

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. R-2008-2028394

PECO Energy Company

Exhibit to Accompany
Direct Testimony of Robert L. O'Brien

PECO ENERGY COMPANY
Historic Period - 12 Months Ended December 31,2007
(\$ in Thousands)

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Summary of Measures of Value and Revenue Increase

Line #	Description	[1] Function	[2] Reference Section	[3] Present Rates	[4] HISTORIC YEAR 2007 Increase	[5] Proposed Rates
MEASURE OF VALUE						
1	Utility Plant		C-2	1,581,557		\$ 1,581,557
2	Accumulated Depreciation		C-3	(513,868)		(513,868)
3	Net Plant in service	L 1 + L 2		1,067,689		1,067,689
4	Working Capital	\$ 11,153	C-4	11,153		11,153
5	Gas Storage Inventory		RLO-1, C-5	127,069		127,069
6	Accum Deferred Income Taxes		C-6	(178,868)		(178,868)
7	Customer Deposits		RLO-1, C-7	(11,256)		(11,256)
8	Common Plant		C-8	63,931		63,931
9	Customer Advances for Construction		RLO-1, C-9	(1,897)		(1,897)
10	Materials & Supplies		RLO-1, C-10	152		152
11	TOTAL MEASURE OF VALUE	Sum L 3 to L 10		\$ 1,077,973	\$ -	\$ 1,077,973
OPERATING REVENUES AND EXPENSES						
Operating Revenues						
12	Base Customer Charges	\$ 795,605	D-2	212,500	92,920	305,420
13	Gas Cost Revenue		D-2	583,105		583,105
14	Other Operating Revenues		D-2	4,594		4,594
15	Total Revenues	Sum L 12 to L 14		800,199	92,920	893,119
16	Operating Expenses		D-6to 19	(747,824)	(1,156)	(748,980)
17	OIBIT	L15+L16		52,375	91,764	144,139
18	Income Taxes At Present Rates		D-20	(8,076)		
19	Income Taxes on Rate Increase		D-20		(38,076)	(46,152)
20	NET OPERATING INCOME	Sum L 17 to L 19		\$ 44,300	53,688	\$ 97,987
21	RATE OF RETURN	L20/L11		4.1095%		9.090%
REVENUE INCREASE REQUIRED						
22	Rate of Return at Present Rates	L 21, Col4		4.1095%		
23	Rate of Return Required		B-8	9.0900%		
24	Change in ROR	L23- L22		4.9805%		
25	Change in Operating Income	L24*L11		53,688		
26	Gross Revenue Conversion Factor		D-20	1.730745		
27	Change in Revenues	L25" L26		92,920		
28	Percent increase -- Total Revenues	L27/L1513]			11.61%	

PECO - Gas Operations
Before The Pennsylvania Public Utility Commission
Historic Period - 12 Months Ended December 31,2007
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Balance Sheet

[1]

Line No	Description(Account No)	Amount HY 2007
	UTILITY PLANT	
1	Gas Utility Plant (101 - 106)	\$ 1,581,557
2	Other Utility Plant (118)	5,510,210
3	Total Plant In Service	7,091,767
	Construction Work In Progress (107)	7,814
	Total Utility Plant	7,099,581
6	Accumulated Provision for Depreciation - Gas (108)	(512,980)
7	Accumulated Provision for Depreciation - Other (119)	(1,755,008)
8	Net Utility Plant	4,831,593
	OTHER PROPERTY INVESTMENTS	
9	Non-utility Property (121)	12,761
10	Accumulated Depreciation on NUP (122)	(2,093)
11	Investment in Associated & Subsidiary Companies (123.1)	77,614
12	Other Investments (124)	25,476
13	Total Other Property and Investments	113,758
	CURRENT AND ACCRUED ASSETS	
14	Cash and Other Temporary Investments (131-136)	24,038
15	Notes Receivable (141)	
16	Customer Accounts Receivable (142)	278,260
17	Other Accounts Receivable (143)	45,749
18	Accum Provision for Uncollectible (144)	(46,999)
19	Accounts Receivable Assoc. Comp. (146)	2,239
20	Fuel Stock (151)	1,817
21	Plant Materials & Supplies (154)	87
22	Gas Stored - Current (164.1)	113,083
23	Liquefied Natural Gas Stored (164.2)	11,934
24	Prepayments (165)	12,547
25	Accrued Utility Revenues (173)	89,770
26	Miscellaneous Current & Accrued Assets (171,174)	221,123
27	Total Current and Accrued Assets	753,648
	DEFERRED DEBITS	
28	Unamortized Debt Expense (181)	8,451
29	Other Regulatory Assets (182.3)	3,247,372
30	Miscellaneous Deferred Debits (186)	513,825
31	Unamortized Loss on Reacquired Debt (189)	27,138
32	Accumulated Deferred Income Taxes (190)	147,509
33	Total Deferred Debits	3,944,295
34	TOTAL ASSETS AND OTHER DEBITS	<u>\$ 9,643,294</u>

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Balance Sheet

[1]

Line No	Description/(Account No)	Amount HY 2007
	PROPRIETARY CAPITAL	
1	Common Stock Issued (201)	\$ 1,423,004
2	Preferred Stock Issued (204)	87,472
3	Miscellaneous Paid-in-Capital (211)	48,390
4	Capital Stock Expense (214)	(87)
5	Retained Earnings (215, 215.2, 216)	547,743
6	Accum Other Comprehensive Income (219)	3,649
7		
8	Total Proprietary Capital	2,110,171
	LONG TERM DEBT	
9	Bonds (221)	1,629,200
10	Advances from Associated Companies (223)	1,917,147
11	Other Long-Term Debt (224)	
12	Unamortized Premium on LTD (225)	
13	Unamorjized Discount on LTD (226)	(2,839)
14	Total Long-term Debt	3,543,508
	OTHER NON-CURRENT LIABILITIES	
15	Obligations under Capital Leases (227)	
16	Accum. Prov for Injuries & Damages (228.2)	42,357
17	Accum. Prov for Pensions & Benefits (228.3)	318,798
18	Accum. Miscellaneous Operating Prov (228.4)	40,948
19	Asset Retirement Obligations (230)	21,951
20	Total Long-term Debt	424,054
	CURRENT & ACCRUED LIABILITIES	
21	Notes Payable (231)	246,411
22	Accounts Payable (232)	210,531
23	Notes Payable to Assoc. Companies (233)	8,800
24	Accounts Payable to Assoc. Cos (234)	147,304
25	Customer Deposits (235)	66,898
26	Taxes Accrued (236)	45,812
27	Interest Accrued (237)	24,053
28	Dividends Declared (238)	924
29	Tax Collections Payable (241)	2,627
30	Misc Current & Accrued Liabilities (242)	64,596
	Total Current & Accrued Liabilities	817,956
	OTHER DEFERRED CREDITS	
31	Customer Advances for Construction (252)	4,460
32	Other Deferred Credits (253)	19,465
33	Other Regulatory Liabilities (254)	251,523
34	Deferred ITC (255)	13,065
35	Unamortized Gain on Reacquired Debt (257)	
36	Accumulated Deferred Income Taxes (281-283)	2,459,092
37	Total Other Deferred Credits	2,747,605
38	TOTAL LIABILITIES & OTHER CREDITS	\$ 9,643,294

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Statement of Net Utility Operating Income

Line No	Description	[1] Acct No	[2] HY 2007 Per Books	[3] Reference
Total Operating Revenues				
1	Total Sales Revenues		\$ 801,832	B-3
2	Sales for Resale			B-3
3	Other Operating Revenues		36,986	B-3
4	Total Revenues	400	838,818	
Total Operating Expenses				
5	Operation & Maintenance Expenses	401,402	724,705	B-4
6	Depreciation Expense	404	26,676	D-19
7	Depreciation & Amortization on Common Plant	405	5,055	D-19
8	Amortization of Regulatory Assets	405	(1,430)	D-2
9	Taxes Other Than Income Taxes	408.1	5,719	B-5
10	Total Operating Expenses		760,725	
11	Operating Income Before Income Taxes (OIBIT)		78,093	
Income Taxes:				
12	State	409.1,410, 411	3,178	B-5
13	Federal	409.1,410, 411	18,081	B-5
14	Total Operating Expenses		21,259	
15	Net Utility Operating Income		<u>\$ 56,834</u>	

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Statement of Operating Revenues

[1]

Line No	Description	HY 2007 Per Books
Gas Operating Revenues		
Sales of Gas		
1	Residential	530,861
2	Small Commercial & Industrial	251,923
3	Large Commercial & Industrial	2,059
4	Transport	16,989
5		
6	Sub-Total Gas Sales	801,832
7,		
8	Other Revenues	
9		
10	Total Sales to Customers	801,832
Other Operating Revenues		
Forfeited Discounts/Account 450:		
11	Forfeited Discounts	3,847
12	Other	
13	Total Account 450	3,847
14	Miscellaneous Service Revenues/Account 451	
Transportation Revenue/Account 454		
15	Transportation For Others	
16	Other	
17		
18	Total Account 454	
Other Gas Revenues/Account 456:		
19		
20	Company Portion of Off-System Sales	32,392
21		
22	Other	747
23		
24		
25	Total Account 456	33,139
26	Total Other Operating Revenues	36,986
27	Total Operating Revenues	\$ 838,818

