

**Estimated Annual Depreciation Accruals Related to
Utility Plant in Service for 2018**

Summary –

This exhibit is based on the results of the 2013 Depreciation Study and updated to reflect the estimated original cost of PECO's electric and common plant in service at December 31, 2018.

Estimated Annual Depreciation Accruals Related to Utility Plant In Service for 2018

Utility Account	2013 Service Life Study - Average Service Life	2013 Service Life Study - Dispersion Curve	2018 Depreciation Rate	Original Cost of Gross Plant - January 1, 2018	2018 Estimated Plant Additions	2018 Estimated Plant Retirements	Estimated Original Cost of Gross Plant - December 31, 2018	Accumulated Book Reserve - January 1, 2018	2018 Estimated Annual Depreciation Accrual	2018 Estimated Plant Retirements	2018 - Estimated Cost of (Removal) / Salvage	Estimated Accumulated Book Reserve - December 31, 2018	Estimated Depreciable Plant Net Book Value - December 31, 2018
361 Structures and Improvements	50	R2.5	2.88%	113,662,305	12,102,521	(335,999)	125,428,827	37,110,641	2,315,281	(335,999)	(415,401)	38,674,522	86,754,305
362 Station Equipment	50	R3	3.20%	1,033,989,100	60,673,117	(1,368,617)	1,093,293,600	432,746,600	19,614,936	(1,368,617)	(3,165,239)	447,827,690	645,465,920
364 Poles, Towers and Fixtures	53	R2	2.59%	685,536,322	34,264,935	(3,248,571)	716,552,686	144,204,165	14,268,511	(3,248,571)	(4,837,437)	150,386,668	566,166,018
365 Overhead Conductions & Devices	52	R2.5	2.60%	1,177,016,237	80,671,026	(5,539,337)	1,252,147,926	256,315,214	24,726,463	(5,539,337)	(8,088,980)	267,413,360	984,734,566
366 Underground Conduit	65	R4	2.43%	407,267,888	26,435,108	(287,392)	433,415,604	156,650,276	6,363,091	(287,392)	(1,799,470)	160,926,505	272,489,099
367 Underground Conductors & Devices	53	R1.5	2.44%	1,187,119,385	92,569,013	(8,096,960)	1,271,591,438	187,943,128	25,365,198	(8,096,960)	(8,590,536)	196,620,830	1,074,970,608
368 Line Transformers	46	R1.5	3.15%	578,337,607	33,238,447	(8,066,974)	603,509,080	186,555,510	12,566,108	(8,066,974)	(264,832)	190,789,812	412,719,268
369.1 Services - Aerial	50	R4	3.06%	147,034,347	8,048,360	(217,041)	154,865,666	50,866,429	3,009,012	(217,041)	(336,761)	53,321,639	101,544,027
369.2 Services - Underground	53	R3	3.19%	263,555,184	2,897,642	(212,575)	266,240,251	103,305,902	5,070,288	(212,575)	(300,551)	107,863,064	158,377,187
370.1 Meter Transformers	35	R2	3.05%	2,400,451	815,134	-	3,215,585	218,899	75,841	-	-	294,740	2,920,845
370.2 Smart Meters	15	S2	8.87%	302,538,503	18,576,943	(22,442)	321,093,004	77,491,337	19,395,202	(22,442)	-	96,864,097	224,228,907
371 Installs on Customers' Premises	35	R3	5.85%	1,030,123	-	-	1,030,123	948,216	4,663	-	-	952,879	77,244
371.1 Installs on Customers' Premises - DLC Switches	15	S2	11.31%	12,742,223	-	-	12,742,223	5,365,250	792,288	-	-	6,157,538	6,584,685
373 Street Lighting and Signal Systems	24	L0	6.54%	42,205,013	745,518	(165,313)	42,785,218	30,991,344	721,253	(165,313)	128,574	31,675,858	11,109,360
373.1 Aerial Street Lighting	24	L0	5.42%	1,992,106	144,193	(52,264)	2,084,035	474,669	82,097	(52,264)	(4,460)	500,042	1,583,993
373.2 Underground Street Lighting	24	L0	4.49%	13,259,178	4,475,150	(732,598)	17,001,730	(2,127,391)	722,898	(732,598)	(178,461)	(2,315,552)	19,317,282
373.3 Private Outdoor Lighting	24	L0	7.63%	5,367,662	-	-	5,367,662	4,702,836	49,013	-	-	4,751,849	615,813
374 Asset Retirement costs (Note A)	N/A	N/A	N/A	1,938,911	-	(23,072)	1,915,839	2,270,869	(250,275)	(23,072)	-	1,997,522	(81,683)
Distribution Subtotal				5,976,992,545	375,657,107	(28,369,155)	6,324,280,497	1,676,033,894	134,891,868	(28,369,155)	(27,853,554)	1,754,703,053	4,569,577,445
Intangible Plant Allocated to Distribution (Note B)				138,683,389	20,173,012	(542,035)	158,314,367	89,235,901	14,992,824	(542,035)	-	103,686,690	54,627,676
General Plant Allocated to Distribution (Note C)				226,447,592	13,264,470	(4,217,860)	235,494,202	56,295,063	13,880,626	(4,217,860)	(381,379)	65,576,450	169,917,752
Common Plant Allocated to Distribution (Note D)				490,892,357	78,019,956	(13,262,317)	555,649,996	234,764,478	30,549,067	(13,262,317)	(1,108,717)	250,942,511	304,707,485
Depreciable Total				6,833,015,883	487,114,545	(46,391,367)	7,273,739,062	2,056,329,336	194,314,385	(46,391,367)	(29,343,650)	2,174,908,704	5,098,830,358

