PECO ENERGY COMPANY (“PECO”)

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

2022 FORMULA RATE UPDATE Docket No. ER17-1519

January 23, 2023

In accordance with PECO Energy Company’s (“PECO”) Formula Rate Implementation Protocols set forth in its Attachment H-7C, the Philadelphia Area Industrial Energy Users Group (“PAIEUG”) hereby submits its Preliminary Challenges pertaining to PECO’s May 27, 2022 Informational Filing of its 2022 Formula Rate Annual Update in FERC Docket No. ER17-1519 (“2022 Update”).

These Preliminary Challenges are divided into two sections. In Section A, PAIEUG describes items that PAIEUG understands have been resolved by way of PECO responses to certain of PAIEUG’s discovery requests. To the extent PECO disagrees that those items are resolved, PAIEUG asserts its challenge to them. In Section B, PAIEUG describes issues to which it raises challenge with respect to PECO’s 2022 Update.

A. RESOLVED ISSUES

PAIEUG PC-1 Spinoff Costs Included in Formula Rate

In reference to PECO’s response to PAIEUG-I-9, PECO stated the following, “$1,212,630 of the $9,693,736 of spinoff costs charged to FERC Account 923 were inadvertently included in the 2021 transmission formula rate. PECO will incorporate the impact of this revision, which is a $122,129 decrease to the 2021 revenue requirement, in the next Annual Update filing with interest.” (See also related PC#4 below)

PAIEUG PC-2 Misattributed Lobbying Expenses

In reference to PECO’s response to PAIEUG-I-54, PECO stated that it, “determined that a portion of the EEI Utility Solid Waste Activities Group (USWAG) membership dues was attributable to lobbying activities. The 2021 amount attributable to lobbying of $234 was recorded in error to A&G Account 930.2 and should have been recorded below the line in Account 426.4. PECO will incorporate the impact of the revision, which is a $24 decrease to the 2021 revenue requirement, in the next Annual Update filing with interest.”

PAIEUG PC-3 Understated ADIT Balance

In reference to PECO’s response to PAIEUG-I-137, PECO stated that, “ADIT of $254,230 should be included in “Gas, Prod Retail or Other Related” as the underlying liability balance that gives rise to the ADIT balance is excluded from rate base. PECO will incorporate the impact of the revision, which is a $2,188 decrease to the 2021 revenue requirement, in the next Annual Update filing with interest.”

B. UNRESOLVED ISSUES

PAIEUG PC-4 Understated Short-term Debt Balance and Over-accrued AFUDC

In reference to PECO’s response to PAIEUG-I-13 and PAIEUG-I-20, PECO stated the following, “[T]he balance of Short-Term Debt used in the 2021 AFUDC rate calculation was $4.33 million. Per the Attachment PAIEUG 1-20(a), the average Short-Term Debt balance for 2019 that should have been used was $10.67 million. An estimate of the over-accrued AFUDC was derived to calculate the impact to rate base in the 2021 true-up. When applying the difference in monthly AFUDC rate calculated above to the Transmission portion of AFUDC-eligible CWIP that was also placed in-service and therefore included in rate base, PECO estimates the over-accrued AFUDC included in the 2021 Annual True-up to be $351,968. As such, PECO proposes a one-time refund for the calculated impact to rate base and the revenue requirement, and will incorporate the change, which is a $2,626 decrease to the 2021 revenue requirement, in the next Annual Update filing with interest.”

PECO’s assessment of this over accrual as it relates to 2021 does not take into account (i) the over accrual of AFUDC related to CWIP balances for other functional types of AFUDC-eligible CWIP, such as, intangible or general plant, included in the transmission formula rate inputs, (ii) the over accrual of AFUDC related to AFUDC-Eligible CWIP balances for distribution that is used in the development of plant allocators in the transmission formula rate, and (iii) the over accrual included in plant in service over the depreciable life both as a component of rate base and as a component of depreciable expense for the depreciable life of the affected plant additions and therefore will affect future annual updates. PAIEUG challenges only providing a one-time credit and requests that PECO correct its books for the over accrual for this accounting error for all functional categories of AFUDC-eligible CWIP, provide its correcting journal entries, and include supporting documentation in a workable Excel spreadsheet for the $351,968 amount.