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Operation and Maintenance Expenses

[1]

Line No	Description	Account No	HY 2007 Per Books
MANUFACTURED GAS PRODUCTION EXPENSES			
1	Manufactured Gas Production	710	\$ 1
2	Liquefied Petroleum Gas Expenses	717	92
3	Liquefied Petroleum Gas Expenses	728	(510)
4	Maintenance of Structures and Improvements	741	61
5	Maintenance of Production Equipment	742	154
6	Manufactured Gas Production Expenses		(202)
OTHER GAS SUPPLY EXPENSES			
7	Natural Gas City Gate Purchases	804	552,971
8	Liquefied Natural Gas Purchases	804.1	
9	Other Gas Purchases	805	29,476
10	Purchases Gas Cost Adjustments	805.1	(13,103)
11	Exchange Gas	806	
12	Purchased Gas Expenses	807	1,592
13	Gas Withdrawn from Storage-Debit	808.1	186,117
14	Gas Delivered to Storage-Credit	808.2	(138,407)
15	Other Gas Supply Purchases	809.1 - 813	87
16	Gas Supply Operation Expenses		618,733
17	TOTAL PRODUCTION AND SUPPLY		618,531
STORAGE EXPENSE			
Storage Operations Expense			
18	Operating Supervision and Engineering	840	206
19	Operation Labor and Expenses	841	639
20	Other Operations Storage Accounts	842-842.3	
21	Storage Operation Expenses		845
Storage Maintenance Expense			
22	Maintenance Supervision and Engineering	843.1	723
23	Maintenance of Structures and Improvements	843.2	2,030
24	Other Maintenance Storage Expense	843.3 - 843.9	
25	Storage Maintenance Expenses		2,753
26	TOTAL NATURAL GAS STORAGE, TERM		3,598
DISTRIBUTION EXPENSE			
Operations Expense			
27	Operation Supervision and Engineering	870	64
28	Mains and Services Expenses	874	7,564
29	Measuring and Regulating Station Expenses-General	875	1,037
30	Measuring and Regulating Station Expenses-City Gate	877	2
31	Meter and House Regulator Expenses	878	3,231
32	Customer Installations Expenses	879	3,382
33	Other Expenses	880	3,706
	Distribution Operation Expenses		18,986

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Operation and Maintenance Expenses

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Line No	Description	Account No	CY 2005 Per Books
33	Maintenance Supervision and Engineering	885	11
34	Maintenance of Mains	887	12,811
35	Maintenance of Measuring & Reg. Station Equip.-Genl.	889	751
36	Maintenance of Services	892	1,960
37	Maintenance of Meters & House Regulators	893	923
38	Maintenance of Other Equipment	894	971
39	Distribution Maintenance Expenses		17,427
CUSTOMER ACCOUNTS EXPENSES			
40	Meter Reading Expenses	902	2,388
41	Customer Records & Collection Expenses	903	9,142
42	Uncollectable Accounts	904	10,845
43	Miscellaneous Customer Accounts Expenses	905	7,276
44	Customer Account Operations Expenses		29,651
CUSTOMER SERVICE & INFORM. EXPENSES			
45	Customer Assistance Expenses	908	1,445
46	Informational & Instructional Advertising Expenses	909	267
47	Miscellaneous Customer Service & Informational Exp.	910	36
48	Cust. Service & inform. Operations Expenses		1,748
SALES EXPENSES			
49	Demonstrating and Selling Expenses	912	749
50	Advertising Expenses	912	
51	Miscellaneous Sales Expenses	916	139
52	Operation Sales Expenses		888
ADMINISTRATIVE AND GENERAL EXPENSES			
53	Administrative and General Salaries	920	4,062
54	Office Supplies and Expenses	921	452
55	Administrative Expenses Transferred-Credit	922	
56	Outside Service Employed	923	14,521
57	Property Insurance	924	93
58	Injuries and Damages	925	1,067
59	Employee Pensions and Benefits	926	9,623
60	Franchise Requirements	927	
61	Regulatory Commission Expenses	928	2,231
62	Duplicate Charges-Credit	929	(400)
63	General Advertising Expenses	930.1	420
64	Miscellaneous General Expenses	930.2	953
65	A & G Operation Expenses		33,022
66			
67	Maintenance of General Plant	935	854
68	Total Administrative & General		33,876
69	Total Operation & Maintenance Expenses		\$ 724,705

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Detail of Taxes

Line No	Description	[1] HY 2007 Per Books
Taxes Other Than Income Taxes		
Non-revenue related:		
1	PA Real I=state Tax	\$ 938
2	Pennsylvania- PURTA	1,629
3	Capital Stock	822
4	Insurance Premiums	(197)
5	Miscellaneous Taxes	
6	Subtotal	3,192
 Payroll Taxes:		
7	FICA	2,324
8	SUTA	182
9	FUTA	21
10	Other	
11	Subtotal	2,527
 Revenue Related:		
State Gross Receipts:		
12	Pennsylvania	
13	Other	
14	Total TaxesOther Than Income Taxes	\$ <u>5,719</u>
 Income Taxes		
15	State	\$ 3,178
16	Federal	18,081
17	Total Income Taxes	\$ <u>21,259</u>

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Line No	Description	Composite Cost of Long-Term Debt		[3] Effective Interest Rate	[4] Average Weighted Cost Rate [2]*[3]	[5] Annualized Cost
		[1] Amount Outstanding	[2] Percent to Total			
First & Refunding Mortgage Bonds - Fixed Rate						
1	5.900% Rate Due 5/1/34	\$ 75,000	4.14%	5.97%	0.25%	
2	4.75% Rate Due 10/1/12	225,000	12.41%	4.94%	0.61%	
3	5.95% Rate Due 11/1/11	250,000	13.78%	6.06%	0.84%	
4	3.50% Rate Due 5/1/08	450,000	24.81%	3.63%	0.90%	
5	5.950% Rate Due 10/1/36	300,000	16.54%	6.04%	1.00%	
6	5.70% Rate Due 3/15/37	175,000	9.65%	5.81%	0.56%	
	Sub-Total Fixed Rate	1,475,000	<u>81.33%</u>			
First & Refunding Mortgage Bonds - Floating Rate						
8	4.45% Rate Due 2/1/12 - Salem Series A	4,200	0.23%	4.65%	0.01%	
9	4.25% Rate Due 12/1/12 - Delaware Series A	50,000	2.76%	4.44%	0.12%	
10	4.19% Rate Due 12/1/12 - Delaware Series B	50,000	2.76%	4.38%	0.12%	
11	4.10% Rate Due 12/1/12 - Delaware Series C	50,000	2.76%	4.29%	0.12%	
	Sub-Total Variable Rate	154,200	<u>8.50%</u>			
Trust Preferred Capital Securities						
12	7.38% Rate Due 4/6/28	80,521	4.44%	7.46%	0.33%	
13	9.75% Rate Due 4/6/28	805	0.04%	9.75%	0.00%	
14	5.75% Rate Due 6/15/33	103,093	<u>5.68%</u>	5.84%	0.33%	
15	Sub-Total Capital Securities	184,419	<u>10.17%</u>			
16	Total Long-Term Debt	1,813,619	<u>100.00%</u>			
17	Adjustment for Tenders & Calls	(33,867)				
18	Net Long-Term Debt	<u>\$ 1,779,752</u>				<u>\$ 97,709</u>
19	Weighted Cost of Debt				5.49%	

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Composite Cost of Preferred Stock

<u>Line No</u>	<u>Description</u>	[1] <u>Principal Amount Outstanding</u>	[2] <u>Percent To Total</u>	[3] <u>Effective Cost Rate</u>	[4] <u>Weighted Cost Rate</u>
1	4.40% Series, Issued 12-1-41	22,650	25.89%	4.40%	1.14%
2	4.40% Series, Issued 3-1-42	4,822	5.51%	4.03%	0.22%
3	3.80% Series, Issued 12-5-46	30,000	34.30%	3.80%	1.30%
4	4.30% Series, Issued 2-5-48	15,000	17.15%	4.44%	0.76%
5	4.68% Series, Issued 5-14-53	15,000	17.15%	4.76%	0.82%
	Total Preferred Stock (Sum Line 1 to Line 5)	87,472	100.00%		4.24%
	Adjustment for Tenders & Calls	(2,467)			
	Net Preferred Stock (Sum Line 6 + Line 7)	<u>\$ 85,005</u>			
9	Annualized Cost	3,709			
10	Adjustment for Tenders and Calls On Redeemed Stock	355			
11	Total Cost	4,064			
12	Total Weighted Cost Rate (Line 11 / Line 8)				4.78%

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Rate of Return

		[1]	[2]	[3]	[4]	[5]
Line No	Description	Capitalization	Capitalization Ratio	Embedded Cost	Statement Reference	Return - Percent
1	Long-Term Debt	\$ 1,779,752	38.13%	5.49%	B-6	2,09%
2	Preferred Stock	85,005	1.82%	4.78%	B-7	0.09%
3	Common Equity	2,803,172	<u>60.05%</u>	11.50%		6.91%
4	Total	\$ <u>4,667,929</u>	<u>100.00%</u>			9.0900%

