PECO ENERGY COMPANY ("PECO")

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

2021 FORMULA RATE UPDATE Docket No. ER17-1519

January 24, 2022

In accordance with PECO Energy Company's ("PECO") Formula Rate Implementation Protocols set forth in its Attachment H-7C, Philadelphia Area Industrial Energy Users Group ("PAIEUG") hereby submits its Preliminary Challenge pertaining to PECO's May 28, 2021 Informational Filing of its 2021 Formula Rate Annual Update in FERC Docket No. ER17-1519 ("2021 Update").

This Preliminary Challenge is divided into two sections. In Section A, Philadelphia Area Industrial Energy Users Group ("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 2021 Update.

A. RESOLVED ISSUES

PAIEUG PC-1 Customer O&M billings are not Transmission Related

In reference to PECO's response to PAIEUG-I-2, PECO stated the following, "PECO identified an error in the Labor Related column of line 25g in Attachment 5A – Revenue Credits. The amounts included therein are Customer O&M billings are not Transmission related and thus belong in the Other column of line 25g. PECO will incorporate the impact of the revision, which is a $4,841 increase to the 2020 revenue requirement, in the next Annual Update filing with interest."

PAIEUG PC-2 Error in Justification Description

In reference to PECO's response to PAIEUG-I-116.a, PECO stated the following, "Tab "4B – ADIT BOY" line 1v is attributable to rent received under long term lease agreements. Rental income will be recognized ratably for books over the term of the lease, and taxable income is recognized when the cash is received. The justification description in column G will be updated in the next Annual Update filing."

PAIEUG PC-3 ADIT Should be Included in "Gas, Prod Retail or Other Related"

In reference to PECO's response to PAIEUG-I-116.d, PECO agreed to the following, "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 that change in the next Annual Update filing with interest."

B. UNRESOLVED ISSUES

PAIEUG PC-4 PECO Has Improperly Overstated Its Transmission EDIT Refunded To Customers

In reference to PECO's Attachment PAIEUG-1-24(a), tab "Attachment PAIEUG-I-24(a)," Excel row 22, Column E, PECO has included an incorrect formula in the calculation of the protected transmission amortization for 2020. In prior years, this formula referenced Column O compared to this year referencing Column K. This error has resulted in PECO returning too much EDIT in 2020 to customers. Therefore, PECO is at risk for violating IRS normalization rules whereby PECO could lose its ability to utilize accelerated depreciation. For the foregoing reasons, PAIEUG challenges PECO's overstatement of EDIT refunds to customers and request PECO revised its calculation to correct the proper amortization amounts.

PAIEUG PC-5 PECO Improperly Computed AFUDC in 2020

In reference to PECO's response to PAIEUG I-14, PECO stated that it elected the AFUDC Waiver starting on October 1, 2020, and continued to compute the provision under the AFUDC Waiver through the end of the year. In Attachment PAIEUG I-14(a), PECO provides its AFUDC calculation for Q4 2020, presumably October 1, 2020 through December 31, 2020. The AFUDC calculation for Q4 indicates that PECO used $0 for Average Short-Term Debt. However, for the AFUDC Waiver the Commission allowed jurisdictional entities to use a methodology for calculating an AFUDC rate that would use a simple average of historical short-term debt balances for the year ended 2019, while leaving all other aspects of the AFUDC rate formula (including current period short-term debt cost rates) unchanged. In Attachment PAIEUG I-13(a), PECO provides short-term debt balances for 2019 with a simple average of $10.67 million that were not utilized in computing the Q4 2020 AFUDC rate. This omission caused PECO to compute an excessive AFUDC rate in Q4 2020 by at least 33 basis points. Accordingly, PAIEUG challenges PECO's AFUDC rate computation and related accruals during Q4 2020 and recognizes that the over-accrued AFUDC will impact the transmission revenue requirement for the life of the assets that accrued AFUDC during this period. PAIEUG estimates the amount of over-accrued AFUDC to be approximately $384,640. To resolve this matter, PAIEUG requests PECO either (i) record accounting adjustments to reverse the over-accrued AFUDC or (ii) determine the portion that is associated with G&I projects and transmission projects and propose a rate adjustment to the 2020 true-up that will compensate PAIEUG for the cost-of-service impact that occur annually.