PAIEUG PC-5 Inclusion of Depreciation Expenses from Service Company on PECO’s Books

In reference to PECO’s response to data requests PAIEUG-I-10 and PAIEUG-I-11 with regard to the amounts recorded in Account 403-403.1 (Depreciation Expense) and Account 404-405 (Amortization Expense) in the Q4 -2021 Form 60 of EBSC, the data requests asked PECO to provide the complete calculation of the reported amounts for depreciation expense and amortization expense for 2021 on the most detailed account basis available. The data requests also asked for a year-over-year calculation of each service company’s Account 108 and Account 111 for each of the past three years and, PHISCO and EBSC depreciation expense amounts allocated to PECO and recorded in 2021, by FERC account. In addition, PAIEUG requested supporting documentation as to how the amounts were derived, including any assumptions or allocations utilized. PECO responded that "Given that this request pertains to the Form 60 and addresses Service Company depreciation and amortization, this information is beyond the scope of PECO's Annual Formula Rate filing." PAIEUG challenges these amounts given the fact that PECO responded that it has recorded this depreciation on its books and PAIEUG believes it is unreasonable to claim that it's beyond the scope of the rate filing when the expenses are charged through the transmission rate. PAIEUG requests that PECO provide the source of the rates, if reported anywhere, and how those rates were calculated, including parameters (i.e. life, net salvage) and depreciation technique used (i.e. remaining life, whole life).

PAIEUG PC-6 Inclusion of Depreciation Expenses from Service Company on PECO's Books in CWIP

In reference to data requests PAIEUG-I-10 and PAIEUG-I-12 with regard to the amounts recorded in Account 403-403.1 (Depreciation Expense), PECO's response to PAIEUG-I-12 states that "PHISCO and EBSC did not allocate to PECO in 2021 depreciation expense for any period in which the assets remained in CWIP." Yet, Attachment PAIEUG-1-10(a) shows $1,386 allocated to PECO's FERC Account 107 – Construction Work in Progress. PAIEUG challenges this amount as being inappropriate, as FERC does not allow for depreciation expense to be incurred on Construction Work in Progress unless the utility has filed for allowance for CWIP to be included in rate base.

PAIEUG PC-7 Improper Costs Associated with PECO's Smart Meter Operations Included in Rates.

In reference to PECO's response to PAIEUG-I-24, PECO stated that its "Smart Meter Operations are related to PECO's AMI System which is compliant with the requirements specified in PA Act 129 of 2008. This Act applies to all of PECO's electric customers." After reviewing PA Act 129, PECO's interpretation that this Act applies to all electric customers. The relevant section of Act 129[1] only applies to "Electric Distribution Companies," which are defined in §2803 of the Pennsylvania Consolidated Statutes as "A public utility providing facilities for the jurisdictional transmission and distribution of electricity **to retail customers**." Accordingly, PAIEUG challenges the inclusion of Smart Meter Operations expenses in the wholesale transmission formula rate as it supports PECO's retail customers.

PAIEUG PC-8 Spinoff Costs Included in Formula Rate

In reference to PECO's response to PAIEUG-I-9, PECO stated the following, "$1,212,630 of the $9,693,736 of spinoff costs charged to FERC Account 923 were

[1] https://www.puc.pa.gov/electric/pdf/Act129/HB2200-Act129_Bill.pdf, specifically Section 2.

inadvertently included in the 2021 transmission formula rate. PECO will incorporate the impact of this revision, which is a $122,129 decrease to the 2021 revenue requirement, in the next Annual Update filing with interest." However, when reviewing PECO's response to PAIEUG I-147, Attachment PAIEUG-1-147(a), Column "Proj – Descr," entries with the term "CTA" in the label total $2,837,147 that are included in Account 923. PAIEUG challenges the difference of $1,624,517 included in Account 923. To the extent that these costs represent other merger or acquisition activities, PAIEUG challenges these types of costs without approval for recovery from FERC.