Fleet Depreciation (Note E)	(5,818,030)
ARC Amortization (Note A)	94,081
Act 129 (Note F)	(792,288)
Regulatory Assets (Note G)	(2,367,598)
Adjusted 2018 estimated annual depreciation accrual	<u>185,430,550</u>
Note H	

Notes:

- Note A:** Asset Retirement Costs (ARC) are depreciable plant, but the ARC depreciation expense is not included in the revenue requirements calculation and not included in the claim for the current proceeding.
- Note B:** The Intangible Plant allocated to Electric Distribution is individually depreciated based on the service lives estimated at the time the plant is placed into service. The amortization rates for Intangible Plant are weighted based on the relative amount of underlying plant booked to the Intangible Plant accounts.
- Note C:** The General Plant allocated to Electric Distribution relates to various General Plant utility accounts identified in the 2013 Depreciation Study; the depreciation rates are calculated the same as Electric Distribution Plant. The General Plant amounts are allocated to Electric Distribution plant based on a labor allocation methodology as explained in Mr. Yin's testimony (PECO Statement No. 3).
- Note D:** The Common Plant allocated to Electric Distribution relates to various Common Plant utility accounts identified in the 2013 Depreciation Study; the depreciation rates are calculated the same as Electric Distribution Plant. The Common Plant amounts are allocated to Electric plant based on the Common Allocation Factor determined each year and further allocated to Electric Distribution plant based on a labor allocation methodology.
- Note E:** Included in the 2018 Estimated Annual Depreciation Accrual column for the Common Plant allocated to Distribution row is \$5.8 million relating to PECO Fleet depreciation. PECO Fleet depreciation is reversed from depreciation expense and redistributed to both capital and expense accounts/projects. As a result, a \$5.8 million credit is shown for Fleet depreciation expense. The amount of Fleet depreciation that is capitalized to Electric Distribution capital projects is included in the 2018 Estimated Plant Additions column and related depreciation is in the 2018 Estimated Annual Depreciation Accrual column.
- Note F:** ACT 129 costs for Direct Load Control (DLC) switches were fully recovered in 2013 and are not included in the claim for the current proceeding.
- Note G:** Included in the 2018 Estimated Annual Depreciation Accrual is \$2.4 million relating to PECO Regulatory Asset amortization. Regulatory Asset amortization expense is charged to a Regulatory Asset.
- Note H:** Agrees to Electric Distribution depreciation expense included in the revenue requirements calculation in Exhibit BSY-2, Schedule D-17, page 1 of 2.