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Measures of Value

Line #	Description	(1)	(2)	(3)	(4)	(5)	(6)
		Function	Reference Schedule	# of Pages	Present Rates	Adjustments	Proposed Rates
MEASURE OF VALUE							
1	Utility Plant		C-2	1	\$ 1,581,557		\$ 1,581,557
2	Accumulated Depreciation		C-3	1	(513,868)		(513,868)
3	Net Plant in service	LI+L2			1,067,689		1,067,689
4	Working Capital		C-4		11,153		11,153
5	Gas Storage Inventory		RLO-1, C-5		127,069		127,069
6	Accum Deferred Income Taxes		C-6		(178,868)		(178,868)
7	Customer Deposits		RLO-1, C-7		(11,256)		(11,256)
s	Common Plant		C-8		63,931		63,931
9	Customer Advances for Construction		RLO-1, C-9		(1,897)		(1,897)
10	Materials & Supplies		RLO-1, C-10		152		152
11	TOTAL MEASURE OF VALUE	SumL3toL 10			\$ <u>1,077,973</u>	\$	\$ <u>1,077,973</u>

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Pro Forma Gas Plant in Service

Line No	Description	[1] Account No	[2] Amount HY 2007
Gas Plant in Service			
INTANGIBLE PLANT			
1	Organization	301	\$
2	Franchise & Consent	302	50
3	Miscellaneous Intangible Plant	303	4,212
4	TOTAL INTANGIBLE		4,262
PRODUCTION PLANT			
5	Land and land rights	304	
6	Structures, improvements	305	872
7	Liquefied Petroleum Gas Equip	311	13,442
8	TOTAL PRODUCTION PLANT		14,314
OTHER STORAGE PLANT			
9	Land and land rights	360	16
10	Structures, Improvements	361	5,987
11	Gas Holders	362	7,084
12	Other Storage & Processing Equipment	363	20,600
	TOTAL OTHER STORAGE PLANT		33,687
DISTRIBUTION PLANT			
13	Land and land rights	374	2,890
14	Structures, Improvements	375	14,436
15	Mains	376	786,342
16	Compressor Station Equipment	377	
17	Measuring & Regulating Station Eq -General	378	12,342
18	Measuring & Regulating Station Eq -City Gate	379	36,147
19	Services	380	480,487
20	Meters	381	62,193
21	Meter Installations	382	119,293
22	Other Equipment	387	3,003
23	Asset Retirement Cost	388	1,319
		0	
24	TOTAL DISTRIBUTION PLANT		1,518,452
GENERAL PLANT			
25	Land and land rights	389	
26	Structures, Improvements	390	5,273
27	Office Furniture & Equipment	391	29
28	Tools & Garage Equipment	394	3,106
29	Laboratory Equipment	395	2,203
30	Power Operated Equipment	396	
31	Miscellaneous Equipment	398	170
32	Other Tangible Property	399	61
		0	
33	TOTAL GENERAL		10,842
34	Total Gas Plant in Service -Accounts 101 8, 106		\$ 1,581,557

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Pro Forma Plant Adjustment Summary

Line #	Description	[1] Schedule	[2] Historic Year 2007 Recorded	[3] <u>Adjustments</u>	[4] Historic Year Adjusted
1	INTANGIBLE PLANT	Sec C-2, Sch 2	4,262	\$	\$ 4,262
2	PRODUCTION PLANT	Sec C-2, Sch 2	14,314		14,314
3	OTHER GAS PRODUCTION PLANT	Sec C-2, Sch 2			
4	OTHER STORAGE PLANT	Sec C-2, Sch 2	33,687		33,687
5	DISTRIBUTION PLANT	Sec C-2, Sch 2	1,518,452		1,518,452
6	GENERAL PLANT	Sec C-2, Sch 2	10,842		10,842
	SUB-TOTAL PLANT-IN-SERVICE	Sum (L 1 to L6)	1,581,557		1,581,557
8					-
9	COMPLETED CONSTRUCTION NOT CLASSIFIED	G/L a/c # 106			-
10	PLANTINSERVICE	Sum (L 7 to L 9)	<u>\$ 1,581,557</u>	<u>\$</u>	\$ 1,581,557

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Pro Forma Plant in Service 2007

Line #	Description	[1] Account Number	[2] Recorded	[3] Balance at 12-31-07 Pro Forma Adjustment	[4] Pro Forma 12/31/07 [2]+[3]
INTANGIBLE PLANT					
1	Organization	301	\$		\$
2	Franchise & Consent	302		50	50
3	Miscellaneous Intangible Plant	303		4,212	4,212
4	TOTAL INTANGIBLE	SumL1toL3		4,262	4,262
PRODUCTION PLANT					
5	Land and land rights	304			
6	Structures, Improvements	305		872	872
7	Liquefied Petroleum Gas Equip	311		13,442	13,442
8	TOTAL PRODUCTION PLANT	SumL5toL7		14,314	14,314
OTHER GAS PRODUCTION PLANT					
9	Land and land rights	340			
10	Structures, Improvements	341			
11	Misc Power Plant Equipment	346			
12	OTHER PRODUCTION	Sum L9toL11			
13	TOTAL PRODUCTION PLANT	Sum L 8toL 12		14,314	14,314
OTHER STORAGE PLANT					
14	Land and land rights	360		16	16
15	Structures, Improvements	361		5,987	5,987
16	Gas Holders	362		7,084	7,084
17	Purification Equipment	363		714	714
18	Liquefaction Equipment	363.1		8,294	8,294
19	Vaporizing Equipment	363.2		2,178	2,178
20	Compressor Equipment	363.3		1,907	1,907
21	Measuring and Regulating Equipment	363.4		1,120	1,120
22	Other Equipment	363.5		6,387	6,387
23	Asset Retirement Costs				
24					
25					
26					
27	TOTAL OTHER STORAGE PLANT	Sum L 14 to L 26		33,687	33,687

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Pro Forma Plant in Service 2007

Line #	Description	[1] <u>Account Number</u>	[2] Recorded	[3] Balance at 12-31-07 Pro Forma Adjustment	[4] Pro Forma 12/31/07 [2]+[3]
DISTRIBUTION PLANT					
28	Land and land rights	374	2,890		2,890
29	Structures, Improvements	375	14,436		14,436
30	Mains	376	786,342		786,342
31	Compressor Station Equipment	377			
32	Measuring & Regulating Station Eq -General	378	12,342		12,342
33	Measuring & Regulating Station Eq -City Gate	379	36,147		36,147
34	Services	380	480,487		480,487
35	Meters	381	62,193		62,193
36	Meter Installations	382	119,293		119,293
37	House Regulators & Installations	383/84			
38	Industrial Measuring & Station Equip	385			
39	Other Property on Customer Premises	386			
40	Other Equipment	387	3,003		3,003
41	Asset Retirement Cost	388	1,319		1,319
42					
43	TOTAL DISTRIBUTION PLANT	Sum L 28 to L 42	1,518,452		1,518,452
GENERAL PLANT					
44	Land and land rights	389			
45	Structures, Improvements	390	5,273		5,273
46	Office Furniture & Equipment	391	29		29
47	Transportation Equipment	392			
48	Stores Equipment	393			
49	Tools & Garage Equipment	394	3,106		3,106
50	Laboratory Equipment	395	2,203		2,203
51	Power Operated Equipment	396			
52	Communications Equipment	397			
53	Miscellaneous Equipment	398	170		170
54	Other Tangible Property	399	61		61
55				-	
56				-	
57	TOTAL GENERAL	Sum L 44 to L 56	10,842	-	10,842
58	SUB-TOTAL (L4+L13+L27 L43+L57)		1,581,557		1,581,557
59	Closed Plant Not Classified	0		-	
60	TOTAL PLANT IN SERVICE	L58+L59	<u>\$ 1,581,557</u>	\$ -	<u>\$ 1,581,557</u>

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Additions to Plant 2007

Line #	Description	[1] Account Number	[2]	[3] 2007 Plant Additions <u>Additions</u> Adjustments
<u>INTANGIBLE PLANT</u>				
1	Organization	301		-
2	Franchise & Consent	302		-
3	Miscellaneous Intangible Plant	303		-
4	TOTAL INTANGIBLE	SumL1toL3		-
<u>PRODUCTION PLANT</u>				
5	Land and land rights	304		-
6	Structures, Improvements	305		-
7	Liquefied Petroleum Gas Equip	311		-
8	TOTAL PRODUCTION PLANT	SumL5toL7		-
<u>OTHER GAS PRODUCTION PLANT</u>				
9	Land and land rights	340		-
10	Structures, Improvements	341		-
11	Misc Power Plant Equipment	346		-
12	OTHER PRODUCTION	SumL9toL11		-
13	TOTAL PRODUCTION PLANT	SumL8toL 12		-
<u>OTHER STORAGE PLANT</u>				
14	Land and land rights	360		
15	Structures, Improvements	361		
16	Gas Holders	362	276	
17	Purification Equipment	363	145	
18	Liquefaction Equipment	363.1		
19	Vaporizing Equipment	363.2	219	
20	Compressor Equipment	363.3		
21	Measuring and Regulating Equipment	363.4		
22	Other Equipment	363.5		
23	Asset Retirement Costs	0		
24				
25				
26		0		
27	TOTAL OTHER STORAGE PLANT	Sum L 14 to L 26	640	

