

PLAIN LANGUAGE

STATEMENT OF REASONS
FOR
PECO ENERGY COMPANY'S
REQUEST TO INCREASE GAS RATES

PECO Energy Company has asked the Pennsylvania Public Utility Commission (PUC) to approve new base rates that would increase annual revenues for its gas division by \$98.3 Million or 11.2 % of its total gas division revenues.

The main reasons for the rate increase are:

PECO has not asked for an increase in base rates since April 1987. Since then, PECO has invested \$1.2 billion in its gas system, and PECO continues to make large investments in its gas system.

PECO has worked hard to control its gas division's costs. However, over the last 20 years, unavoidable cost increases have occurred in several areas, including employee wages, pensions and healthcare benefits.

In order to finance needed investments, PECO's gas division must be able to raise capital on reasonable terms. Unless PECO's present gas base rates are increased, they will not provide returns sufficient to preserve existing capital and attract new capital on reasonable terms.

PECO designed the proposed rates for each customer class to recover its total requested increase. In assigning a portion of the total increase to each rate class, PECO was guided by a detailed study of each rate class' cost of service and also considered other principles of rate design, as the PUC requires.

Along with its rate increase request, PECO has filed all of the supporting data required by the PUC's regulations, as well as the written statements of eleven witnesses and numerous exhibits prepared by those witnesses. All of the data and other information supporting PECO's rate increase have been prepared in ways the PUC has approved in the past for PECO and other utilities.