By: _____ Date: _____

IN WITNESS WHEREOF, the Settling Parties execute this Settlement Agreement.

BALTIMORE GAS AND ELECTRIC CO.

By: _____ Date: _____

COMMONWEALTH EDISON CO.

By: CAW Date: 4/22/20

ATLANTIC CITY ELECTRIC CO.; DELMARVA POWER & LIGHT CO.;
POTOMAC ELECTRIC POWER CO.,

By: _____ Date: _____

DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.

By: _____ Date: _____

MARYLAND OFFICE OF PEOPLE'S COUNSEL

By: _____ Date: _____

NEW JERSEY DIVISION OF RATE COUNSEL

By: _____ Date: _____

OFFICE OF THE PEOPLE'S COUNSEL OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

SOUTHERN MARYLAND ELECTRIC POWER COOPERATIVE, INC.

By: _____ Date: _____

IN WITNESS WHEREOF, the Settling Parties execute this Settlement Agreement.

BALTIMORE GAS AND ELECTRIC CO.

By: _____ Date: _____

COMMONWEALTH EDISON CO.

By: _____ Date: _____

ATLANTIC CITY ELECTRIC CO.; DELMARVA POWER & LIGHT CO.;
POTOMAC ELECTRIC POWER CO.,

By:  Date: _____

DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.

By: _____ Date: _____

MARYLAND OFFICE OF PEOPLE'S COUNSEL

By: _____ Date: _____

NEW JERSEY DIVISION OF RATE COUNSEL

By: _____ Date: _____

OFFICE OF THE PEOPLE'S COUNSEL OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

SOUTHERN MARYLAND ELECTRIC POWER COOPERATIVE, INC.

By: _____ Date: _____

IN WITNESS WHEREOF, the Settling Parties execute this Settlement Agreement.

BALTIMORE GAS AND ELECTRIC CO.

By: _____ Date: _____

COMMONWEALTH EDISON CO.

By: _____ Date: _____

ATLANTIC CITY ELECTRIC CO.; DELMARVA POWER & LIGHT CO.;
POTOMAC ELECTRIC POWER CO.,

By: _____ Date: _____

DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.

By:  Date: 4/22/2020

MARYLAND OFFICE OF PEOPLE'S COUNSEL

By: _____ Date: _____

NEW JERSEY DIVISION OF RATE COUNSEL

By: _____ Date: _____

OFFICE OF THE PEOPLE'S COUNSEL OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

SOUTHERN MARYLAND ELECTRIC POWER COOPERATIVE, INC.

By: _____ Date: _____

IN WITNESS WHEREOF, the Settling Parties execute this Settlement Agreement.

BALTIMORE GAS AND ELECTRIC CO.

By: _____ Date: _____

COMMONWEALTH EDISON CO.

By: _____ Date: _____

ATLANTIC CITY ELECTRIC CO.; DELMARVA POWER & LIGHT CO.;
POTOMAC ELECTRIC POWER CO.,

By: _____ Date: _____

DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.

By: _____ Date: _____

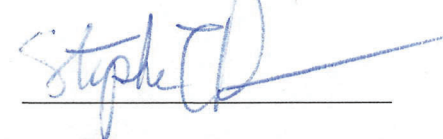
MARYLAND OFFICE OF PEOPLE'S COUNSEL

By: _____ Date: _____

NEW JERSEY DIVISION OF RATE COUNSEL

By:  _____ Date: 22-April-2020

OFFICE OF THE PEOPLE'S COUNSEL OF THE DISTRICT OF COLUMBIA

By:  _____ Date: 22-April-2020

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

SOUTHERN MARYLAND ELECTRIC POWER COOPERATIVE, INC.

By: _____ Date: _____

IN WITNESS WHEREOF, the Settling Parties execute this Settlement Agreement.

BALTIMORE GAS AND ELECTRIC CO.

By: _____ Date: _____

COMMONWEALTH EDISON CO.

By: _____ Date: _____

ATLANTIC CITY ELECTRIC CO.; DELMARVA POWER & LIGHT CO.,
POTOMAC ELECTRIC POWER CO.,

By: _____ Date: _____

DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.

By: _____ Date: _____

MARYLAND OFFICE OF PEOPLE'S COUNSEL

By: _____ Date: _____

NEW JERSEY DIVISION OF RATE COUNSEL

By: _____ Date: _____

OFFICE OF THE PEOPLE'S COUNSEL OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

PUBLIC SERVICE COMMISSION OF THE DISTRICT OF COLUMBIA

By: _____ Date: _____

SOUTHERN MARYLAND ELECTRIC POWER COOPERATIVE, INC.

By: Mark R. Mandryk Date: 04/22/2020

ATTACHMENT E
ER17-1519 PECO SETTLEMENT AGREEMENT
(WITHOUT SETTLEMENT ATTACHMENTS)

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.

)

Docket Nos. ER17-1519-000
ER17-1519-001

SETTLEMENT AGREEMENT

This Settlement Agreement (“Settlement Agreement”) is made pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.602 (2018), by and among PECO Energy Company (“PECO”), Pennsylvania Office of Consumer Advocate (“PAOCA”), and Philadelphia Area Industrial Energy Users Group (“PAIEUG”) (each a “Settling Party” and all collectively, the “Settling Parties”). The Settling Parties enter into the Settlement Agreement to resolve, upon the Commission’s approval of this Settlement Agreement without condition or modification unacceptable to the Settling Parties, all issues in Docket No. ER17-1519 and all sub-dockets thereto.

ARTICLE I

1.1 *Definitions.* The following terms have the meanings set forth herein:

“ADIT” means Accumulated Deferred Income Taxes.

“Attachment H-7” means pages 1 through 5 of the Formula Rate Template.

“ATRR” means the Annual Transmission Revenue Requirement.

“Formula Rate” means the provisions contained in Attachments H-7A (“Formula Rate Template”), H-7B (“MDTAC”), and H-7C (“Protocols”) of the PJM OATT.

“OATT ATT” means an Attachment to the PJM OATT.

“PA OCA” means Pennsylvania Office of Consumer Advocate.

“PAIEUG” means Philadelphia Area Industrial Energy Users Group.

“PECO” means PECO Energy Company.

“PJM” means PJM Interconnection, L.L.C.

“PJM OATT” means the PJM Open Access Transmission Tariff.

“Rate Moratorium Period” means the period December 1, 2017 through December 31, 2021.