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Additions to Plant 2007

Line #	Description	Account Number	[1]	[2]	[3]
			2007 Plant Additions		
			<u>Additions</u>	<u>Adjustments</u>	
DISTRIBUTION PLANT					
28	Land and land rights	374		53	
29	Structures, Improvements	375		50	
30	Mains	376		23,072	
31	Compressor Station Equipment	377			
32	Measuring & Regulating Station Eq -General	378		137	
33	Measuring & Regulating Station Eq -City Gate	379		776	
34	Services	380		18,315	
35	Meters	381		1,569	
36	Meter Installations	382		3,336	
37	House Regulators & Installations	383/84			
38	Industrial Measuring & Station Equip	385			
39	Other Property on Customer Premises	386			
40	Other Equipment	387		1,384	
41					
42					
43	TOTAL DISTRIBUTION PLANT	Sum L 28 to L 42		48,692	
GENERAL PLANT					
44	Land and land rights	389			
45	Structures, Improvements	390		883	
46	Office Furniture & Equipment	391			
47	Transportation Equipment	392			
48	Stores Equipment	393			
49	Tools & Garage Equipment	394		461	
50	Laboratory Equipment	395			
51	Power Operated Equipment	396			
52	Communications Equipment	397			
53	Miscellaneous Equipment	398			
54	Other Tangible Property	399			
55		0			
56					
57	TOTAL GENERAL	Sum L44 to L 56		1,344	
58	SUB-TOTAL (L4+L13+L25 L41+L54)			50,676	
59	Closed Plant Not Classified	106			-
60	TOTAL PLANT IN SERVICE	L58+L59		<u>\$ 50,676</u>	<u>\$ -</u>

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Retirements to Plant 2007

			[1]	[2]	[3]
Line #	Description	Account Number		2007 Retirements Actual	Adjustments
INTANGIBLE PLANT					
1	Organization		301		
2	Franchise & Consent		302		
3	Miscellaneous Intangible Plant		303		
4	TOTAL INTANGIBLE		Sum L1toL3		
PRODUCTION PLANT					
5	Land and land rights		304		
6	Structures, Improvements		305		
7	Liquefied Petroleum Gas Equip		311		
8	TOTAL PRODUCTION PLANT		Sum L5toL7		
STORAGE PLANT					
9	Land and land rights		340		
10	Structures, Improvements		341		
11	Misc Power Plant Equipment		346		
12	OTHER PRODUCTION		Sum L9toL 11		
13	TOTAL PRODUCTION PLANT		Sum L 8to L 12		
OTHER STORAGE PLANT					
14	Land and land rights		360		
15	Structures, Improvements		361		
16	Gas Holders		362	6	
17	Purification Equipment		363	4	
18	Liquefaction Equipment		363.1		
19	Vaporizing Equipment		363.2	6	
20	Compressor Equipment		363.3		
21	Measuring and Regulating Equipment		363.4		
22	Other Equipment		363.5	42	
23	Asset Retirement Costs		0		
24			0		
25	TOTAL OTHER STORAGE PLANT		Sum L 14 to L 26	58	

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Retirements to Plant 2007

Line #	<u>Description</u>	[1] Account Number	[2] 2007 Retirements Budget	[3] Adjustments
DISTRIBUTION PLANT				
26	Land and land rights	374		
27	Structures, Improvements	375	9	
28	Mains	376	1,830	
29	Compressor Station Equipment	377		
30	Measuring & Regulating Station Eq-General	378	70	
31	Measuring & Regulating Station Eq -City Gate	379	49	
32	Services	380	1,678	
33	Meters	381		
34	Meter Installations	382	29	
35	House Regulators & Installations	383/84		
36	Industrial Measuring & Station Equip	385		
37	Other Property on Customer Premises	386		
38	Other Equipment	387	220	
39		0		
40		0		
41	TOTAL DISTRIBUTION PLANT	Sum L 28 to L 42	3,885	
GENERAL PLANT				
42	Land and land rights	389		
43	Structures, Improvements	390	230	
44	Office Furniture & Equipment	391		
45	Transportation Equipment	392		
46	Stores Equipment	393		
47	Tools & Garage Equipment	394		
48	Laboratory Equipment	395	804	
49	Power Operated Equipment	396		
50	Communications Equipment	397		
51	Miscellaneous Equipment	398		
52	Other Tangible Property	399		
53		0		
54	TOTAL GENERAL	Sum L 42 to L 52	1,034	
55	SUB-TOTAL (L4+L13+L25 L41+L54)		4,977	
56	Closed Plant Not Classified	106		-
57	TOTAL PLANT IN SERVICE	L 55 + L 56	\$ 4,977	\$ -

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Accumulated Provision for Depreciation

Line No	Description	[1] Account No	[2] Amount HY 2007
Gas Plant in Service			
INTANGIBLE PLANT			
1	Organization	301	
2	Franchise & Consent	302	
3	Miscellaneous Intangible Plant	303	3,787
4	TOTAL INTANGIBLE		3,787
PRODUCTION PLANT			
5	Land and land rights	304	
6	Structures, Improvements	305	582
7	Liquefied Petroleum Gas Equip	311	10,774
8	TOTAL PRODUCTION PLANT		11,356
OTHER STORAGE PLANT			
9	Land and land rights	360	
10	Structures, Improvements	361	3,702
11	Gas Holders	362	6,629
12	Other Storage & Processing Equipment	363	12,147
	TOTAL OTHER STORAGE PLANT		22,478
DISTRIBUTION PLANT			
13	Land and land rights	374	
14	Structures, Improvements	375	4,043
15	Mains	376	222,931
16	Compressor Station Equipment	377	
17	Measuring & Regulating Station Eq -General	378	4,874
18	Measuring & Regulating Station Eq -City Gate	379	16,029
19	Services	380	161,074
20	Meters	381	22,890
21	Meter Installations	382	40,315
22	Other Equipment	387	141
23	Asset Retirement Cost	388	601
		0	
24	TOTAL DISTRIBUTION PLANT		472,898
GENERAL PLANT			
25	Land and land rights	389	
26	Structures, Improvements	390	1,661
27	Office Furniture & Equipment	391	205
28	Tools & Garage Equipment	394	643
29	Laboratory Equipment	395	679
30	Power Operated Equipment	396	
31	Miscellaneous Equipment	398	100
32	Other Tangible Property	399	61
		0	
33	TOTAL GENERAL		3,349
34	Total Gas Plant in Service. Accounts 101 & 106		\$ 513,868

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Summary Accumulated Depreciation

Line #	Description	[1] <u>Account Number</u>	[2] Recorded	[3] Year Ended 12-31-07 <u>Pro Forma Adjustments</u>	[4] Pro Forma
1	INTANGIBLE PLANT		3,787		3,787
2	PRODUCTION PLANT		11,356		11,356
3	OTHER GAS PRODUCTION PLANT				
4	OTHER STORAGE PLANT		22,478		22,478
5	DISTRIBUTION PLANT		472,898		472,898
6	GENERAL PLANT		3,349		3,349
7					
8	ACCUMULATED DEPRECIATION	Sum L 1 to L 7	513,868		513,868
9	OTHER UTILITY PLANT				
10	TOTAL ACCUMULATED DEPRECIATION	L8+L9	513,868		513,868
11	ACCUMULATED AMORTIZATION				
12	TOTAL ACC DEPR & AMORTIZATION	L10+L11 \$	513,868 \$		<u>\$ 513,868</u>

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Accumulated Depreciation by FERC Account

Line #	Description	[1] Account Number	[2] Recorded 12/31/07	[3] Pro Forma Adjustment	[4] Historic Year 2007 Balance [2]+[3]
INTANGIBLE PLANT					
1	Organization	301	\$		
2	Franchise & Consent	302			
3	Miscellaneous Intangible Plant	303	3,787		3,787
4	TOTAL INTANGIBLE	Sum L 1 to L 3	<u>3,787</u>		3,787
PRODUCTION PLANT					
5	Land and land rights	304			
6	Structures, Improvements	305	582		582
7	Liquefied Petroleum Gas Equip	311	10,774		10,774
8	TOTAL PRODUCTION PLANT	Sum L5toL7	<u>11,356</u>		11,356
OTHER GAS PRODUCTION PLANT					
9	Land and land rights	340			-
10	Structures, Improvements	341			-
11	Misc Power Plant Equipment	346			-
12	OTHER PRODUCTION	SumL9toL11			-
13	TOTAL OTHER GAS PRODUCTION PLANT	(L8+L12)	11,356		11,356
OTHER STORAGE PLANT					
14	Land and land rights	360			
15	Structures, Improvements	361	3,702		3,702
16	Gas Holders	362	6,629		6,629
17	Purification Equipment	363	481		481
18	Liquefaction Equipment	363.1	4,146		4,146
19	Vaporizing Equipment	363.2	1,565		1,565
20	Compressor Equipment	363.3	792		792
21	Measuring and Regulating Equipment	363.4	714		714
22	Other Equipment	363.5	4,449		4,449
23	Asset Retirement Costs	0			
24					
25	TOTAL OTHER STORAGE PLANT	Sum L 14 to L 26	22,478		22,478