PAIEUG PC-9 Incorrect Quarterly Updates to AFUDC Rate Calculations.

Please refer to PECO's responses to PAIEUG-1-17 Attachment "PAIEUG-I-17(a)," and "PAIEUG 1-23" on the computation of PECO's 2021 allowance for funds used during construction ("AFUDC") rates for each calendar quarter of 2021. In the quarterly AFUDC calculations for the 2nd, 3rd, and 4th calendar quarters, PECO's inputs for the balance of Long-Term Debt "D", Long-Term Debt cost rate "d", and the balance of Common Equity "C" were changed from those used in the calculation of the AFUDC rate for the 1st calendar quarter. The Commission's AFUDC regulations (Electric Plant Instruction No. 3(17), 18 C.F.R. Part 101 (2022)) require that the balances of Long-Term Debt and Common Equity "shall be the actual book balances as of the end of the prior year" and the Long-Term Debt cost rate shall be based on the Long-Term Debt as of the end of the prior year. (Electric Plant Instruction No. 3(17)(b).) PECO has not provided any waivers from FERC allowing for the "D", "C", and "d" inputs to be computed on a basis that differs from Electric Plant Instruction No. 2(17). PAIEUG challenges PECO's 2021 AFUDC rate calculations as they were not computed in the manner prescribed by the Commission's AFUDC regulations.

PAIEUG PC-10 Potential Impermissible Gas Operations Expenses Included in Account 923

In reference to PECO's response to PAIEUG I-147, Attachment "PAIEUG-I-147(a)," Column FERC ID entries in Account 923 under the Column "Proj – Descr" that state "EU GIS Elec/Gas Impl O&M" in the amount of $416,815, to the extent that PECO has included the portion related to Gas Operations expenses, PAIEUG challenges the inclusion of such expenses, as the expenses associated with these activities are impermissible to be included in rates.

PAIEUG PC-11 Impermissible Gas Operations Expenses Included in Account 923

In reference to PECO's response to PAIEUG I-147, Attachment PAIEUG-I-147(a), Column FERC ID entries in Account 923 under the Column "Proj – Descr" that state "EU Load Forecast Gas O&M" in the amount of $10,416, PAIEUG challenges the inclusion of such expenses, as the expenses are 100% associated with gas and inappropriately included, as these activities are impermissible to be included in rates.

PAIEUG PC-12 Customer Account and Service Expenses Inappropriately Recorded in Account 923

In reference to PECO’s response to PAIEUG I-147, Attachment “PAIEUG-I-147(a),” Column FERC ID entries in Account 923 under the Column “Proj – Descr” that state “High Bill Case Management O&M” in the amount of $6,660, PECO has included expenses associated with uncollectible accounts for retail customers in Account 923. Account 923 specifies that “This account shall include the fees and expenses of professional consultants and others for general services which are **not applicable** to a particular operating function or to other accounts.” Since these operations can be directly attributed the distribution function (specifically customer accounts), PECO should have directly assigned these expenses to a Customer Account (901 through 910). For the foregoing reasons, PAIEUG challenges the inclusion of these expenses in the transmission formula rate.

PAIEUG PC-13 PECO Has Failed to Include PBOP Unfunded Reserves as an Offset to Rate Base

In reference to PECO’s response to PAIEUG-I-81, “Attachment PAIEUG-I-80(a),” PECO has not provided supporting documentation that the funds associated with the PBOPs balances in FERC Account 228.3 are held in a “trust,” “escrow” or “restricted” account. The FERC USoA instructions to Account 228.3 states that “Note: If employee pension or benefit plan funds are not included among the assets of the utility but **are held by outside trustees**, payments into such funds, or accruals therefor, **shall not be included** in this account.” Therefore, in accordance with the instructions, PAIEUG assumes that any balance recorded in Account 228.3 represents amounts that are not yet included in a trust and therefore eligible to be included as an unfunded reserve. This balance appears to have been funded through customers’ rates (*i.e.* customer contributed capital) and therefore should be included in Unfunded Reserves. The 13-month average balance of $286.587 million should be multiplied by the 76.97% electric/Tot Company allocator and then allocated based on the 9.95% W&S allocator to transmission on “4-Rate Base.”