“Settlement Effective Date” means the date the Settlement Agreement becomes effective in accordance with Section 3.3 of the Settlement Agreement.

ARTICLE II

2.1 *Tariff Records.* The Formula Rate is comprised of the following four tariff records:

- (a) OATT ATT H-7 (NITS Rate),
- (b) OATT ATT H-7A (Formula Rate Template),
- (c) OATT ATT H-7B (MDTAC), and
- (d) OATT ATT H-7C (Protocols).

The Settlement filing will include five tariff records, effective as follows:

- (a) OATT ATT H-7 (Version 4.0.0) will be effective December 1, 2017;
- (b) OATT ATT H-7A (Version 2.0.0) will be effective December 1, 2017;
- (c) OATT ATT H-7B (Version 1.0.0) will be effective December 1, 2017;
- (d) OATT ATT H-7A (Version 3.0.0) will be effective January 1, 2018; and

- (e) OATT ATT H-7C (Version 1.0.0) will be effective upon the effectiveness of the Settlement Agreement as set forth in Section 3.3 of the Settlement Agreement, such that it is being filed with a “to be determined” effective date of 12/31/9998.¹

The tariff records are being submitted by PJM through eTariff with this Settlement Agreement. The contents of the five tariff records are reflected in Exhibits A (NITS Rate), B-1 and B-2 (Formula Rate Templates), C (MDTAC), and D (Protocols) to this Settlement Agreement. Exhibits B-1, B-2 and C are live Excel spreadsheets. The eTariff filing also includes a Clean Tariff Attachment and Marked Tariff Attachment.

- 2.2 *Posting of Revised Rates.* No later than the first day of the first full month that begins at least 30 days after the Settlement Effective Date, PECO shall
- (i) recalculate the projected net revenue requirements posted by PECO on the PJM website and OASIS website on or about the May 15th immediately prior to the Settlement Effective Date, and (ii) post such recalculated projected net revenue requirements on the PJM website and OASIS. PECO shall perform such recalculation by applying the tariff terms as revised pursuant to the Settlement Agreement, which revisions are shown in redline form in the Marked Tariff Attachment to the eTariff filing. PECO will use such recalculated projected net revenue requirements in calculating the invoices rendered for PJM OATT

¹ This tariff record version will be replaced with a record with the appropriate effective date in a compliance filing to be made within 30 days of when the effective date is known.

transmission services provided beginning with the first full month that begins at least 30 days after the Settlement Effective Date, until such projected net revenue requirement is superseded by a new projected net revenue requirement calculation.

2.3 *Refunds for OATT ATT H-7A for December 2017.* PECO shall pay refunds to its transmission customers that pay the rate for Network Integration Transmission Service calculated in OATT ATT H-7A in the amounts provided under this Section 2.3 for the period December 1, 2017 through December 31, 2017. This stipulated amount of refunds is in lieu of, and explicitly includes, all refunds to which such transmission customers would be entitled (as well as any surcharges for which such transmission customers would be responsible) for the period December 1, 2017 through December 31, 2017 as a result of the effectiveness of the revised OATT ATT H-7A rates provided for in this Settlement Agreement. PECO will make such refunds by reducing on a pro rata basis the otherwise applicable Total Annual Revenue Requirements in OATT ATT H-7A, Attachment 1, column 14 in its next Annual Update after the Settlement Effective Date by \$985,093 (the “Fixed December 2017 Refund”), plus interest at the rate specified in 18 C.F.R. § 35.19a. Such interest will begin to accrue on June 1, 2019. The refund will be specifically identified in PECO’s Annual Update, which will include a notation to identify the credit.²

² For example, if the Settlement Effective Date is August 31, 2019, PECO will make refunds to its customers that pay the rate for Network Integration Transmission Service calculated in OATT ATT H-7A by reducing on a pro rata basis the otherwise applicable net revenue requirements in

2.4 *Surcharge for OATT ATT H-7B for December 2017.* PECO shall surcharge its transmission customers that pay the rate calculated in OATT ATT H-7B in the amounts provided under this Section 2.4 for the period December 1, 2017 through December 31, 2017. This stipulated amount of surcharge is in lieu of, and explicitly includes, all surcharges for which such transmission customers would be responsible (as well as any refunds to which such transmission customers would be entitled) for the period December 1, 2017 through December 31, 2017 as a result of the effectiveness of the revised OATT ATT H-7B rates provided for in this Settlement Agreement. PECO will apply such surcharge by increasing the otherwise applicable Annual Revenue Requirement in OATT ATT H-7B in its next Annual Update after the Settlement Effective Date by \$134,737, plus interest at the rate specified in 18 C.F.R. § 35.19a. Such interest will begin to accrue on June 1, 2019. The surcharge will be specifically identified in PECO's Annual Update, which will include a notation to identify the surcharge.

2.5 *Other Refunds and Surcharges.*

- (a) To the extent the rates that PECO charged for transmission service under OATT ATT H-7A of the PJM OATT for service provided between January 1, 2018 and the date the rates provided for in the Settlement Agreement are reflected in PECO's invoices pursuant to Section 2.2 are greater than the

its 2020 Annual Update for OATT ATT H-7A, Attachment 1 by the sum (a) the Fixed December 2017 Refund amount and (b) interest on the Fixed December 2017 Refund from June 1, 2019 until paid.

rates provided for in the Settlement Agreement, PECO will refund the difference to its PJM OATT transmission customers through the Annual Update process performed by May 31st of each year pursuant to PECO's Protocols, with interest on such refunds as provided in those Protocols. To the extent the rates that PECO charged for transmission service under OATT ATT H-7A of the PJM OATT for service provided between January 1, 2018 and the date the rates provided for in the Settlement Agreement are reflected in PECO's invoices pursuant to Section 2.2 are less than the rates provided for in the Settlement Agreement, PECO will surcharge the difference to its PJM OATT transmission customers through the Annual Update process performed by May 31st of each year pursuant to PECO's Protocols, with interest on such surcharges as provided in those Protocols. For the purposes of determining refunds or surcharges under 2.5(a) and per Section 2.2 above, PECO will revise its 2019 Annual Update and 2019 projected net revenue requirements³ consistent with the Settlement Formula Rate Template (OATT ATT H-7A)⁴ and relevant provisions of the Settlement Protocols (OATT ATT H-7C).⁵

- (b) To the extent the rates that PECO charged for transmission service under OATT ATT H-7B of the PJM OATT for service provided between January 1, 2018 and the date the rates provided for in the Settlement Agreement are

³ Section 2.2 above, filed May 10, 2019 in Docket No. ER17-1519.