PAIEUG PC-6 Improper Costs Associated with the Disposition of Exelon's Generation Fleet Included in Rates

In reference to PECO's response to PAIEUG I-9 and Attachment PAIEUG-I-9(a), it appears PECO included $53,639 of transaction-related costs associated with the disposition of Exelon's generation fleet. Under the FERC order authorizing the disposition of jurisdictional facilities, the Commission accepted Exelon's commitment and directed Exelon to hold transmission customers harmless from all transaction-related costs, including costs related to consummating the transaction. Additionally, the Commission's long-standing policy is that costs incurred to effectuate a merger are non-operating in nature and should be recorded in Account 426.5, Other Deductions.[1] Accordingly, PAIEUG challenges the inclusion of all transaction-related costs in the transmission formula rate in alignment with the hold harmless commitment from Exelon.

PAIEUG PC-7 PECO's Proposed Treatment of EMS Software

In reference to PECO's response to PAIEUG I-10, PECO states "Energy Management System (EMS) software expenses totaling $807,129 was recorded to FERC Account 923. EMS software assets should be functionalized to 100% Transmission. PECO identified that the EMS software was improperly functionalized to Distribution in December 2020, resulting in an understatement of depreciation expense of $133,853, an understatement of the 13-month average of Transmission Net Plant of $1,225,270, and an understatement of the revenue requirement of $253,323 within the 2020 Transmission Formula Rate True Up. PECO will incorporate the amounts in the next Annual Update filing with interest." It is PAIEUG's understanding that Exelon's operating companies utilize the EMS software for both transmission and distribution.[2] Therefore, it is appropriate to allocate the assets based on a wages and salaries allocator and the expenses to an administrative and general account. PECO has provided no basis as to why this software only relates to transmission. For the foregoing reasons, PAIEUG challenges PECO's proposed treatment of the asset and expenses related to the EMS software.

PAIEUG PC-8 Impermissible Short-term Interest Included in Account 923

In reference to PECO's response to PAIEUG I-28, Attachment PAIEUG-I-28(a), Column FERC ID, BSC Interest in the amount of $71,992.38, PECO has included Exelon Business Services Company short-term interest related to the Short-Term Borrowing from Associated Companies. Per Attachment 5 "5-P3-Support," Note G states that "All

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1 Policy Statement on Hold Harmless Commitments, 155 FERC ¶ 61,189 (2016).

2 https://www.peco.com/WaysToSave/ForYourBusiness/Pages/Custom.aspx

short-term interest related expense will be removed from the formula rate template." For the foregoing reasons, PAIEUG challenges the inclusion of short-term interest in Account 923.

PAIEUG PC-9 Potential Impermissible BSC Taxes Included in Account 923

In reference to PECO's response to PAIEUG I-28, Attachment PAIEUG-I-28(a), Column FERC ID, BSC Taxes in the amount of $593,971.34, to the extent that PECO has included income tax expenses associated with (i) nondeductible lobbying taxes or (ii) nondeductible fines and penalties taxes, PAIEUG challenges the inclusion of such expenses, as the expenses associated with these activities are impermissible to be included in rates.

