



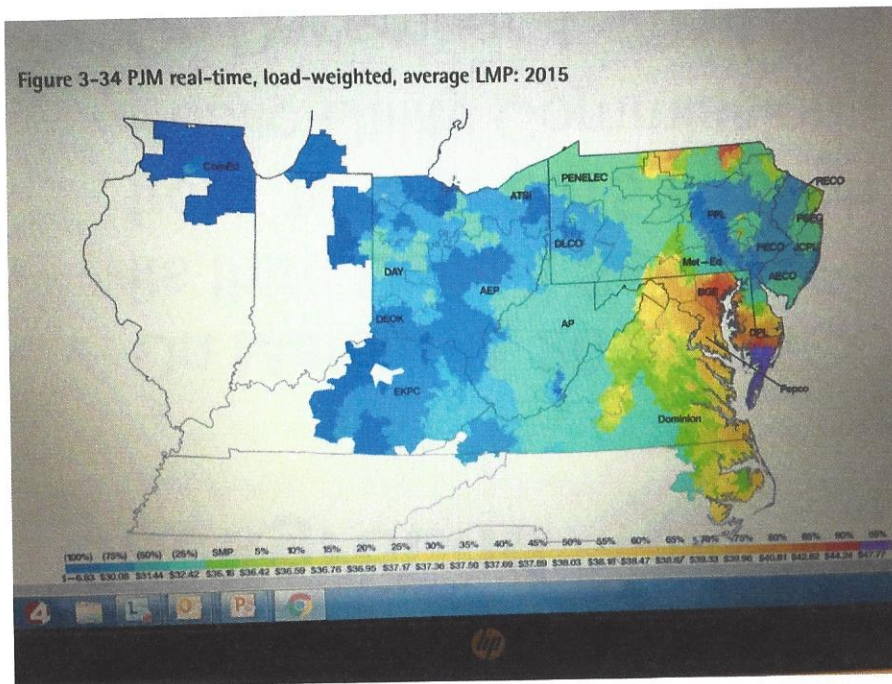
New Hourly Rates for Medium Sized Customers

Background

- ✓ On March 10, 2014, PECO filed a Petition for Approval of its third Default Service Program (DSP III) for the Period from June 1, 2015 through May 31, 2017, with the PA Public Utility Commission (“PAPUC”)
- ✓ On December 4, 2014, the PA PUC issued its final order at Docket P-2014-2409362
 - The order stated that PECO would implement hourly priced default service for Medium Commercial customers with peak demand above 100 KW (“Hourly Pricing Transition”) by June 1, 2016

What is Hourly Energy Pricing?

In our region, electric generators participate in daily markets by submitting price offers to generate. PJM, the Independent System Operator, accepts the offers in economic order to determine which generators run. The price offers determine the hour by hour price of energy at the wholesale level. This is called the SPOT MARKET ENERGY.



This map of the PJM territory shows energy prices compared to the system average.

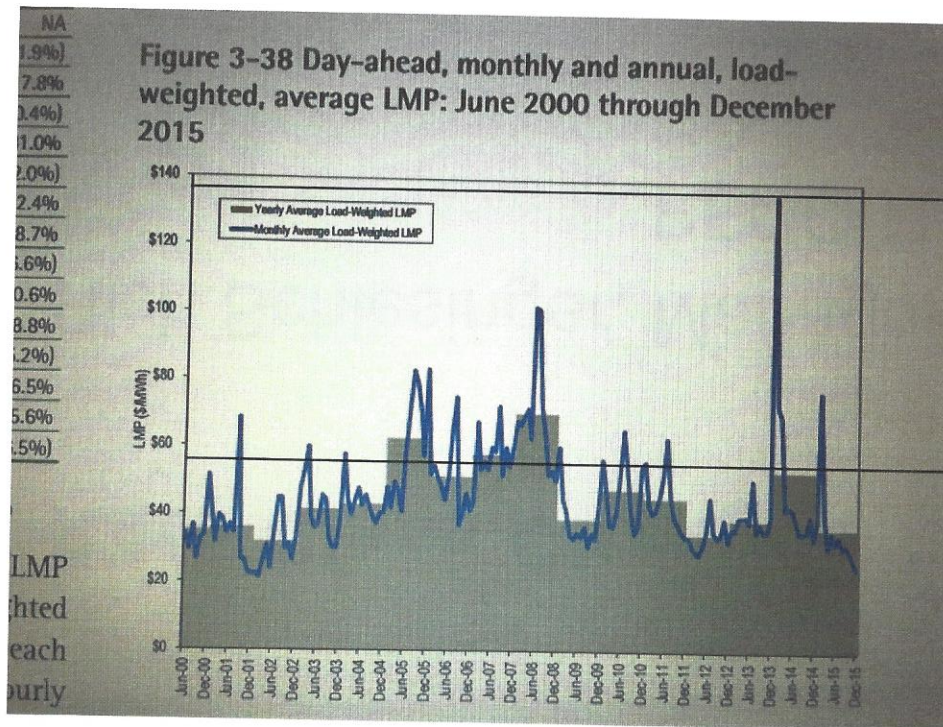
Blue areas are less than average.

Red and Yellow areas are greater than average.