⁴ Section 2.1 above.

⁵ Section 2.1 above.

reflected in PECO's invoices pursuant to Section 2.2 are greater than the rates provided for in the Settlement Agreement, PECO will refund the difference to its PJM OATT transmission customers through the Annual Update process performed by May 31st of each year pursuant to PECO's Protocols, with interest on such refunds as provided in those Protocols. To the extent the rates that PECO charged for transmission service under OATT ATT H-7B of the PJM OATT for service provided between December 1, 2017 and the date such rates are reflected in PECO's invoices pursuant to Section 2.2 are less than the rates provided for in the Settlement Agreement, PECO will surcharge the difference to its PJM OATT transmission customers through the Annual Update process performed by May 31st of each year pursuant to PECO's Protocols, with interest on such surcharges as provided in those Protocols. For the purposes of determining refunds or surcharges under 2.5(b) and per Section 2.2 above, PECO will revise its 2019 Annual Update and 2019 projected net revenue requirements⁶ consistent with the MDTAC (OATT ATT H-7B)⁷ and relevant provisions of the Settlement Protocols (OATT ATT H-7C).⁸

2.6 *ROE Provisions; Rate Moratorium.* The Tariff changes reflected in Exhibit B-1 and B-2 of this Settlement Agreement set the ROE at 10.35%, which consists of a base ROE of 9.85% and an RTO Participation Adder of 50 basis points. The

⁶ Section 2.2 above, filed May 10, 2019 in Docket No. ER17-1519.

⁷ Section 2.1 above.

⁸ Section 2.1 above.

Tariff changes reflected in Exhibits B-1 and B-2 of this Settlement Agreement also include a 55.75% cap on the equity percentage of PECO's capital structure ("common equity cap"), and provide that if the equity percentage of PECO's capital structure exceeds 55.75% such that it is subject to the common equity cap, the debt percentage of PECO's capital structure shall be increased by the amount by which the equity percentage of PECO's capital structure exceeds 55.75% ("debt offset provision"), so that the equity, preferred stock and debt percentages of PECO's capital structure total to 100%. The base ROE, common equity cap and debt offset provision shall not be subject to change during the ROE Moratorium Period, but shall be subject to change pursuant to sections 205 and 206 of the Federal Power Act ("FPA") thereafter. No Settling Party may submit a filing under section 205 or 206 of the FPA prior to December 31, 2021 to change the base ROE, common equity cap, or debt offset provision, nor may any Settling Party support such a request by another entity. Nothing in this Settlement Agreement shall preclude any party from filing a section 206 complaint challenging PECO's 50-basis point RTO Participation Adder at any time and nothing in this Settlement Agreement shall preclude other parties from opposing such filing. Nothing in this Settlement Agreement shall preclude PECO from making a filing under section 205 to seek approval of other ROE adders at any time, and nothing in this Settlement Agreement shall preclude other parties from protesting any such filing.

2.7 *Implementation of the Tax Cuts & Jobs Act of 2017.* As identified in PECO's Annual Update Informational Filing filed in Docket No. ER17-1519-000 on May 11, 2018, PECO's Formula Rate Template calculations reflect a 21 percent Federal corporate income tax rate effective January 1, 2018, consistent with the Tax Cuts & Jobs Act of 2017. That tax rate reduction affected the amount of excess/deficient deferred income tax amounts that shall be returned to, or collected from, customers. The Formula Rate Template includes in rate base a regulatory liability (rate base reduction) or regulatory asset (rate base increase) equal to the average unamortized balance of PECO's excess or deficient ADIT and reflects the amortization of such regulatory liability or regulatory asset. Attachment 9 to the Formula Rate Template requires PECO to state by category (Protected Property, Non-Protected Property and Non-Protected, Non-Property) the annual balances of the unamortized excess or deficient ADIT, the annual amortization amount and the time periods over which PECO will amortize each category of excess or deficient deferred income tax amounts, which are:

<u>Excess / Deficient ADIT Category</u>	<u>Balance as of December 31, 2017</u>	<u>Amortization Period</u>
Protected	Transmission: \$79,726,712; Electric General to be allocated between Distribution and Transmission: \$1,683,749; Common to be allocated between Distribution, Transmission and Gas: \$11,901,494	Average Rate Assumption Method (ARAM)
Non-Protected Property	\$16,962,821	7-year straight-line amortization

<u>Excess / Deficient ADIT Category</u>	<u>Balance as of December 31, 2017</u>	<u>Amortization Period</u>
Non-Protected, Non-Property	(\$260,021)	5-year straight-line amortization

For accounting purposes, the amortization of the excess or deficient ADIT shall begin on January 1, 2018. For purposes of the Formula Rate Template, the amortization shall be reflected as part of the true-up beginning in 2018. The Formula Rate Template requires PECO to include the unamortized balances of the excess or deficient ADIT categories and the monthly amortized amounts on Attachment 9 to the Formula Rate Template until the excess ADIT has been fully amortized.

2.8 *PECO's Prepaid Pension Asset.* The Formula Rate Template includes PECO's transmission-related Pension Asset as an adjustment to rate base (Attachment H-7, page 2, line 35). Attachment 10 to the Formula Rate Template provides that the adjustment to rate base for the transmission-related Pension Asset is capped at \$33 million. Attachment 10 to the Formula Rate Template provides that the \$33 million cap may not be changed absent Commission approval granted pursuant to section 205 or 206 of the FPA. The Formula Rate Template includes, as an adjustment to rate base, the transmission-related ADIT and unamortized net excess or deficient ADIT associated with the Pension Asset.

Attachment 10 to the Formula Rate Template includes an ATRR discount for sixty (60) percent of the return associated with the transmission-related Net Pension Asset (Pension Asset less ADIT and excess ADIT). Formula Rate

Template Attachment 10 reflects the impact of including the transmission-related Net Pension Asset in rate base and then computes the sixty (60) percent ATRR Discount on the transmission-related Net Pension Asset. The Formula Rate Template includes the Net Pension Asset ATRR Discount as a reduction to the revenue requirement (Formula Rate Template Attachment H-7, Page 3, Line 48a). Attachment 10 to the Formula Rate Template provides that the Pension Discount % may not be changed absent Commission approval granted pursuant to section 205 or 206 of the FPA.