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Accumulated Depreciation by FERC Account

Line #	Description	[1] Account Number	[2] Recorded 12/31/07	[3] Pro Forma Adjustment	[4] Historic Year 2007 Balance [2]+[3]
DISTRIBUTION PLANT					
26	Land and land rights	374		-	
27	Structures, Improvements	375	4,043	-	4,043
28	Mains	376	222,931	-	222,931
29	Compressor Station Equipment	377		-	
30	Measuring & Regulating Station Eq -General	378	4,874	-	4,874
31	Measuring & Regulating Station Eq -City Gate	379	16,029	-	16,029
32	Services	380	161,074	-	161,074
33	Meters	381	22,890	-	22,890
34	Meter Installations	382	40,315	-	40,315
35	House Regulators & Installations	383/84		-	
36	Industrial Measuring & Station Equip	385		-	
37	Other Property on Customer Premises	386		-	
38	Other Equipment	387	141	-	141
39	Asset Retirement Cost	388	601	-	601
40					
41	TOTAL DISTRIBUTION PLANT	Sum L 26 to L 40	472,898		472,898
GENERAL PLANT					
42	Land and land rights	389		-	
43	Structures, Improvements	390	1,661	-	1,661
44	Office Furniture & Equipment	391	205	-	205
45	Transportation Equipment	392		-	
46	Stores Equipment	393		-	
47	Tools & Garage Equipment	394	643	-	643
48	Laboratory Equipment	395	679	-	679
49	Power Operated Equipment	396		-	
50	Communications Equipment	397		-	
51	Miscellaneous Equipment	398	100	-	100
52	Other Tangible Property	399	61	-	61
53					
54	TOTAL GENERAL	Sum L 42 to L 53	3,349		3,349
55	SUB-TOTAL (L4+L13+L25 L41+L54)		513,868		513,868
56	Closed Plant Not Classified	106		-	
57	TOTAL PLANT IN SERVICE	L 55 + L 56	<u>\$ 513,868</u>	<u>\$ -</u>	<u>\$ 513,868</u>

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Working Capital

Line No	Description	Historic CY 2007	Reference
1	Operation & Maintenance Expenses	\$ 17,083	C-4, P2, L 11
2	Average Prepayments	2,248	RLO-1, C-4, P 15
3	Accrued Taxes	(5,488)	C-4, P2, L 13
4	Interest Payments	(2,696)	Co4, P2, L 14
5	Preferred Dividend Payments	<u>5</u>	C-4, P2, L 15
6	Total Cash Working Capital Requirements	\$ <u>11,153</u>	

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Summary of Working Capital

Line #	Description	[1] <u>Reference</u>	[2] Amount	[3] <u>Lag-Days</u> RLO-1	[4] Number of (Lead) ! Lag Days	[5]
WORKING CAPITAL REQUIREMENT						
1	REVENUE LAG DAYS	RLO-1				47.65
2	EXPENSE LAG DAYS					
3	Payroll	Sec D, Sch 7	\$ 29,850	16.00	\$ 477,593	
4	Pension Expense	Sec D, Sch 9	2,248	29.75	66,866	
5	Purchased Gas Costs		586,598	39.65	23,256,616	
6	Other Expenses	L 23 - L 3 to 5	75,092	40.26	3,023,196	
7	Total		<u>\$ 693,787</u>		<u>\$ 26,824,271</u>	
8	O & M Expense Lag Days	L7, C 4 / C 2				38.66
9	Net (Lead) Lag Days	L1 -L8				8.99
10	Operating Expenses Per Day	L7, C2/365				1,901
11	Working Capital for O & M Expense	L 9 * L 10				17,083
12	Average Prepayments	RLO-1				2,248
13	Accrued Taxes	Page 4				(5,488)
14	Interest Payments	Page 5				(2,696)
15	Preferred Dividend Payments	Page 6				5
16	Total Working Capital Requirement	L 11 to L 15				<u>\$ 11,153</u>
17	Pro Forma O & M Expense		\$ 703,920			
18	Less:					
19	Uncollectible Expense		10,133			
20						
21	Other					
22	Sub-Total		10,133			
23	Pro Forma Cash O&M Expense		<u>\$ 693,787</u>			

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Summary of Expense Lag Calculations

Line No. Description	[1] Reference Or Factor	[2] Amount	[3] (Lead)/Lag Days	[4] Weighted Dollar Value [2]*[3]	[5] (Lead)/Lag Days [4]/[2]
PAYROLL					
1	Union & Non-Union Payroll	\$ 28,176			
2	Paid Bi-Weekly with nine-day lag (14 days / 2 + 9 days)		16.00		
3	Weighted Payroll Dollar Value			\$ 450,811	
4					
5	Payroll Lag	Sum L 1 to L 4 \$ 28,176		\$ 450,811	16.00
PENSION EXPENSE					
6	Total Expenditure	\$ 3,048			
7	Capitalized at	26.26% (800)			
	Pension Payment to Expense	\$ 2,248			
9	First Payment	15-Apr \$ 562	(77.0)	\$ (43,266)	
10	Second Payment	15-Jul 562	14.0	7,867	
11	Third Payment	15-Sep 562	76.0	42,704	
12	Final Payment	15-Oct 562	106.0	59,561	
13	Sub-Total	\$ 2,248		\$ 66,866	
14	Mid-point of Service Period	1-Jul			
15	Lag Days for Pension Payment	L 13 col 4 / col 2			29.75
PURCHASED GAS EXPENSES					
16	Calculated Payment Lag	\$ 541,883		\$ 21,483,793	39.65
OTHER O & M EXPENSES					
17	OCTOBER 2006	Sch 3, P2 \$ 7,362,138		\$ 292,112,385	
18	JANUARY 2007	Sch 3, P2 6,913,534		296,674,488	
19	APRIL 2007	Sch 3, P2 5,475,905		204,438,974	
20	JULY 2007	Sch 3, P2 5,517,968		224,089,422	
21	TOTAL	Sum L 17 to L 20 25,269,546		1,017,315,270	40.26

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Accrued Taxes

<u>Line No.</u> <u>Description</u>	Reference Or Factor	[2] Amount	[3] 12-Month Accrued Factor	[4] Accrued Taxes [2]*[3]
1	Federal Income Taxes	\$ 37,372	-13.11%	\$ (4,900)
2	PA Income Tax	8,779	-11.03%	(968)
3	PA Property Taxes	938	25.95%	243
4	PA Capital Stock Tax	822	-11.03%	(91)
5	PA Public Utility Reality Tax	1,629	13.97%	228
6	Total		SumLltoL5	<u>\$ (5,488)</u>

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Interest Payments

Line No. Description	[1] Reference Or Factor	[2] # of Days	[3] # of Days	[4] Total
1 Measures of Value at December 31, 2006				\$1,077,973
2 Long-term Debt Ratio				38.13%
3 Embedded Cost of Long-term Debt				5.49%
4 Pro forma Interest Expense	L1*L2*L3			<u>\$ 22,566</u>
5 Daily Amount	L 4 / L 5 [2]	365		\$ 62
6 Days to mid-point of interest payments			91.25	
7 Less: Revenue Lag Days			47.65	
Interest Payment lag days	L6+L7			(43.60)
9 Total Interest for Working Capital	L5*L8			<u>\$ (2,696)</u>

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Preferred Stock Payments

Line No. Description	[1] Reference Or Factor	[2] # of Da~s	[3] # of Days	[4] Total
1 Measures of Value at December 31, 2006				\$1,077,973
2 Long-term Debt Ratio				1.82%
3 Embedded Cost of Long-term Debt				4.78%
4 Pro forma Interest Expense	L1*L2*L3			<u>\$ 938</u>
5 Daily Amount	L 4 / L 5 [2]	365		
6 Days to mid-point of Dividend payments			45.63	
7 Less: Revenue Lag Days			47.65	
Dividend Payment lag days	L6+L7			2.03
9 Total Dividend for Working Capital	L5*L8			<u>\$ 5</u>

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Accumulated Deferred Income Taxes

Line #	Description	Factor Or Reference	[1] Percent To Gas	[2] Amount	[3] Total
<u>Accumulated Deferred Income Tax - A/C # 282</u>					
2	Gas Utili~ Plant-a/c#282			\$ 176,742	
3	Common Plant	29,294	21.060%	6,169	
4	Common Plant	<u>15,628</u>	<u>21.060%</u>	3,291	
5	Sub-total				186,203
6	ADIT on CIAC			(6,170)	
7	ADIT on CIAC Common Plant	<u>\$ -</u>	21.060%		
8	Sub-total				(6,170)
9	Federal ADIT				180,033
10	PA Prepaid Tax on CIAC				(1,165)
11	Balance at December 31, 2007				<u>\$ 178,868</u>