PAIEUG PC-14 PECO Has Failed to Include FASB 112 Unfunded Reserves as an Offset to Rate Base

In reference to PECO’s response to PAIEUG-I-81, “Attachment PAIEUG-I-80(a),” PECO has not provided supporting documentation that the funds associated with the FASB 112 Liability balances in FERC Account 228.3 are held in a “trust,” “escrow” or “restricted” account. The FERC USoA instructions to Account 228.3 states that “Note: If employee pension or benefit plan funds are not included among the assets of the utility but **are held by outside trustees**, payments into such funds, or accruals therefor, **shall not be included** in this account.” Therefore, in accordance with the instructions, PAIEUG assumes that any balance recorded in Account 228.3 represents amounts that are not yet included in a trust and therefore eligible to be included as an unfunded reserve. This balance appears to have been funded through customers' rates (*i.e.* customer contributed capital) and therefore should be included in Unfunded Reserves. The 13-month average balance of $7.188 million should be multiplied by the 76.97% electric/Tot Company allocator and then allocated based on the 9.95% W&S allocator to transmission on "4-Rate Base."

PAIEUG PC-15 PECO Has Failed to Include Deferred Comp Plan – Level 2 Unfunded Reserves as an Offset to Rate Base

In reference to PECO's response to PAIEUG-I-81, "Attachment PAIEUG-I-80(a)," PECO has not provided supporting documentation that the funds associated with the Deferred Comp Plan – Level 2 balances in FERC Account 228.3 are held in a "trust," "escrow" or "restricted" account. The FERC USoA instructions to Account 228.3 states that "Note: If employee pension or benefit plan funds are not included among the assets of the utility but **are held by outside trustees**, payments into such funds, or accruals therefor, **shall not be included** in this account." Therefore, in accordance with the instructions, PAIEUG assumes that any balance recorded in Account 228.3 represents amounts that are not yet included in a trust and therefore eligible to be included as an unfunded reserve. These balances appear to be similar to other reserves included in the transmission formula rate, such as the long-term incentive plans and management retention incentive plans. It is unclear why PECO believe this deferred compensation plan is any different. This balance appears to have been funded through customers' rates (*i.e.* customer contributed capital) and therefore should be included in Unfunded Reserves. The 13-month average balance of $6.778 million should be multiplied by the 76.97% electric/Tot Company allocator and then allocated based on the 9.95% W&S allocator to transmission on "4-Rate Base."

PAIEUG PC-16 Advance Metering Infrastructure Assets Inappropriately Included in Account 397

In reference to PECO's response to PAIEUG-I-105, Attachment "PAIEUG-I-105(a)," PECO has included the following AMI asset in Account 397 – Communication Equipment, Excel Row 6 – SPM900MN1 – AMI-DA Network SPM900 Power Monitors in the amount of $1,082,746. FERC has addressed these types of assets and expenses in its review of San Diego Gas & Electric Company's ("SDG&E") EV Charging Stations and an Electric Vehicle-Grid Integration Pilot Program. In SDG&E Docket No. FA19-3, FERC audit staff compared SDG&E's EV Charging Stations to smart meters (*i.e.*, AMI meters). The Division of Audits and Accounting (DAA) within the Office of Enforcement of the Commission made the following statements:

> The EV charging stations are made of several components that include hardware and software that facilitate retail end-use customer access to a low voltage power supply with control and monitoring oversight by SDG&E. The control and monitoring capabilities of the EV charging stations are similar in operation and function to utility smart meters. Given the nature of the assets and their control and monitoring capabilities, audit staff believes that the EV charging stations are more appropriately recorded to Account 370, Meter or Account 371 than Account 398. Account 370 provides for recording the cost of meters, and Account 371 provides for recording the cost of equipment on the customers' side of meters. Accordingly, SDG&E may decide to use one or both accounts to record components of the assets or record the assets in a subaccount of a single account and must maintain records to support the cost and depreciation of the assets.