In combination, these Formula Rate Template provisions provide for PECO to recover forty (40) percent of the ATRR associated with inclusion of the transmission-related Net Pension Asset in rate base, subject to the cap set forth in Formula Rate Template Attachment 10.

2.9 *MDTAC*. Attachment H-7B (MDTAC) includes only the income tax/(credit) for excess deferred income taxes in the MDTAC that is related to the current year. No income tax expense/(credit) will be included for prior year amounts that should have been recovered in prior periods, matching the costs of plant (*i.e.*, tax benefits from depreciation expense) to the periods that they are reflected in rates. The terms of Attachment H-7B limit the charge to network service customers that serve one or more end-use customers taking distribution service from PECO under its applicable tariff on file with the Pennsylvania Public Utility Commission.

2.10 *Annual Rate Credit*. PECO will provide an annual rate credit of \$850,000 each year for the period beginning January 1, 2018 and terminating on December 31,

2021. This credit shall be applied against the otherwise applicable Total Annual Revenue Requirements in OATT ATT H-7A, Attachment 1, column 15a on a pro rata basis.

2.11 *Depreciation.* Section IV.K of the Protocols provides that no later than March 31, 2020, and each March 31 thereafter, PECO shall submit a limited FPA section 205 filing to revise its depreciation rates for Accounts 352 through 359 and 390 through 398 and amortization rates for Account 303. The depreciation rates shall be consistent with PECO's recorded depreciation expense and gross plant balances for the immediately preceding year. PECO will propose to the Commission in such FPA section 205 filing that the new depreciation and amortization rates be made effective such that they will be used when PECO performs its next true-up calculation following such filing (e.g., for use by May 31, 2020 for the true up of 2019 rates in the case of the March 31, 2020 section 205 filing). Any party may oppose PECO's revised depreciation and amortization rates and/or its requested effective date. The Protocols provide that when, at least once every five years, PECO completes its depreciation study, it will file said study as part of the limited FPA section 205 filing to which such study relates.

2.12 *Service Company Costs.* Section II.F.7 of the Protocols requires PECO to include in each Annual Update a workpaper with a breakdown of the service company costs allocated to and incurred by PECO and recognized in its Annual FERC Form No. 1. The Protocols provide that this breakdown will show the service company costs allocated to and incurred by PECO by Uniform System of Accounts (USofA)

account number and expense item. The Protocols provide that this breakdown will be reconciled to: (1) Exelon Business Services Company (BSC)'s Annual Form 60, Schedule XVII – Analysis of Billing – Associate Companies (Account 457), Line 31 (or the equivalent line number should that line number change); and (2) the inputs included in the annual transmission Formula Rate Template.

2.13 *Adjustment to Income Tax Allowance (ITA) for Permanent Differences.* The Formula Rate Template includes, as an adjustment to the total income taxes included in the Formula Rate Template, the differences between PECO's income taxes due under the federal and state calculations and the income taxes calculated in the Formula Rate Template ("Permanent Differences") for the transmission-related portion of the following items: Equity AFUDC, meals and entertainment unrelated to charitable activities, non-deductible memberships unrelated to charitable activities, additional compensation to employee stock, and life insurance premiums. The Protocols require PECO to include in each Annual Update a workpaper that identifies and describes the amount of book depreciation expense associated with AFUDC Equity and its impact on income tax expense. The Formula Rate Template precludes PECO from adjusting its income tax allowance for the following items: dividend received deductions, equity in earnings of unconsolidated subsidiaries, and the rabbi trust. The Formula Rate Template requires Commission authorization under FPA Section 205 or 206 in order for PECO include any other Permanent Differences as an adjustment to the income tax allowance computation in the Formula Rate.

- 2.14 *Regulatory Assets.* The Formula Rate Template provides that PECO shall not include any regulatory assets in rate base nor collect amortization expense related to any regulatory assets without Commission approval granted pursuant to section 205 or 206 of the FPA.
- 2.15 *Unfunded Reserves.* The Formula Rate Template includes a reduction to rate base for the transmission-related portion of all unfunded reserves (funds collected from customers that (a) have not been set aside in a trust, escrow or restricted account, (b) whose balance is collective from customers through cost accruals to accounts that are recovered under the Formula Rate Template, and (c) whose balance is not offset by a balance sheet account).
- 2.16 *Capital Balances and Cost Calculations.* PECO's transmission Formula Rate Template utilizes 13-month average capital balances. Attachment 11 to Formula Rate Template provides that long-term debt interest expense shall include only the interest expense recorded in Account Nos. 427 to 430 associated with long-term debt, and exclude gains, losses and costs related to hedges. Attachment 10 and Attachment 5, Page 2 to the Formula Rate Template provide that the long-term debt rate calculation will incorporate the activity in Account Nos 427, 428, 428.1, 429, 429.1 and 430. Attachment 11 to the Formula Rate Template also includes a workpaper showing by USofA account the 13-monthly debt and capital balances utilized in Attachment 5, Page 2 to calculate the cost of long-term debt and capitalization structure.

2.17 *Administrative & General (A&G) Expenses.* Attachment 5B, Line 4 of the Formula Rate Template excludes the following A&G Expenses recorded in Account No. 923 and found at Form 1 323.184.b.: (1) amortization of CAP Shopping and Seamless Moves; (2) amortization of DSP IV Admin Costs; (3) Miscellaneous Advertising; (4) SEPA Solar Power Study; (5) PSU Sponsorship; (6) EU IT Prepaid Meter Assess O&M; and (7) Customer Operations AMI/CI O&M. Attachment 5B, Line 4 of the Formula Rate Template includes the following A&G Expenses listed in Account No. 923 and found at Form 1 323.184.b.: Communications, Public Advocacy and Corporate Relations and Government and Regulatory Affairs and Public Policy expenses. Attachment 5B, Lines 11 and 12, of the Formula Rate Template exclude EPRI Annual Membership Dues listed in Form 1 353.f, non-safety-related advertising included in Account No. 930.1 found at Form 1 323.191.b and Chamber of Commerce Dues and Civic Organization Expenses in Account No. 930.2 found at Form 1 323.192.b; and include the costs related to Project Cancellation Fees and Remediation Expenditures (provided, that with regard to the Metal Bank Superfund, PECO must include as a credit any receipts received from the EPA and/or obtained through litigation with the remediation contractors related to Metal Bank Superfund). Attachment 5B, Line 9 of the Formula Rate Template includes Regulatory Commission Expenses directly related to transmission service, ISO filings, or transmission siting itemized at Form 1 351.h and excludes all other Regulatory Commission Expenses itemized at Form 1 351.h.