PECO - Gas Operations
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Historic Period - 12 Months Ended December 31,2007
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Common Plant

Line #	Description	Factor Or Reference	[1] Total Company	[2] Percent Allocated To Gas	[3] Gas Total [1]*[2]
<u>Common Gross Plant at 12-31-07</u>					
1	--Land		\$ 6,790		
2	---Organization		677		
3	---Software		99,781		
4	---Other		14		
5	---Gas Plant		361,625		
	Total	L 1 to L 5	468,887	21.060%	\$ 98,748
7	Other Adjustmen~			21.060%	
8	Other			21.060%	
	Common Plant at 12-31-07	L 6 to L 8	\$ 468,887		\$ 98,748
<u>Common Plant Accum Depre at 12-31-07</u>					
10	---Software		(47,533)		
11	---Other		28		
12	---Gas Plant		(117,818)		
13	Accumulated Depreciation at 12-31-07	L 10 to L 12	(165,323)	21.060%	(34,817)
14	Other Adjustmen~			21.060%	
15	Other			21.060%	
16	Other			21.060%	
17	To~lAccumula~d Depre~a~on at12-31-07	L 12toL 16	\$ (165,323)		(34,817)
<u>Net Common Plant</u>					
18	Net Common Plant	L9+L13	303,564		
19	2008 Allocation Factor			21.060%	
20	Total Net Common Plant for Gas	L17*L18			63,931

PECO - Gas Operations
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Net Operating Income at Present Rates & Pro Forma Revenue Increase

Line #	Description	Factor Or Reference	[1] Pro Forma Test Year At Present Rates	[2] Pro Forma Revenue Increase	[3] Pro Forma Test Year At Required Revenues
OPERATING REVENUES					
1	Customer & Distribution Revenue		212,500		212,500
2	Gas Supply & Cost Adjustment Revenue		583,105		583,105
3					
4	Other Revenues		4,594		4,594
5	Revenue Increase			92,920	92,920
6	Total operating revenues	Sum L 1 to L 5	<u>800,199</u>	92,920	893,119
OPERATING EXPENSES					
7	Manufactured Gas		(192)		(192)
8	Gas Supply Production		586,598		586,598
9	Gas Supply Production - Other		1,667		1,667
10	Gas Storage		3,703		3,703
11	Distribution		37,248		37,248
12	Customer Accounts	0.2000%	22,789	186	22,975
13	Bad Debts	1.0441%	10,133	970	11,103
14	Customer Information & Services		1,862		1,862
15	Sales		906		906
16	Administrative & General		39,207		39,207
17	Depreciation & Amortization		27,430		27,430
18	Common Depre & Amortization		5,055		5,055
19	Amortization of Regulatory Expense		5,551		5,551
20	Taxes other than income taxes		5,868		5,868
21	Other				
22	Total operating expenses	Sum L 7to L 21	<u>747,824</u>	<u>1,156</u>	<u>748,980</u>
23	Net operating income Before Income Tax	L 6- L 22	52,375	91,764	144,139
Income Taxes					
24	Pro Forma Income Tax At Present Rates		8,076		8,076
25	Pro Forma Income Tax on Revenue Increase			38,076	38,076
26	Net Operating Income	L 23- L 24- L 25	44,300	53,688	97,987
27	Other income				
28	Other deductions				
29	Net Income (loss)	Sum L 26 to L 28 \$	<u>44,300 \$</u>	<u>53,688</u>	\$ 97,987

PECO - Gas Operations
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(\$ in Thousands)
Adjusted Net Operating Income At Present Rates

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Line #	Description		[1] Recorded Historic Year End 12/31/07	[2] Adjustments Pga 1 & 2 Increase (Decrease)	Pro Forma 2007 Revenue and Expense
	OPERATING REVENUES				
1					
2	Residential		530,861	(5,055)	525,806
3	Small Commercial & Industrial		251,923	(223)	251,700
4	Large Commercial & Industrial		2,059	(949)	1,110
5	Transportation		16,989		16,989
6	Other				
7					
8					
9	Forfeited Discounts		3,847		3,847
10					
11	Off System Sales		32,392	(32,392)	
12					
13	Other Revenue		747		747
14					
15					
16	Rate Increase				
17	Total operating revenues	Sum L 1 to L 16	838,818	(38,619)	800,199
	OPERATING EXPENSES				
18	Manufactured Gas Production		(202)	10	(192)
19	Gas Supply Production		617,141	(30,543)	586,598
19	Gas Supply Production - Other		1,592	75	1,667
20	Gas Storage		3,598	105	3,703
21	Distribution		36,413	835	37,248
22	Customer Accounts	0.2000%	18,806	3,983	22,789
23	Bad Debts	1.0441 %	10,845	(712)	10,133
24	Customer Information & Services		1,748	114	1,862
25	Sales		888	18	906
26	Administrative & General		33,876	5,331	39,207
27	Depreciation & Amortization		26,676	754	27,430
28	Common Depre & Amortization		5,055		5,055
29	Amortization of Regulatory Expense		(1,430)	6,981	5,551
30	Taxes other than income taxes		5,719	149	5,868
31	Other				
32	Total operating expenses	Sum L 18 to L 31	<u>760,725</u>	(12,901)	<u>747,824</u>
33	Net Operating Income - BIT	L 17 - L 32	<u>\$ 78,093</u>	<u>\$ (25,718)</u>	<u>\$ 52,375</u>

PECO - Gas Operations
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Adjustments to Net Operating Income

Line #	Description	[1] As Recorded And Allocated	[2] Revenues D-5	[3] Gas Costs D-6	[4] Salades & Wages D-7	[5] Adjustments Rate Case Normalization D-8	[6] Employee Benefits D-9	[7] Pension D-9a	[8] Adjustme-s Uncollectibles D-10	[9] CAP Expenses D-11	[10] Non-Utility Expenses D-12	[11]	[12] Total Adjustments	[13] Total Proforma
OPERATING REVENUES														
Customer & Distribution														
1	Residential	480	\$ 140,226	\$ (4,834)									\$ (4,834)	\$ 135,392
2	Commercial	481	60,435	(218)									(218)	60,217
3	Industrial	481	285	(157)									(157)	128
4	TransPortation	483	16,989											16,989
5	Other	0												
Fuel Costs														
6	Residential	0	390,635											390,635
7	Commercial	0	191,488											191,488
8	Industrial	0	1,774	(792)									(792)	982
9	Transportation	0												
10	Other	447												
OTHER REVENUE														
11	Forfeited Discounts	450	3,847											3,847
12	Off System Sales	451	32,392	(32,392)									(32,392)	
13	Transportation Revenue	454												
14	Other Revenue	456	747											747
15	Rate Increase	0												
16	Total operating revenues	Sum L 1 to L 15	838,818	(38,393)									(38,393)	800,425
OPERATING EXPENSES														
17	Manufactured Gas Production		(202)			10							10	(192)
18	Gas Supply Production		617,141	(30,543)									(30,543)	586,598
19	Gas Supply Production - Other		1,592			75							75	1,667
20	Gas Storage		3,598			105							105	3,703
21	Distribution		36,413			835							835	37,248
22	Customer Accounts		18,806			216							216	19,022
23	Bad Debts		10,845						(712)				(712)	10,133
24	Customer Information & Services		1,748			9				105			114	1,862
25	Sales		888			18							18	906
26	Administrative & General		33,876		407	656	2,381	1,892			(505)		4,831	38,707
27	Depreciation & Amortization		26,676											26,676
28	Common Depra & Amortization		5,055											5,055
29	Amortization of Regulatory Expense		(1,430)											(1,430)
30	Taxes other than income taxes		5,719											5,719
31	Other													
32	Total operating expenses	Sum L 17 to L 31	760,725	(30,543)	1,674	656	2,381	1,892	(712)	105	(505)		(25,053)	735,672
33	Net operating income Before Income Tax	L 16- L32	\$ 78,093	\$ (38,393)	\$ 30,543	\$ (1,674)	\$ (656)	\$ (2,381)	\$ 712	\$ (105)	\$ 505	\$		64,753

PECO - Gas Operations
Before The Pennsylvania Public Utility Commission
Historic Period - 12 Months Ended December 31,2007
(\$ in Thousands)

Schedule **D-3**
Witness: **R.O'Brien**
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Adjustments to Net Operating Income