PAIEUG PC-10 Customer Account and Service Expenses Inappropriately Recorded in Account 923

In reference to PECO's response to PAIEUG I-28, Attachment PAIEUG-I-28(a), Column FERC ID, PECO has included the following expenses associated with 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 the following expenses in the transmission formula rate.

a. Customer Care Center in the amount of $114,797.34

b. Customer Solutions in the amount of $1,281,074.39

PAIEUG PC-11 Research and Development Expenses to Start New Businesses in Account 923

In reference to PECO's response to PAIEUG I-28, Attachment PAIEUG-I-28(a), Column FERC ID, PECO has included "Exelorate Growth" in the amount of $393,789.19. Exelon describes these types of expenses as "The CSIS team has created the "Exelorate" process, a new approach to incubate entrepreneurial ideas for revenue growth. Exelorate is a three-stage process where ideas can be discovered, validated and implemented. The overarching goal is to test business plans with low levels of investment through deployment to a small set of customers. Then, if successful, a refined business plan can then be taken to scale by incorporating it into an existing business line, creating a new business line or spinning it out as a separate business."[3] These expenses appear to be associated with the development of new businesses unrelated to the operating utility

[3] https://www.exeloncorp.com/company/AnnualReport/culture-of-innovation.html

or transmission service. Transmission customers should not be funding PECO/Exelon's new business lines to increase profits for its shareholders. For the foregoing reasons, PAIEUG challenges the inclusion of these expenses in the formula rate template.

PAIEUG PC-12 PECO Has Failed to Include PBOP Unfunded Reserves as an Offset to Rate Base

In reference to PECO's response to PAIEUG I-72, PECO has not provided supporting documentation that the funds associated with the PBOPs balances in FERC Account 228.3 are held in either 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 $286.952 million should be multiplied by the 79.65% electric/Tot Company allocator and then allocated based on the 9.22% W&S allocator to transmission on "4-Rate Base."

PAIEUG PC-13 PECO Has Inappropriately Recorded the Plymouth Training Control House to Transmission Plant

In reference to PECO's Attachment PAIEUG-I-85(a), PECO has included the "ETBPLYTR7" Plymouth Training Control House Foundation in Account 352. This facility appears to support distribution gas and electric operations. (See job posting: https://jobs.exeloncorp.com/jobs/7383679-dist-sys-dispatcher-i-peco) Additionally, it appears PECO previously recorded this plant to Account 390 (See Attachment PAIEUG-I-86(a)). Since this facility appears to have a distribution electric and gas function, it should not be recorded to a transmission plant account. This asset should be recorded to a distribution account or general plant (to the extent that this facility supports other functions other than distribution). Furthermore, to the extent that PECO has received any reimbursements for the use of these facilities from other affiliates or third-parties for training that were not included as revenues in the formula rate template, PAIEUG challenges the treatment of such revenues.

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PAIEUG PC-14 Advance Metering Infrastructure Assets Inappropriately Included in Account 397

In reference to PECO's response to PAIEUG 1-89, Attachment PAIEUG-I-89(a), PECO has included the following AMI assets in Account 397 – Communication Equipment:

a. Excel Row 10 – EVSTGBS10 – Add AMI Transceivers to 7 Existing TGB Sites in the amount of $515,699

b. Excel Row 11 – CVSSGSSAY – AMI Operations – Antenna Replace & Transceiver Install in the amount of $401,865

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-15 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-90, 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	$ 223,499
108000	Electric General	$ 2,511
108000	Transmission	$1,401,087
		$1,627,097

PECO also stated, "$1,401,087 related to Transmission and $232 related to Electric General 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. 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. For the foregoing reasons, PAIEUG challenges inclusion of ARO costs in rates.

PAIEUG PC-16 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-95, 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-17 Inappropriate CIAC Expenses Included in Account 566 - Miscellaneous Transmission Expense

In reference to PECO's response to PAIEUG I-96, Attachment PAIEUG-I-96(a), Excel Row 10207, 2020 – March, [10200] PECO Energy Company, 566000, [535165] Reimbursements non-taxable, SEPTA Sharon Hill CIAC, Other Operating Expenses in the amount of $882.95,this entry appears to be associated with Contributions in Aid of Capital ("CIAC"). If PECO received reimbursement or a contribution from a customer, it should not be including this expense in the transmission rate. For the foregoing reasons, PAIEUG challenges the inclusion of this expense in the transmission rate.