- 2.18 *Additional Specific Changes to the Formula Rate.* In addition to the changes to the Formula Rate set forth above, the Settling Parties have agreed to additional specific changes to the Formula Rate, including the NITS Rate, Formula Rate Template, MDTAC, and Protocols. All such changes are reflected in Exhibits A (NITS Rate), B-1 and B-2 (Formula Rate Template), C (MDTAC), and D (Protocols) to this Settlement Agreement.
- 2.19 *Formula Rate Controls.* To the extent there are any differences between the description of the Formula Rate in this Settlement Agreement and the Formula Rate itself, the Formula Rate shall control.
- 2.20 *Reporting of Materials and Supplies in FERC Form 1.* Beginning with its 2019 Annual FERC Form No. 1 filing, and in all future years, PECO will report its Materials and Supplies balances on page 227 of its FERC Form No. 1s in accordance with applicable FERC Form No. 1 requirements as established by the Commission. No Settling Party is waiving its rights to contend what such requirements are or how they should be applied to PECO. The Formula Rate Template provides that the TLF recovery percentage and cap identified in the reference for column g (Materials and Supplies) to Attachment 4- Rate Base Worksheet in the Formula Rate Template, will be subject to modification only through Commission authorization under section 205 or section 206 of the Federal Power Act. For the period prior to 2019, PECO will pay no refunds for its inclusion in rate base of materials and supplies in the Formula Rate Template.

ARTICLE III

- 3.1 *Scope of the Agreement.* The Settlement Agreement constitutes the entire agreement among the Settling Parties with respect to the subject matter addressed herein, and supersedes any and all prior or contemporaneous representations, agreements, instruments and understandings between them, whether written or oral. There are no other oral understandings, terms, or conditions, and none of the Settling Parties has relied upon any representation, express or implied, not contained in the Settlement Agreement.
- 3.2 *Non-Severability.* The Settling Parties agree and understand that the various provisions of the Settlement Agreement are not severable and shall not become operative unless and until the Settlement Agreement and the revised tariff records provided for herein become effective as described in Section 3.3.
- 3.3 *Effectiveness of Settlement Agreement.*
- (a) When approved in its entirety without modification or condition, the Settlement Agreement shall become effective and shall resolve all issues and disputes in Docket No. ER17-1519 and all sub-dockets thereto, and such dockets shall be terminated. Consistent with Section 3.3(b), the Settlement Effective Date of this Settlement Agreement shall be: (i) the date on which the Commission issues an order approving this Settlement Agreement without modification or condition, or (ii) if the Commission issues an order conditioning or modifying the Settlement Agreement,

sixteen days after such order if no Settling Party gives notice pursuant to Section 3.3(b).

- (b) If the Commission approves this Settlement Agreement with conditions or modifications, any Settling Party shall have 15 days to notify the other Settling Parties in writing that it wishes to terminate the Settlement Agreement. If no Settling Party submits such notice, the Settlement Agreement shall become effective with the modifications or conditions imposed by FERC. If any Settling Party files such notice to terminate, this Settlement Agreement shall not become effective and shall be null and void, and no Settling Party shall be bound or prejudiced by any part of this Settlement Agreement.

- 3.4 *Rehearing Requests, Appeals and Orders.* In the event that any person or entity requests rehearing of an order by the FERC approving this Settlement Agreement, or takes a judicial appeal of FERC's order approving the Settlement Agreement, and FERC modifies or conditions the Settlement Agreement in any manner in an order on rehearing or as a result of a judicial appeal, the Settling Parties shall have all of the same rights as set forth in Section 3.3(b) to terminate the Settlement Agreement that would have applied if the Commission had modified or conditioned its approval of the Settlement Agreement in its original order on the Settlement Agreement.

- 3.5 *Reservations.* Notwithstanding the provisions of Sections 3.2 and 3.3, the provisions of Sections 3.7 and 3.8 shall become effective upon execution of the Settlement Agreement.
- 3.6 *No Precedent.* The Settlement Agreement is submitted pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602 (2018), and is inadmissible as evidence in any proceeding, except a proceeding involving a claim of breach of, or an effort to enforce, the Settlement Agreement. The Settlement Agreement does not establish any rule or "settled practice" as that term was interpreted in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980). It is further understood and agreed that this Settlement Agreement constitutes a negotiated agreement with multiple elements of consideration and, except as explicitly set forth herein, no Settling Party shall be deemed to have approved, accepted, agreed, or consented to any principle or position in this proceeding, and none of the provisions of this Settlement Agreement shall be cited or referred to by any party in any federal or state proceeding as establishing any precedent or settled practice.
- 3.7 *Settlement Discussions.* The discussions between and among the Settling Parties that have produced the Settlement Agreement have been conducted with the explicit understanding, pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602 (2018), that all offers of settlement and discussions relating thereto shall be privileged and confidential, shall be without prejudice to the position of any Settling Party or participant presenting any

such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any other proceeding, or otherwise, except to the extent necessary to enforce its terms.

- 3.8 *Further Assurances.* Each Settling Party shall cooperate with and support and shall not take any action inconsistent with: (i) the filing of the Settlement Agreement with the Commission, and (ii) efforts to obtain Commission acceptance or approval of the Settlement Agreement without change or condition. No Settling Party shall take any action that is inconsistent with the provisions of the Settlement Agreement. Without limitation of the foregoing, no Settling Party may submit a section 205 or 206 filing under the FPA to change PECO's base ROE while this Settlement Agreement is pending before the Commission for approval, nor may any Settling Party support such a request by another entity.
- 3.9 *Waiver.* No provision of the Settlement Agreement may be waived except through a writing signed by an authorized representative of all affected Settling Parties. Waiver of any particular provision of the Settlement Agreement shall not be deemed to waive any other provision or provisions hereof.
- 3.10 *Modifications/Standard of Review.* Unless the Settling Parties otherwise agree in writing, any modification to the Settlement Agreement proposed by one of the Settling Parties after the Settlement Agreement has become effective in accordance with Section 3.3 shall be subject to the "public interest" application of the just and reasonable standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission*

v. Sierra Pacific Power Co., 350 U.S. 348 (1956) (the *Mobile-Sierra* doctrine), as clarified in *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington*, 554 U.S. 527 (2008) and refined in *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 558 U.S. 165, 174-75 (2010). The standard of review for any modifications to the Settlement Agreement requested by a non-Settling Party or non-party or initiated by the Commission acting *sua sponte* will be the most stringent standard permissible under applicable law. See *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 558 U.S. 165, 174-75 (2010).