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]
		From Page 1	Removal of Budget MGP	Normalize Amort of MGP	Interest on Cust De.posits	R & D For TY	Energy Eft Program	Revenue Loss re EEP	Amort of EEP Start Up	LIURP Pro Forma	Other Than	Total	Total	
	<u>Sub-total</u>	<u>D-13-A</u>	<u>D-13-B</u>	<u>D-14</u>	<u>D-15</u>	<u>D-16A</u>	<u>D-16B</u>	<u>D-16C</u>	<u>D-17</u>	<u>D-18</u>	<u>D-19</u>	<u>~ A.~J.~stment s</u>	<u>Proforma</u>	
OPERATING REVENUES														
34	Residential	480												
35	Commercial	481												
36	Industrial	481												
37	Transportation	483												
38	Other	0												
39	Residential	0												
40	Commercial	0												
41	Industrial	0												
42	Transportation	0												
43	Other	447												
44	Forfeited Discounts	450												
45	Off System Sales	451												
46	Transportation Revenue	454												
47	Other Revenue	456												
48	Rate Increase	0												
49	Total operating revenues	Sum L 34 to L 48	800,425											
OPERATING EXPENSES														
50	Manufactured Gas Production	(192)												
51	Gas Supply Production	586,598												
52	Gas Supply Production - Other	1,667												
53	Gas Storage	3,703												
54	Distribution	37,248												
55	Customer Accounts	19,022				489			2,477		100	701		
56	Bad Debts	10,133												
57	Customer Information & Services	1,862												
58	Sales	906												
59	Administrative & General	38,707												
60	Depreciation & Amortization	26,676												
61	Common Depre & Amortization	5,055												
62	Amortization of Regulatory Expense	(1,430)	1,430	5,551										
63	Taxes other than income taxes	5,719												
64	Other													
65														
66	Total operating expenses	Sum LS0 to L 65	735,672	1,430	5,551	489	500	2,477		100	701	149	754	12,152
33	Net operating margins Before Income Tax	L49-L66	\$ 64,753	\$ (5,551)	\$(489)	\$(500)	\$(2,477)	\$(226)	\$(100)	\$(701)	\$(149)	\$(754)	~ \$ 52,37	-5

PECO - Gas Operations
Before The Pennsylvania Public Utility Commission
Historic Period -12 Months Ended December 31,2007
(\$ in Thousands)

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Summary of Revenue Adjustments

Line #	Description	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[9]	[10]	[11]
		Reference Or Account Number	2007 Recorded	Co. Portion Off-System D-5A	Revenue Annualization D-5B	CAP Rev Cm drit D-5C	Rate/S A-ust D=5D					Total Proforma Adjustments [3to10]	Proforma Adjusted At Present Rates [2]+[11]
Customer & Distribution Revenue													
1	Residential	480	\$ 140,226		999	(5,833)						(4,834)	\$ 135,392
2	Small C & I	481	60,435		(218)							(218)	60,217
3	Large C & I	481	285				(157)					(157)	128
4	Transportation	483	16,989										16,989
5	Other	0											
6													
7	Customer & Distribution Revenue	Sum L 1 to L 5	217,935		782	(5,833)	(157)					(5,209)	212,726
Revenue for Cost of Gas													
8	Residential	480	390,635										390,635
9	Small C R, I	481	191,488										191,488
10	Large C & I	481	1,774				(792)					(792)	982
11	Transportation	483											
12	Other	0											
13													
14	Revenue for Cost of Gas	Sum L 8 to L 12	583,897				(792)					(792)	583,105
15	Total Customers Revenue	L 7 + L 14	801,832		782	(5,833)	(949)					(6,001)	795,831
16	Forfeited Discounts		3,847										3,847
17	Off System Sales		32,392	(32,392)								(32,392)	
18	Test Year STAS Revenue												
19	Normalization for Number of Days												
20	Other		747										747
21	Total Revenues	Sum L 16 to L 20	838,818	(32,392)	782	(5,833)	(949)					(38,393)	800,425
22	Other												
23	TOTAL REVENUES	L21*L22	\$ 838,818 ~		\$ 782	\$ (5,833)	\$ (949)	\$ -	\$			\$ (38,393)	\$ 800,425

PECO - Gas Operations
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(\$ in Thousands)

SECTION D
Schedule D-5A
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Off System Sales - Company Portion

Line #	Description	[1] Reference	[2] Amount
1	Remove Off System Sales from Test Year	D-5	<u>\$ (32,392)</u> [a]
2	Remove Gas costs and Customer Sharing From Test Year	D-6	<u>\$ (29,559)</u> [b]

[a] Also includes sales for resale and the Company share of capacity release credits

[b] Also includes the customers' share of off-system sales and sales for resale gas cost.

PECO - Gas Operations
Before The Pennsylvania Public Utility Commission
Historic Period - 12 Months Ended December 31,2007
(\$ in Thousands)

SECTION D
Schedule D-5B
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Revenue Annualization

Line #	Description	[1] Residential	[2] Small C&I	[3] Large C&I	[4] Other	[5] Total
1	Total Test Year Revenues	\$ 530,861	\$ 251,923	\$ 2,059		\$ 784,843
2	Commodity Billings in Revenues	(390,635)	<u>(191,488)</u>	<u>(1,774)</u>		(583,897)
	Revenues net of Commodity - Margin (L1 -L2)	<u>\$ 140,226</u>	<u>\$ 60,435</u>	<u>\$ 285</u>	\$	<u>\$ 200,946</u>
4	Average Monthly of Customers in Test Year	436,811	<u>40,818</u>			477,632
	Average Annual Margin Per Customer (L3/L4)	0.321	<u>\$ 1.481</u>	<u>\$ 95.000</u>		0.421
6	Number of Customers at End of Year	439,924	<u>40,671</u>			480,598
	Increase in Customers during Test Year (L6-L4)	3,113	<u>(147)</u>			2,966
	Annualization of Revenue (L5*L7)	999	<u>\$ (218)</u>	\$		782

PECO - Gas Operations
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Historic Period - 12 Months Ended December 31, 2007
(\$ in Thousands)

SECTION D
Schedule D-5C
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CAP Revenue Credits and Adjustments

Line #	Description	[1] Reference	[2] Amount	[3] Sub-Total	[4] Total
<u>CHANGE IN CAP</u>					
1	Number of CAP Customers in 2007		20,177		
2	Average Annual CAP Customer Revenue Credit - Current		<u>\$ (0.1792)</u>		
3	CAP Revenue Credit in 2007			(3,616)	
4	Calculation of New CAP Revenue Credit	Line 19		(10,109)	
5	Increase in CAP Revenue Credit for Proposed Program			(6,493)	
6	Reduction in Uncollectible Amounts	0.1300		844	
7	Net Increase in CAP Credit Based on Recorded 2007'				(5,649)
<u>ANNUALIZATION OF CAP CREDITS - YEAR END CUSTOMERS</u>					
8	Pro Forma Customers at Year-End Level		20,599		
9	Increase in CAP Customers		422		
10	Increase in CAP Revenue Credit for Annualized Customers			(0,501)	
11	Total increase for Customer Annualization			(211)	
12	Reduction in Uncollectible Amounts	0.1300		27	
13	Net Increase in CAP Revenue Credit for Annualized Customers				(184)
14	TOTAL CAP REVENUE CREDIT ADJUSTMENT				<u>\$ (5,833)</u>
<u>Pro Forma CAP Costs for 2007</u>					
15	2008 Proposed CAP costs		(10,265)		
16	Number of CAP customers used in 2008 calculation		20,479		
17	2008 Proposed CAP Cost per customer			\$ (0.501)	
18	Average CAP customers in 2007			20,177	
19	Pro Forma Proposed CAP costs for Average 2007 Customers			<u>\$ (10,109)</u>	

PECO - Gas Operations
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(\$ in Thousands)

IS Revenue Adjustment

Line #	Description	[1] <u>Reference</u>	[2] <u>Amount</u>	[3] Amount	[4] Total
1	Distribution Revenue - IS		\$ (154)		
2	Customer Revenue - IS		(3)		
				(157)	
3	Gas Costs in IS Revenue			(792)	
4	Total Adjustment to Revenue	D-5			<u>\$ (949)</u>
5	Gas Costs for IS	D-6			<u>\$ (984)</u>

PECO - Gas Operations
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(\$ in Thousands)

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		Gas Costs							
		[1]	[2]	[3]	[4]	[5]	[8]	[7]	[8]
Line #	Description	Reference Or Account Number	Recorded Gas Co-its	Off-System Sales Gas Costs D-5A	IS Gas Costs D-SD			Total Pmforma Adjustments	Total Sum[2]to[6]
	Gas Costs		<u>\$ 617,141</u>	<u>\$(29,559)</u>	<u>\$(984)</u>				<u>586,598</u>
2									
3									
4									
5									
6									
7									
8									
9									
10									
12									
13									
14									
15									
16									
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27									
28									
29									
30									

**PECO - Gas Operations
Before The Pennsylvania Public Utility Commission
Historic Period - 12 Months Ended December 31 , 2007
(\$ in Thousands)**

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Adjustment for Salaries & Wages