PAIEUG PC-18 Chamber of Commerce Dues Expenses Inappropriately Included in the Formula Rate Template

In reference to PECO's response to PAIEUG I-97, Attachment PAIEUG-I-97(a), PECO has included the following Chamber of Commerce expenses in Account 921. It appears that these membership dues were inappropriately recorded to Account 921 rather than Account 930.2. In accordance with Note E of Attachment H-7, these types of expenses are excluded from the formula rate template.

a. CENTRAL BUCKS CHAMBER OF COMMERCE in the amount of $1,053
b. CHESTER COUNTY CHAMBER OF BUSINESS & INDUSTRY in the amount of $1,990
c. DELAWARE COUNTY CHAMBER OF COMMERCE in the amount of $3,496
d. GREATER PHILADELPHIA CHAMBER in the amount of $21,350
e. EASTERN MONTGOMERY COUNTY CHAMBER OF COMMERCE in the amount of $555
f. LOWER BUCKS COUNTY CHAMBER OF COMMERCE in the amount of $1,412
g. MAIN LINE CHAMBER OF COMMERCE in the amount of $3,424

h. MONTGOMERY COUNTY CHAMBER OF COMMERCE in the amount of $1,284

i. PENNSUBURBAN CHAMBER OF GREATER MONTGOMERY COUNTY in the amount of $411

j. PENNSYLVANIA ECONOMY LEAGUE SOUTHEASTERN PA in the amount of $25,620

k. PERKIOMEN VALLEY CHAMBER OF COMMERCE in the amount of $485

l. TRICOUNTY AREA CHAMBER OF COMMERCE in the amount of $727

m. WESTERN CHESTER COUNTY CHAMBER in the amount of $586

For the foregoing reasons, PAIEUG challenges the inclusion of these chamber of commerce expenses.

PAIEUG PC-19 Impermissible Lobbying, Political or Civic Type Expenses Included in Account 921

In reference to PECO's response to PAIEUG I-97, Attachment PAIEUG-I-97(a), Column Vendor Name, PECO has included the following expenses associated with the national and democratic governors' association 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.

a. NATIONAL GOVERNORS ASSOCIATION CENTER FOR BEST PRACTICES in the amount of $8,560

b. DEMOCRATIC GOVERNORS ASSOCIATION in the amount of $21,400

PAIEUG PC-20 Impermissible Social, Charitable or Community Welfare Expenses Recorded in Account 921

In reference to PECO's response to PAIEUG I-97, Attachment PAIEUG-I-97(a), Column Vendor Name, 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. PHILADELPHIA YOUTH NETWORK in the amount of $7,207

b. INDOCHINESE AMERICAN COUNCIL in the amount of $856

c. THE PENNSYLVANIA HORTICULTURAL SOCIETY in the amount of $4,612

PAIEUG PC-21 Duplicate Charges and Impermissible Expense for Depreciation Rate Consultant Expenses Related to the Distribution Rate Case Included in Accounts 921 and 923

In reference to PECO's response to PAIEUG I-97 and PAIEUG I-98, PECO has recorded the following expenses related to Gannett Fleming:

a. Attachment PAIEUG-I-97(a), Column Vendor Name, PECO, GANNETT FLEMING VALUATION AND RATE in the amount of $30,080 – Account 921

b. Attachment PAIEUG-I-98(a), Column Vendor Name – "GANNETT FLEMING VALUATION AND RATE" in the amount of $30,080 – Account 923

First, it is unclear whether these expenses were inadvertently charged twice (i.e. to Account 921 and 923). Second, to the extent that these expenses are associated with the depreciation study and valuation of amortization rates for PECO's distribution rate case in Docket No: R-2020-3018929, PAIEUG challenges the inclusion of these expenses as they are directly associated with the rate case and should be included in Account 928 and allocated 100% to distribution. For the foregoing reasons, PAIEUG challenges (i) duplicative charges and (ii) the inclusion of these expenses in the transmission formula rate.