- 3.11 *Successors and Assigns.* The Settlement Agreement is binding upon and for the benefit of the Settling Parties and their successors and assigns.
- 3.12 *Captions and References to Sections.* The captions in the Settlement Agreement are for convenience of reference only and are not a part of the Settlement Agreement and do not in any way limit or amplify the terms and provisions of the Settlement Agreement and shall have no effect on its interpretation. Unless otherwise indicated, references to “Sections” in the Settlement Agreement refer to sections in the Settlement Agreement.
- 3.13 *Ambiguities Neutrally Construed.* The Settlement Agreement is the result of negotiations among, and has been reviewed by, each Settling Party and its respective counsel. Accordingly, the Settlement Agreement shall be deemed to be the product of each Settling Party, and no ambiguity shall be construed in favor of or against any Settling Party based on authorship of the Settlement Agreement.

- 3.14 *Authorization.* Each person executing the Settlement Agreement on behalf of a Settling Party represents and warrants that he or she is duly authorized and empowered to act on behalf of, and to authorize the Settlement Agreement to be executed on behalf of, the Settling Party that he or she represents.
- 3.15 *Effect of Settlement.* This Settlement Agreement shall operate as a full and final settlement, release, discharge, accord, and satisfaction of all disputes, claims, demands, liabilities, rights, and/or obligations of the Settling Parties generally and each individual Settling Party related to or arising out of the issues in Docket No. ER17-1519-000 and all sub-dockets thereto.
- 3.16 *Notices.* All notices, demands, and other communications hereunder shall be in writing and shall be delivered to each Settling Party's "Corporate Official" as found on the Commission's website at <http://www.ferc.gov/docs-filing/corp-off.asp> or the representative(s) of each Settling Party included on the official service lists in Docket Nos. ER17-1519-000 and ER17-1519-001.
- 3.17 *Counterparts.* The Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.
- 3.18 *Section 205 and 206 Filings.* Except as provided in Section 2.6 of this Settlement Agreement, nothing contained herein shall be construed as affecting in any way the right of PECO unilaterally to make an application of any type to the Commission to modify, in whole or in part, its Formula Rate under section 205 of the FPA or to oppose any filing made or action taken under section 206 of the

FPA. Except as provided in Section 2.6 of this Settlement Agreement, nothing contained herein shall be construed as affecting in any way the right of the Commission, any Settling Party, or any other entity to unilaterally make an application of any type to the Commission to modify, in whole or in part, PECO's Formula Rate under section 206 of the FPA, or to oppose any filing made under section 205 of the FPA.

IN WITNESS WHEREOF, the Settling Parties have caused the Settlement Agreement to be duly executed.

PECO Energy Company

By: 

Date: 7/12/19

Pennsylvania Office of Consumer Advocate

By: _____

Date: _____

Philadelphia Area Industrial Energy Users Group

By: _____

Date: _____

[Docket No. ER17-1519 Settlement Agreement – Signature Page]

IN WITNESS WHEREOF, the Settling Parties have caused the Settlement Agreement to be duly executed.

PECO Energy Company

By: _____ Date: _____

Pennsylvania Office of Consumer Advocate

By: Jam M. By Date: 7/12/2019

Philadelphia Area Industrial Energy Users Group

By: _____ Date: _____

[Docket No. ER17-1519 Settlement Agreement – Signature Page]

IN WITNESS WHEREOF, the Settling Parties have caused the Settlement Agreement to be duly executed.

PECO Energy Company

By: _____ Date: _____

Pennsylvania Office of Consumer Advocate

By: _____ Date: _____

Philadelphia Area Industrial Energy Users Group

By: Chris Pennington Date: 7/12/19

[Docket No. ER17-1519 Settlement Agreement – Signature Page]

ATTACHMENT F
Pepco POPULATED FORMULA

Schedule 1F (ADIT Remeasurement)

(Originally submitted in DOCKET NO.
ER09-1159 on May 15, 2020)