Spot Market Energy Fluctuates

This chart shows how average spot market energy prices have fluctuated by year (gray) and by month (blue line) during the last 16 years.

Note that price spikes in recent years came in winter months as opposed to summer months.



Overview

- ✓ Beginning on June 1, 2016, PECO will begin billing Medium Commercial & Industrial Default Service customers (annual peak demand greater than 100 KW and up to 500 KW) for generation on an hourly basis
- ✓ As of early March, there are approximately 6,500 Medium Commercial accounts
 - About 1,200 accounts are not shopping with a competitive electric generation supplier
- ✓ Currently the Price to Compare for MC&I customers changes each quarter
- ✓ Once transitioned to hourly pricing, MC&I customers will be priced similar to Large Commercial and Industrial (LC&I) customers:
 - Customers will receive the PJM day ahead spot price for their energy use
 - Pass through of the actual capacity cost (peak load contribution)
 - Hourly Price Adder (changes monthly)
 - *includes: administrative charge, ancillary charge, purchased generation adjustment, and working capital charge*

Timeline - Pricing Transition

- ✓ PECO is required to implement hourly pricing on or before June 1, 2016
- ✓ Hourly pricing will become effective as of the June Billing Cycle
- ✓ Pricing will be developed using the same pricing methodology that we use for the Large C&I customers
- ✓ PECO will maintain separate pricing for Medium Commercial and Large C&I categories

Bill Group 1 – 2016 Cutover Scenario



Medium Commercial Default Service Bill Print Changes

As-Is:

Electric High Tension Service 100kW-500kW - Current Period Detail	Service 06/05/2015 to 07/07/2015 - 32 days			
Customer Charge				\$306.14
Generation Charges	135,708 kWh	X	\$0.06350	8,617.46
Transmission Charges	268 kW	X	2.05000	549.40
Distribution Charges	268 kW	X	3.55000	951.40
Distribution Charges	135,708 kWh	X	0.00150	203.56
Energy Eff & Nonbypassable Trans	393 kW	X	1.42000	558.06
State Tax Adjustment				-1.88
Sales tax				223.68
Total Current Charges				\$11,407.82

Prices are for illustrative purposes only

Future State:

Electric High Tension Service 100kW-500kW - Current Period Detail	Service 06/05/2015 to 07/07/2015 - 32 days			
Customer Charge				\$306.14
Administrative Charge	135,708 kWh	X	\$0.00020	27.14
Generation Charges	135,708 kWh	X	6.35000	8,617.46
Peak Load Contribution	393 kW	X	6.15032	2,417.08
Ancillary Charge	135,708 kWh	X	0.00510	692.11
Purchased Generation Adj.	135,708 kWh	X	-0.02240	-3,039.86
Working Capital Charge	135,708 kWh	X	0.00040	54.28
Transmission Charges	268 kW	X	2.05000	549.40
Distribution Charges	268 kW	X	3.55000	951.40
Distribution Charges	135,708 kWh	X	0.00150	203.56
Energy Eff & Nonbypassable Trans	393 kW	X	1.42000	558.06
State Tax Adjustment				-5.45
Sales tax				906.43
Total Current Charges				\$12,237.75

Billing Line Item Details

- ✓ **Administrative Charges:** The costs associated with designing and implementing PECO's plan for procuring energy for customers who are not buying energy from an alternative generation supplier.
- ✓ **Peak Load Contribution:** A customer's contribution to PECO's peak load at the time of highest demand from the previous summer.
- ✓ **Ancillary Services:** Charges to reimburse PECO for the costs associated with balancing the transmission system as it moves electricity from generating sources to ultimate consumers.
- ✓ **Purchased Generation Adjustment:** Either a credit or charge reflecting the difference between utilities projected and actual costs to purchase electricity for default service customers.
- ✓ **Working Capital Charge:** Charge to compensate PECO for the time period when costs associated with purchased power were paid by PECO and when the payment was received from customers for these costs.

Things to Consider when Shopping

- ✓ Purchasing power at hourly prices is more unpredictable than buying power at fixed prices. It may or may not cost more.
 - (e.g., Variable rate mortgage vs. a fixed rate)

- ✓ Before June 1, 2016, PECO used to put the load out to competitive bids for six month terms. Now it is up to the individual customers to do that if they desire.

- ✓ Supplier costs to serve retail customers include:
 - Capacity, Transmission, Energy, Ancillary Services, Renewable Energy Requirements, Administrative, Taxes, and Profit Margin.

- ✓ Capacity Costs to the supplier are based on PJM Auction results and the individual customer's Peak Load Contribution kW. These costs are fixed over the PJM year (June to May)

Things to Consider when Shopping

- ✓ Transmission Costs are based on PECO's transmission rates and each customer's Network Service Peak Load kW. These costs are fixed over the Calendar Year (Jan to Dec)

- ✓ Fixed energy costs are based on the load shape of the customer and forward energy costs

- ✓ Forward Energy has two block products:
 - On Peak Energy is weekdays from 7am to 11pm.
 - Off Peak Energy is Weekends and overnights.

- ✓ Ancillary Services and Renewable Energy Costs are a collection of smaller charges

- ✓ To develop an offer for your account, Suppliers will likely ask for your historical usage and other information such as your PLC and NSPL