Pursuant to Section 168 of the Internal Revenue Code ("IRC"), the Internal Revenue Commission considers the qualified smart electric meters *and their related communication equipment* to be a single asset, defined as a "smart electric meter" with a class life of not less than 10-years. The Internal Revenue Code Section 168(i)(18) **Qualified smart electric meters** states as follows:

(A) **In general.** – The term "qualified smart electric meter" means any smart electric meter which –

- **(i)** is placed in service by a taxpayer who is a supplier of electric energy or a provider of electric energy services, and
- **(ii)** does not have a class life (determined without regard to subsection (e)) of less than 10 years.

(B) **Smart electric meter.** For purposes of subparagraph (A), **the term "smart electric meter" means any time based meter and related communication equipment** which is capable of being used by the tax payer as part of a system that – [Bold Added]

- **(iii)** measures and records electricity usage data on a time-differentiated basis in at least 24 separate time segments per day,
- **(iv)** provides for the exchange of information between supplier or provider and the customer's electric meter in support of time-based rates or other forms of demand response,
- **(v)** provides data to such supplier or provided so that the supplier or provider can provide energy usage information to customers electronically, and
- **(vi)** provides net metering.

For the foregoing reasons, PAIEUG challenges PECO's inclusion of these assets in Account 397 rather than to Account 370 or 371.

PAIEUG PC-17 Inappropriate Recovery of ARO settlements from a Regulatory Asset to Transmission Accumulated Depreciation Without Commission Authorization

In reference to PECO's response to PAIEUG I-107 PECO stated, "The ARO settlements are recorded to 108000 - Accumulated Provision for Depreciation of Electric Plant in Service. See below for the amounts recorded by function."

FERC Account	Function	Amount
108000	Distribution	$698,626
108000	Transmission	14,335
		$712,961

PECO also stated, "$14,335 related to Transmission were included in the formula rate template." However, under Order No. 631 and subsequent precedent, AROs are not allowed to be included in formula rate billings unless FERC authorizes rate recovery. Furthermore, Attachment 4 – Rate Base, Note J, which applies to accumulated depreciation, states "Excludes ARO amounts." PECO does not appear to have received FERC approval for the regulatory asset or the recovery of ARO prior to putting these amounts in the transmission formula rate nor does PECO's tariff allow for the recovery of ARO. For the foregoing reasons, PAIEUG challenges inclusion of ARO costs in rates.

PAIEUG PC-18 Potential Mutual Assistance in Account 926 or A&G Accounts or Account 408.1 Without Offsetting Revenues

In reference to PECO's response to PAIEUG I-120, PECO indicates that the mutual assistance expenses and revenues are recorded to distribution accounts. However, to the extent that PECO has included amounts related to mutual assistance labor benefits in Account 926 or any other benefits included in A&G accounts and/or taxes in Account 408.1 without providing the respective revenue as an offset to rates, PAIEUG challenges PECO's inclusion of such expenses.

PAIEUG PC-19 Non-responsive Data for Account 921 – Office Supplies and Expenses

In reference to PECO's response to PAIEUG I-122, Attachment PAIEUG-I-122(a), PECO did not provide the detailed journal entries as requested. The lack of data provided did not allow PAIEUG to fully review these expenses. (See PECO's response to last year's PAIEUG I-97 for an example of a more detailed response.) Therefore, PAIEUG challenges the expenses included in this account until this detail is provided.

PAIEUG PC-20 Impermissible Lobbying, Political or Civic Type Expenses Included in Account 921

In reference to PECO's response to PAIEUG I-122, Attachment "PAIEUG-I-122(a)," Column Project, PECO has included the following expenses associated with [GOVAFOTHR] Misc. costs-Governm. Affairs in the amount of $88,469.88 in Account 921. These expenses appear to be related to lobbying, political or civic expenses that should be recorded to Account 426.1 - Expenditures for Certain Civic, Political and Related Activities. For the foregoing reasons, PAIEUG challenges the inclusion of these types of expenses in the formula rate template.