Tax Cuts and Jobs Act of 2017

Line	Detailed Description	Description	Category	ADIT - Pre Rate Change (December 31, 2017)				ADIT - Post Rate Change (December 31, 2017)				Deficient / (Excess) Deferred Income Taxes (December 31, 2017)										
				Federal Gross Timing Difference	Federal ADIT @ 35%	State ADIT	FIT on SIT	Total ADIT Balance	Federal Gross Timing Difference	Federal ADIT @ 21%	State ADIT	FIT on SIT	Total ADIT Balance	Rate Change Deferred Tax Impact	Non-Recoverable	Income Tax Regulatory Asset / Liability Deferred Taxes	Total ADIT Balance	Jurisdiction	Electric Transmission	Allocator	Transmission Allocated	FERC
(A)	(B)	(C)	(D)	(E) = (D) * 35%	(F)	(G) = (F) * 35%	(H) = (E) + (F) + (G)	(I)	(J) = (I) * 21%	(K)	(L) = (K) * 21%	(M) = (J) + (K) + (L)	(N) = (M) - (H)	(O)	(P)	(Q) = (N) - (O) - (P)	(R)	(S)	(T) = (U) + (Q) * (T)	(V)		
FERC Account 190 - Non-Current (Note A)																						
1	Accrued Payroll Taxes - Manual	Accrued Liabilities	Non-Property	\$ 21,272	\$ 185,140	\$ 40,202	\$ 211,272	\$ 528,972	\$ 110,844	\$ 40,202	\$ (6,442)	\$ 142,844	\$ 68,428	\$ -	\$ -	\$ 68,428	Labor	Yes	10.00%	\$ 6,904	190	
2	Other Current Liabilities - General	Accrued Liabilities	Non-Property	27,544,340	95,604,519	20,930,270	119,021,210	27,544,340	5,784,311	2,093,270	(43,808)	74,386,071	3,953,136	-	-	3,953,136	100% DC	Yes	10.00%	17,281	190	
3	Accrued Liab-Required Health Claims Reserve	Accrued Liabilities	Non-Property	1,324,025	4,634,402	1,024,624	5,683,027	1,324,025	278,241	101,624	(21,131)	1,717,273	171,273	-	-	171,273	Labor	Yes	10.00%	24,864	190	
4	Accrued Liab-General Liability	Accrued Liabilities	Non-Property	1,904,937	6,667,288	1,447,735	7,602,823	1,904,937	400,037	144,775	(30,403)	514,409	246,423	-	-	246,423	Labor	Yes	10.00%	24,864	190	
5	Accrued Liab-Auto Liability	Accrued Liabilities	Non-Property	301,988	1,056,696	222,951	1,279,647	301,988	63,417	(8,202)	81,549	39,065	-	-	39,065	Labor	Yes	10.00%	3,942	190		
6	Accrued Liabilities - Workers Comp - Long-term	Accrued Liabilities	Non-Property	54,335,782	19,024,524	4,131,030	23,155,554	54,335,782	11,414,714	1,413,030	(897,518)	14,878,225	7,331,464	-	-	7,331,464	Labor	Yes	10.00%	70,475	190	
7	Accrued Liabilities - Disability - Long-term	Accrued Liabilities	Non-Property	4,248,709	1,487,048	322,902	1,696,934	4,248,709	892,229	(67,809)	1,147,321	549,613	-	-	549,613	Labor	Yes	10.00%	55,456	190		
8	Accrued Liab-LTP	Accrued Liabilities	Non-Property	473,540	1,657,749	35,989	1,993,278	473,540	99,443	(35,989)	127,875	61,257	-	-	61,257	Labor	Yes	10.00%	6,181	190		
9	Accrued Liability - PHL Incentive Plan	Accrued Liabilities	Non-Property	7,429,389	2,640,286	564,634	2,869,206	7,429,389	1,590,172	(119,522)	2,006,222	981,066	-	-	981,066	Labor	Yes	10.00%	86,972	190		
10	Accrued Liab-Retentions	Accrued Liabilities	Non-Property	20,000	7,980	1,520	9,500	20,000	4,200	(319)	5,401	2,587	-	-	2,587	Labor	Yes	10.00%	261	190		
11	Accrued Severance	Accrued Liabilities	Non-Property	173,807	60,832	13,209	87,816	173,807	36,499	(13,209)	46,935	22,484	-	-	22,484	Labor	Yes	10.00%	2,269	190		
12	Accrued Liab-SEPP	Accrued Liabilities	Non-Property	9,934,917	3,934,917	299,946	4,234,863	9,934,917	2,028,312	(62,908)	1,902,508	939,008	-	457,648	1,464,860	100% DC	Yes	10.00%	51,359	190		
13	Accrued Liab-Sick Pay Carryover	Accrued Liabilities	Non-Property	7,680,551	2,883,103	583,722	3,066,825	7,680,551	1,672,916	(50,772)	2,042,056	993,556	-	-	993,556	Labor	Yes	10.00%	100,250	190		
14	Accrued Liab-Vacation	Accrued Liabilities	Non-Property	7,227,360	2,529,576	549,279	2,888,855	7,227,360	1,517,746	(549,279)	1,951,676	934,931	-	-	934,931	Labor	Yes	10.00%	94,335	190		
15	Deferred Credits-General	Accrued Liabilities	Non-Property	355,346	124,371	27,006	151,377	355,346	74,623	(6,671)	95,968	45,968	-	-	45,968	Labor	Yes	10.00%	4,638	190		
16	Deferred Credits-General (Mergers/Comments)	Accrued Liabilities	Non-Property	13,909,345	4,868,271	1,057,110	(989,989)	13,909,345	2,920,962	(221,993)	3,756,080	1,799,313	-	-	1,799,313	Labor	No	0.00%	-	190		
17	Deferred Credits-General (DC PLLIG)	Accrued Liabilities	Non-Property	160,000,000	56,000,000	12,600,000	(4,260,000)	160,000,000	33,600,000	(12,600,000)	(255,600,000)	20,897,600	-	-	20,897,600	100% DC	No	0.00%	-	190		
18	Deferred Liability - LTP - Non-Current	Accrued Liabilities	Non-Property	78,247	28,687	6,795	35,482	78,247	16,912	(1,217)	20,590	9,863	-	-	9,863	Labor	Yes	10.00%	995	190		
19	Payroll Taxes 48(a)	Accrued Liabilities	Non-Property	(285,855)	(100,449)	(21,725)	(7,604)	(285,855)	(60,030)	4,562	(36,978)	(27,416)	-	-	(27,416)	Labor	Yes	10.00%	(3,731)	190		
20	Provision for Uncollectible Accounts-Spec Billing	Allowance for Doubtful Accounts	Non-Property	885,155	309,804	67,272	(23,545)	309,804	67,272	(14,127)	239,027	114,504	-	-	114,504	Labor	No	0.00%	-	190		
21	Provision for Uncollectible Accounts - MD	Allowance for Doubtful Accounts	Non-Property	8,906,260	3,082,247	624,247	(3,517,232)	8,906,260	1,949,321	(140,546)	2,378,260	1,139,182	-	-	1,139,182	Labor	No	0.00%	-	190		
22	Provision for Uncollectible Accounts - DC Retail	Allowance for Doubtful Accounts	Non-Property	2,476,538	837,665	(188,183)	(2,825,570)	2,476,538	1,485,653	(537,665)	(112,910)	1,910,408	915,162	-	-	915,162	100% DC	No	0.00%	-	190	