PAIEUG PC-22 Impermissible Gas Rate Case Expenses in Account 923

In reference to PECO's response to PAIEUG I-98, Column JH - Descr254 – "To correct the Gas Rate Case reclass cost" in the amount of $27,866 in Account 923. PECO has included gas rate case expenses in the formula rate template. PAIEUG challenges the inclusion of gas expenses in an electric transmission formula rate.

PAIEUG PC-23 Impermissible Expenses in Account 935

In reference to PECO's response to PAIEUG I-100, Attachment PAIEUG-I-100(a), Column Vendor Name, Account 935 – Maintenance of General Plant. PAIEUG challenges the inclusion of the following expenses in Account 935:

a. PENNSYLVANIA HORTICULTURAL SOCIETY in the amount of $1,480.33 – This expense appears to be a social, charitable or community welfare type expense that should be recorded to Account 426.1.

b. PHILADELPHIA GAS WORKS in the amount of $575.13 – This expense is related to PECO's gas function and should be excluded from an electric transmission formula rate.

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

In reference to PECO's response to PAIEUG I-110, 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 $6,979,726,224, 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 = 18.39%. 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-118, Attachment PAIEUG-I-118(a), 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 4 - 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 5 - 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 8 - Project ID: ITCS32085 - AMOS Enhancement 2019 Capital SW in the amount of $1,374,218 - 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.[4]

d. Excel Row 9 - 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 11 - 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 14 - Project ID: ITCS50900 - 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 15 - 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 17 - 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.[5]

i. Excel Row 18 - 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.

j. Excel Row 19 - 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.).

k. Excel Row 22 - Project ID: ITCS32082 - DER Interconnection Backend R1 CL in the amount of $366,514 – PECO's Distributed Energy Resources ("DER") interconnection software supports PECO's distribution function.

l. Excel Row 23 - Project ID: INNOMDSW0 - Meter Defender Software in the amount of $360,664. PECO's meter defender supports its retail customers and

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

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.).

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

n. 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."[6]

o. Excel Row 30 - Project ID: ITCS32075 - EU Outage Map Improvements (Kubra) CL in the amount of $245,309 - This software supports outage map information for PECO's retail customers.[7]

p. Excel Row31 - Project ID: ITCS32109 - DER Interconnection Backend R1 CL in the amount of $244,641 - PECO's Distributed Energy Resources ("DER") interconnection software supports PECO's distribution function.

q. Excel Row 33 - 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.

r. Excel Row 35 - 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.

s. Excel Row 36 - Project ID: ITCS31918 - Voice of the Customer Survey SW in the amount of $175,681 - This is associated with retail customer surveys.

t. Excel Row 39 - Project ID: ITCS31882 - Interconnections OL Portal SW in the amount of $149,463 - This software appears to be related to interconnections for distributed generation.

u. Excel Row 41 - Project ID: ITCS00003 - Alternate CIMS Batch Skip SW in the amount of $113,629 - This software is associated with PECO's Customer

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

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.[8] 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.).

v. Excel Row 43 - Project ID: ITCS31353 - CIMS Meter Maintenance 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.

PAIEUG PC-26 Missing Revenues Associated with Affiliate Intercompany Billings

In reference to PECO's response to PAIEUG I-120a. - Line 25f - Intercompany Billings - Other in the total amount of $2,614,937, PECO's response indicates that these revenues are partially associated with expenses that were recorded in Account 921 and 923. 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 Impermissible State and Use Tax Included in the Formula Rate Template

In reference to PECO's response to PAIEUG I-123, State Use Tax in the amount of $834,412 should have been included in the cost of materials and supplies ("M&S") or in the cost of fuel. PECO's response that State Use Tax is not capitalized is irrelevant as the total cost of M&S and Fuel should already include all related state use taxes. For the foregoing reasons, PAIEUG challenges the inclusion of State Use Tax in the formula rate template.

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