PAIEUG PC-21 Impermissible Social, Charitable or Community Welfare Expenses Recorded in Account 921

In reference to PECO's response to PAIEUG I-122, Attachment "PAIEUG-I-122(a), Column Project, PECO has included the following social, charitable or community welfare type expenses in Account 921. These expenses should be recorded Account 426.1 per the FERC USoA. For the foregoing reasons, PAIEUG challenges the inclusion of these expenses in the formula rate template.

a. [EXRLPSTOA] - Toast Masters in the amount of $2,005.18

b. [EXRLUNITE] - Corp Relations United Way Cost in the amount of $12,133.59

c. [EXRLVOLUN] - Corp Relations Volunteer Costs in the amount of $44,359.23

PAIEUG PC-22 Impermissible Advertising Expenses or Public Affairs Recorded in Account 921

In reference to PECO's response to PAIEUG I-122, Attachment "PAIEUG-I-122(a), Column Project, PECO has included the following marketing and advertising type expenses in Account 921. These expenses should be recorded Account 426.4 or 930.1 per the FERC USoA. For the foregoing reasons, PAIEUG challenges the inclusion of these expenses in the formula rate template.

a. [EXRLOTHER] - Admin. exp. for Ext. Relations in the amount of $332,887

b. [EXRLOTRCH] - Admin. exp. for Ext. Relations in the amount of $345,529

c. [EXRLPSCTB] - Public Relations Services in the amount of $3,891

d. [EXRLPSEXP] - Explorers Public Relations in the amount of $710

e. [VPPAFOTHR] - VP-Public Affairs other costs in the amount of $199,699

PAIEUG PC-23 Impermissible Expenses in Account 935 and Non-responsive Data

Please refer to PECO's response to PAIEUG I-125, Attachment PAIEUG-I-125(a), Column Project, Account 935 – Maintenance of General Plant. PAIEUG challenges the inclusion of the entries entitled "[CERCOMSRV] Peco Pres - Comm/Pub Services" that totals $481,104.26. These expenses do not appear to be associated with the maintenance of general plant, but may be associated with marketing and advertising or other activities that should be recorded to below the line accounts. PECO did not provide the detailed journal entries which would have shown vendors and other detailed information. For the foregoing reasons, PAIEUG (i) challenges the inclusion of these expenses and (ii) requests that PECO provide this attachment with the vendor names and other detailed journal entry information as requested. PAIEUG reserves the right to challenge entries based on any subsequent information provided.

PAIEUG PC-24 Missing Distribution Gross Plant In Service 13-Month Average Balances

In reference to PECO's response to PAIEUG I-132, PAIEUG's data request was related to tab "Attachment H-7," Page 2 of 5, Line 3 – Distribution Gross Plant In Service in the amount of $7,447,539,953. PECO stated, "Distribution Gross Plant In Service is associated with PECO's distribution line of business. As a result, Distribution Gross Plant in Service is not included in rate base within the transmission formula rate." PAIEUG disagrees with PECO's assertion that the Distribution Gross Plant In Service balance has no effect on the transmission formula rate. This balance is utilized to compute the gross plant allocator shown on Attachment H-7, page 2 of 5, Line 8, Column (4) - GP = 18.03%. For the foregoing reasons, PAIEUG challenges this balance until the information can be provided and verified.

PAIEUG PC-25 "Distribution Related" Intangible Plant Included in "General Related" Intangible Plant

In reference to PECO's response to PAIEUG I-139, Attachment "PAIEUG-I-139(b)," PECO provides supporting information for certain items of intangible items. As part of this response PECO identified "general" related intangible plant assets that appear to be improperly allocated in the formula rate. Specifically, the following items appear to be directly related to distribution but are allocated in the formula rate using the Wages and Salaries allocator. PECO's formula rate functionalizes Intangible Plant based on (i) transmission, (ii) distribution and (iii) general as shown on Attachment 4D – Intangible Plant. The following intangible plant items should be excluded from transmission in its entirety (see each subpart for support of PAIEUG's position on each asset):

a. Excel Row 3 - Project ID: CVISFRNI7 - Sensus Flexware RNI License in the amount of $2,079,000 - This software appears to integrate with PECO's customer information and billing system for its retail customers to reduce service calls by integrating with AMI, DER, and outage management systems. See https://sensus.com/products/regional-network-interface-rni/ (Description and Related Sections tab of this website).