23	Provision for Uncollectible PDR - Pepco DC	Allowance for Doubtful Accounts	Non-Property	860,801	191,260	(86,941)	(1,005,120)	860,801	191,260	(528,481)	(40,165)	679,576	325,544	-	-	325,544	100% DC	No	0.00%	-	190	
24	Provision for Uncollectible PDR - Pepco MD	Allowance for Doubtful Accounts	Non-Property	773,427	167,944	(68,780)	(846,066)	773,427	2,208,792	(464,066)	(35,268)	986,732	285,869	-	-	285,869	100% MD	No	0.00%	-	190	
25	MD Capital Loss Carryforward	Capital Loss Limitation	Non-Property	-	12,533	(3,022)	8,511	-	12,533	(2,632)	9,901	(1,755)	-	-	(1,755)	Labor	No	0.00%	-	190		
26	Federal Charitable Contribution Carryforward	Charitable Contribution Carryforward	Non-Property	12,748,541	4,461,989	2,744,146	(14,787,194)	12,748,541	2,677,194	(2,677,194)	2,677,194	2,677,194	-	-	2,677,194	Labor	No	0.00%	-	190		
27	Maryland Charitable Contribution Carryforward	Charitable Contribution Carryforward	Non-Property	-	626,545	(129,291)	(497,254)	-	626,545	(131,574)	494,971	(87,718)	-	-	(87,718)	Labor	No	0.00%	-	190		
28	DC Charitable Contribution Carryforward	Charitable Contribution Carryforward	Non-Property	-	438,135	(153,347)	(284,788)	-	438,135	(92,006)	346,127	(61,339)	-	-	(61,339)	Labor	No	0.00%	-	190		
29	Acc Liab - Deferred Comp LT - Old Plans	Deferred Compensation	Non-Property	1,171,498	3,178,708	666,899	4,023,915	1,171,498	666,899	(84,474)	847,568	410,810	-	-	410,810	Labor	Yes	10.00%	41,451	190		
30	Acc Liab - Deferred Comp LT - Active Plans	Deferred Compensation	Non-Property	771,974	270,191	58,670	(308,326)	771,974	162,115	(1,680)	208,464	99,863	-	-	99,863	Labor	Yes	10.00%	10,076	190		
31	Other Special Funds-Deferred Comp	Deferred Compensation	Non-Property	(22,102)	(7,738)	(1,680)	(8,288)	(22,102)	(4,641)	(1,680)	353	(2,859)	-	-	(2,859)	Labor	No	0.00%	-	190		
32	Accrued Liab-Environmental Expense	Environmental Expense	Non-Property	26,684,952	9,293,423	2,028,056	(10,687,970)	26,684,952	5,208,056	(42,862)	7,206,004	3,611,966	-	-	3,611,966	Labor	Yes	10.00%	345,956	190		
33	Accrued Liab-Other	FAS 106 OPEB Adjustment	Non-Property	36,501,922	12,775,673	2,774,146	(14,787,194)	36,501,922	7,665,404	2,774,146	(582,571)	9,856,979	4,721,889	-	-	4,721,889	Labor	Yes	10.00%	478,439	190	
34	FIN 48 Interest Payable-MD-Non-Current	Interest on Contingent Taxes	Non-Property	305,637	109,673	23,228	(122,071)	305,637	84,184	(8,478)	82,534	39,537	-	-	39,537	Labor	No	0.00%	-	190		
35	Mergers/Comments-Deferred	Mergers/Comments-Deferred	Non-Property	789,383	283,983	(20,983)	(809,383)	789,383	165,170	(12,586)	102,115	450,837	-	-	450,837	Labor	Yes	10.00%	(51,207,269)	190		
36	Mergers/Comments-DC-Current	Mergers/Comments-Deferred	Non-Property	2,068,548	723,991	157,209	(55,023)	2,068,548	434,395	(3,014)	558,590	267,587	-	-	267,587	Labor	No	0.00%	-	190		
37	Mergers/Comments	Mergers/Comments-Deferred	Non-Property	9,120,596	3,192,208	693,165	(2,420,028)	9,120,596	1,915,325	(145,565)	2,060,890	1,179,840	-	-	1,179,840	Labor	No	0.00%	-	190		
38	Accrued Charitable Contributions-MD-Non-Current	Mergers/Comments-Deferred	Non-Property	2,424,123	836,249	181,324	(958,896)	2,424,123	514,249	(21,433)	535,682	278,498	-	-	278,498	Labor	No	0.00%	-	190		
39	Accrued Charitable Contributions-DC-Non-Current	Mergers/Comments-Deferred	Non-Property	14,115,127	4,940,295	1,072,570	(5,017,867)	14,115,127	2,964,177	(1,072,570)	(225,277)	3,811,649	1,825,933	-	-	1,825,933	Labor	No	0.00%	-	190	
40	Use Tax Payable-DC	Other 100 Deferred Taxes	Non-Property	701,192	244,617	53,291	(186,026)	701,192	147,250	(53,291)	193,959	90,706	-	-	90,706	100% DC	No	0.00%	-	190		
41	Other Term Liabilities	Other 100 Deferred Taxes	Non-Property	2,500,000	875,000	190,000	(695,000)	2,500,000	525,000	(190,000)	335,000	323,400	-	-	323,400	100% DC	No	0.00%	-	190		
42	Federal State Income Taxes Deductible	Other 100 Deferred Taxes	Non-Property	2,958,146	1,035,701	229,441	(806,260)	2,958,146	621,421	(229,441)	414,280	414,280	-	-	414,280	Labor	Yes	10.00%	41,801	190		
43	Maryland 1/1/2000 Basis Carryforward	Regulatory Liabilities	Non-Property	3,485,135	1,219,737	363,053	(1,156,684)	3,485,135	731,878	(363,053)	3,851,826	(908,221)	-	-	(908,221)	Plant	Yes	13.20%	(88,024)	190		
44	Asset Retirement Obligations	Regulatory Liabilities	Non-Property	(1,174,974)	(3,357,069)	(1,174,974)	(5,696,917)	(1,174,974)	(3,357,069)	(1,174,974)	(5,696,917)	(5,696,917)	-	-	(5,696,917)	Plant	Yes	13.20%	(51,207,269)	190		
45	Other Regulatory Liability - General	Regulatory Liabilities	Non-Property	3,485,135	1,219,737	363,053	(1,156,684)	3,485,135	731,878	(363,053)	3,851,826	(908,221)	-	-	(908,221)	Labor	No	0.00%	-	190		
46	OH Reg Liab-Asset Retirement-Electric	Regulatory Liabilities	Non-Property	(2,485,135)	(7,030,270)	(2,485,135)	(12,545,570)	(2,485,135)	(7,030,270)	(2,485,135)	(12,545,570)	(12,545,570)	-	-	(12,545,570)	Labor	No	0.00%	-	190		
47	Reg Liab-Asset Retirement-Electric	Regulatory Liabilities	Non-Property	74,130	259,399	58,546	(200,853)	74,130	158,854	(58,546)	174,408	85,812	-	-	85,812	Labor	No	0.00%	-	190		
48	Regulatory Liabilities-MD Grid Reliability Charge	Regulatory Liabilities	Non-Property	3,485,135	1,219,737	363,053	(1,156,684)	3,485,135	731,878	(363,053)	3,851,826	(908,221)	-	-	(908,221)	Labor	No	0.00%	-	190		
49																						