b. Excel Row 4 - Project ID: ITCS31670 - EGS On Connect SW in the amount of $1,837,753 - This is a billing system that supports retail customers. See PECO position paper: https://www.puc.pa.gov/electric/pdf/RMWG/Position_Paper-PECO.pdf

c. Excel Row 6 - Project ID: ITCS32085 - AMOS Enh 2019 Cap SW in the amount of $1,366,241 - Per PECO's 2021 Summer Readiness Overview dated May 28, 2021, PECO indicates that the Advanced Metering Outage System ("AMOS") software provide the ability to create, analyze and escalate retail customer outage events.[2]

d. Excel Row 7 - Project ID: ITCS31788 - PECO Rate Case Planning SW in the amount of $1,363,280 - This appears to be related to PECO's distribution rate case.

e. Excel Row 9 - Project ID: ITCS31789 - PECO/BGE Rate Case Planning SW in the amount of $789,383 - This appears to be related to PECO's distribution rate case.

f. Excel Row 12 - Project ID: ITCS50900 – 2541-AMI Phase 3 SW in the amount of $681,061 – PECO's Advanced Metering Infrastructure ("AMI") supports its retail customers and should be treated in the same manner as "IT Smart Meter – Distribution" shown on tab "4D - Intangible Pnt" as being 100% distribution in Column (g.).

g. Excel Row 13 - Project ID: ITCS31671 - Distribution Rate Case SW in the amount of $663,675 - This is related to PECO's distribution rate case.

h. Excel Row 14 – Project ID: ITCS32220 – EU Outage Journey SW in the amount of 613,553 - This software supports outage map information for PECO's retail customers.

i. Excel Row 16 - Project ID: ITCS31997 - DMS Lifecycle App Upgrade SW in the amount of $548,622 - Per PECO's 2021 Summer Readiness Overview dated May 28, 2021, PECO indicates that the acronym "DMS" represents PECO's distribution system real-time management software.[3]

---

[2] https://www.puc.pa.gov/media/1541/summer__reliability_2021-peco.pdf
[3] *Id.*

j. Excel Row 17 - Project ID: ITCS31661 - IFactor Outage Map SW in the amount of $480,772 - This software supports PECO's retail customer outage map information similar to the Kubra (who acquired Ifactor) software entry in subpart o. below.

k. Excel Row 18 - Project ID: ITCS31781 - AMI Preference Center SW in the amount of $477,081 – PECO's Advanced Metering Infrastructure ("AMI") supports its retail customers and should be treated in the same manner as "IT Smart Meter – Distribution" shown on tab "4D - Intangible Pnt" as being 100% distribution in Column (g.).

l. Excel Row 22 - Project ID: ITCS32082, ITCS32109 - DER Intrcnction Backend R1 CL in the amount of $611,155 – PECO's Distributed Energy Resources ("DER") interconnection software supports PECO's distribution function.

m. Excel Row 23 - Project ID: INNOMDSW0 - Meter Defender Software in the amount of $360,664. PECO's meter defender supports its retail customers and should be treated in the same manner as "IT Smart Meter – Distribution" shown on tab "4D - Intangible Pnt" as being 100% distribution in Column (g.).

n. Excel Row 27 - Project ID: ITCS32139 - DER Intrcnction Backend R3 CL in the amount of $269,684 - PECO's Distributed Energy Resources ("DER") interconnection software supports PECO's distribution function.

o. Excel Row 28 - Project ID: ITCS32042 - Digital Solar Toolkit Release 4 SW in the amount of $258,804 - This software is associated with solar applications and interconnections for distribution. In Mr. McDonald's testimony, he states "To further facilitate solar applications and solar interconnections, PECO created a Digital Solar Toolkit with an interactive viability map. With this toolkit, customers can see if their home or area can support solar or other distributed generation resources or if any system upgrades would be necessary."[4]

p. Excel Row 31 - Project ID: ITCS32075 - EU Outage Map Impr (Kubra) CL in the amount of $245,309 - This software supports outage map information for PECO's retail customers.[5]

q. Excel Row 34 - Project ID: ITCS31602 - OMS Upgrade - Rel 1 SW in the amount of $227,529 - PECO's Outage Management System ("OMS") is utilized for PECO's retail customers and supports PECO's AMI.

---

[4] https://www.peco.com/SiteCollectionDocuments/1.%20PECO%20St.%201%20-%20McDonald.pdf at 29.
[5] https://www.kubra.com/products-and-services/customer-communications/utility-maps

r. Excel Row 36 – Project ID: METDEFSWC – Meter Defender Software Cap in the amount of $217,896. PECO's meter defender supports its retail customers and should be treated in the same manner as "IT Smart Meter – Distribution" shown on tab "4D - Intangible Pnt" as being 100% distribution in Column (g.).

s. Excel Row 38 - Project ID: ITCS31605 - OMS Upgrade - Rel 2 SW in the amount of $176,704 in the amount of PECO's Outage Management System ("OMS") is utilized for PECO's retail customers and supports PECO's AMI.

t. Excel Row 39 - Project ID: ITCS31918 - Voice of the Customer Survey SW in the amount of $175,681 - This is associated with retail customer surveys.

u. Excel Row 40 – Project ID: CONVERSION - (blank) in the amount of $162,934. – This project has no description and its unclear whether it is appropriately included.

v. Excel Row 43 - Project ID: ITCS31882 - Interconnections OL Portal SW in the amount of $149,463 - This software appears to be related to interconnections for distributed generation.

w. Excel Row 46 - Project ID: ITCS00003 - Alternate CIMS Batch Skip SW in the amount of $113,753 - This software is associated with PECO's Customer Information and Marketing System ("CIMS") retail meter maintenance. PECO discusses recovery of these costs from its retail customer classes in its discussion of AMR and AMI Meter Systems for distribution customers. [6] PECO should treat this software similar to other CIMS software as shown on tab "4D - Intangible Pnt," Line 10 - IT CIMS Distribution as being allocated 100% to distribution in Column (g.).

x. Excel Row 48 - Project ID: ITCS31353 - CIMS Meter Maint - CAP in the amount of $106,199 - This software is associated with PECO's Customer Information and Marketing System ("CIMS") retail meter maintenance. PECO discusses recovery of these costs from its retail customer classes. PECO should treat this software similar to other CIMS software as shown on tab "4D - Intangible Pnt," Line 10 - IT CIMS Distribution as being allocated 100% to distribution in Column (g.).

For the foregoing reasons, PAIEUG challenges the treatment of PECO's classification of each of the intangible plant assets as described above.

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

PAIEUG PC-26 Missing Revenues Associated with Affiliate Intercompany Billings

In reference to PECO’s response to PAIEUG I-114a. - Line 25f - Intercompany Billings - Other in the total amount of $739,268, PECO’s response indicates that these revenues are partially associated with expenses that were recorded in Account 920 and 921. Since these accounts are included in the formula rate template, the portion of revenues associated with these accounts should be included in the formula rate template based on the wages and salaries allocator. For the foregoing reasons, PAIEUG challenges PECO’s treatment of excluding 100% of these revenues when there are underlying expenses included in administrative and general accounts.

PAIEUG PC-27 Non-responsive Data Provided for Account 923

PAIEUG’s discovery request to PAIEUG I-123 requested “In reference to PECO’s 2021 FERC Form 1 Page 320-323, Line 184, Account 923 – Outside Services Employed, please provide a detailed tabulation (Excel format) of every entry booked to this account during 2021 in the amounts $84,407,225, including name, description of category or type, detail journal entries and associated amounts.” PECO has provided high level summary data for Account 923. This data does not provide the detailed information requested (i.e. detailed journal entries which would have included vendor names and detailed project descriptions). PAIEUG challenges the expenses included in Account 923 until this information is provided (See PECO’s response to last year’s discovery request PAIEUG I-98).