Line #	Description	[1] Account Number	[2] Recorded Year 2007	[3] Redistribute General Categories	[4] Payroll As Distributed	[5] Adjustment	[6] Total Pro Forma Payroll
	Manufactured Gas Production Expenses		160		\$ 160	\$ 10	\$ 170
	Gas Supply Operation Expenses		1,264		1,264	75	1,339
	Storage Operation Expenses		419		419	25	444
	Distribution Operation Expenses		7,248		7,248	431	7,679
	Customer Account Operations Expenses		3,628		3,628	216	3,843
	Cust. Service & Inform. Operations Expenses		154		154	9	163
	Operation Sales Expenses		304		304	18	322
	A & G Operation Expenses		6,694		6,694	398	7,092
	Total Operations	Sum L1toL8	19,872		19,872	1,181	21,053
	MAINTENANCE						
10	Underground Maintenance Expenses						
11	Storage Maintenance Expenses		1,343		1,343	80	1,422
12	Distribution Maintenance Expenses		6,799		6,799	404	7,203
13							
14	Maintenance of General Plant		162		162	10	171
15	Total Maintenance	Sum L10toL14	<u>8,304</u>		<u>8,304</u>	<u>493</u>	<u>8,797</u>
	Total Direct Payroll	L 9 + L 15	28,176		28,176	\$ 1,674	\$ 29,850
	Percent Increase	L 16, C 5/C4					<u>5.941%</u>

PECO - Gas Operations
Before The Pennsylvania Public Utility Commission
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Adjustment for Salaries & Wages

Line #	Description	[1] Reference Or Function	[2] Employees 1-Jan	[3] With Raises on 1-Mar	[4] Total	[5] Amount	[6] Amount	[7] Pro Forma Total
1	Number of Employees At 12-31-06		286	<u>213</u>	499			
2	Percent of Employees at 12-31-06		57.3%	<u>42.7%</u>	<u>100.0%</u>			
	Pm Forma Percent for FTY		50.0%	<u>50.0%</u>	100,0%			
4	Distribution of FTY Budget S&W Expense		\$ 14,088	\$ 14,088		\$ 28,176		
Annualize March 1, 2007 WaQe Increase								
5	Number of Months		0	2				
6	Rate for Increase		3.50%	3.50%				
7	Total Adjustment	L4*L5*L6/12		82		\$ 82		
8	Sub-Total	L4 + L7	14,088	14,170				
Annualize January 1 and March 1, 2008 Increase								
9	Number of Months		12	12				
10	Rate for Increase		3.50%	<u>3.50%</u>				
11	Total Adjustment		\$ 493	\$ 496		989		
12	Annualized S&W Adjustment	L8+L11				\$ 1,071		
13	Annualized S&W for Budgeted Employees					\$ 29,247		
Pro Forma For New Employees								
14	Number of Employees at 12-31-07			520				
15	Number of Employees at 12-31-06			499				
16	Increase in Number of Employees	L14+L15		21				
17	Average Number of Employees in Budget				509.5			
18	Annualization for Number of Employees	L16/2				10.5		
19	Annual S & W per Employee	L-3 (6)/L17				\$ 57.4		
20	Annualization of S & W For New Employees	L18*L19					603	
21	Pm Forma TYE S&W	L13+L20				\$ 29,850		
22	Increase in S&W	L21 -L4				1,674		
23	Pm Forma Pement for FTY	L22/L4					5.940%	

PECO - Gas Operations
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Historic Period - 12 Months Ended December 31,2007
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Rate Case Expense Normalization

Line #	Description	[1] <u>Reference</u>	[2]	[3] Amount	[4] Sub-Total	[5] Total
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EXPENDITURES TO 12-31-07

1	External Consultants			271		
2	External Legal			75		
3	Total Recorded at 12-31-07	LI+L2			346	

EXPENDITURES FOR 2008

4	External Consultants			750		
5	External Legal			750		
6	Materials, IT Costs, Travel, Copies, Etc,			121		
7	Sub-Total	L4toL6			1,621	

TOTAL EXPENDITURES FOR RATE FILING

	TOTAL COSTS	L3+L7			<u>\$ 1,967</u>
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Normalized over 3 years
(Line 8 / 3)

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PECO - Gas Operations
Before The Pennsylvania Public Utility Commission
Historic Period - 12 Months Ended December 31,2007
(\$ in Thousands)
Adjustment for Employee Benefits and Pension

Schedule D-9
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Line #	Description	[1] <u>Reference</u>	[2] <u>Amount</u>	[3] <u>Amount</u>	[4]	[5] Total
<u>EMPLOYEE BENEFITS</u>						
1	Total Benefits Expensed		9,717			
2	Number of FTEs for Budget		517			
3	Budget Expense Per FTE	L1/L2		\$ 18.794		
4	Additional FTEs for Annualization	Pg 2 of 2		18		
5	Annualization of Benefits	L3*L4			\$	338
6	Annualization of Benefits	Pg 2 of 2				2,043
7						
8	Total Pro Forma Adjustment				<u>\$</u>	<u>2,381</u>
<u>PENSION COSTS</u>						
9	Pension Payment		3,048			
10	Pension Capitalization Factor		26.26%			
11	Pension Payment To Be Capitalized	L9*L10	800			
12	Pension Payment To Be Expensed	L9-L11		\$ 2,248		
13						
14	FAS 87 Pension Expensed			356		
15	Pension Adjustment to Plant	LII -L13	\$ 800			
16	Additional Pension Expense	L12-L14				1,892
17	Pro Forma Pension and Benefits Adjustment (Line 5 + Line 16)				<u>\$</u>	<u>1,892</u>

PECO - Gas Operations
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Adjustment for Employee Benefits and Pension

Line #	Description	[1] <u>Reference</u>	[2] <u>Employees Added</u>	[3] <u>Months Remaining In Year</u>	[4] <u>Number of Employee Months</u> [2]*[3]	[5] <u>Number of Full Time Equivalent</u>
--------	-------------	-------------------------	-------------------------------	--	--	--

Number of FTEs

1	Employees at 12-31-06					499
	Employees Added Jn 2007					
2	---January to March		-9	1.5	-14	
3	---March to June		9	4.5	41	
4	---July to Sept		9	7.5	68	
5	---October to December		12	10.5	126	
6	Total	Sum L2toL5	21		221	
7	Additional FTEs for Test Year	L614]/12				18
8	Total FTEs included in Budget	L1+L7				517
9	FTEs not included in Budget	[2]L6-L7				18

Annualized Benefits Expense

	<u>Annual Expense</u>	<u>Pro Forma Expense</u>
Recorded or Budgeted Expense for Year		
10 ---2004 Actual	\$ 7,420	
11 ---2005 Actual	\$ 7,409	
12 ---2006 Actual	\$ 6,858	
13 ---2007 Actual / Budget	\$ 4,989	
14		
15 ---2008 Budget		6,546
16 Annualization Percent		31.21%
17 Annualization Expense Adjustment		\$ 2,043

PECO - Gas Operations
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Uncollectible Accounts

Line #	Description	[1] Reference	[2] Gas General Charge Offs	[3] Tariff Revenue	[4] Percent [2]/[3]	[5] Total [2]/[3]
	2003		7,036	\$ 619,574	1.14%	
	2004		6,935	\$ 708,088	0.98%	
	2005		7,836	\$ 772,049	1.01%	
	2006		8,724	\$ 812,020	1.07%	
	2007		7,992	\$ 777,879.~	1.03%	
	Five Year Average Sum (Line 1 to Line 5) / 5		\$ 7,705	\$ 737,922.		1.0441%

Net Charge Offs
Pre
Program Arrearages Gas General Charge Offs

Charge Offand PPA Amounts

7	<u>2003 Recorded</u>		\$ 1,704	\$ 7,036		
8	<u>2004 Recorded</u>		\$ 3,011	\$ 6,935..		
9	<u>2005 Recorded</u>		\$ 1,358	\$ 7,836		
10	<u>2006 Recorded</u>		1,166	\$ 8,724.		
11	<u>2007 Recorded</u>		\$ 1,892	\$ 7,992.		
12	PPA Average		\$ 1,826			1,826
13	<u>2007 Recorded Uncollectible Expense</u>				10,845	
	Pro Forma Adjustment					
14	Test Year Revenue Adjustment	1.0441%		\$ 795,605	8,307	
15	Adjustment for Charge Offs	L 14 - L 13				(2,538)
16	Total for Test Year	L12+L15				

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CAP - New Program Expenses

Line #	Description	[1]	[2] <u>Reference</u>	[3] Amount	[4] Sub-Total	[5] Total
1	Training Expenses for New CAP elements			34		
2	Customer Education Costs			71		
3	Other					
	Total				<u>\$ 105</u>	

PRO FORMA ADJUSTMENT

5	Estimated Normalized amount for 2008 Test Year		105
---	--	--	-----

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Non-Utility Expenses

Line #	Description	[1]	[2] <u>Reference</u>	[3] <u>Amount</u>	[4] Sub-Total	[5] Total
<u>PECO DIRECT EXPENSES</u>						
1	Promotional Advertising			292		
2	Charitable Contributions			90		
3						
4						
5						
6						
7	Sub-Total		L 1 to L 6		382	
<u>BSC - ALLOCATED EXPENSES</u>						
8	Promotional Advertising			123		
9						
10						
11	Sub-Total		L 8to L 10		123	
12	TOTAL		L 7 + L 11			505

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Amortization of MGP Expenditures

Line #	Description	[1] Reference	[2] Amount	[3] Amount	[4] Total
1	MGP Net Amortization Included in recorded 2007 expense		\$ 1,430		
2	Other				
3	Pro Forma Adjustment for Recorded MGP Amortization - Remove Recorded amount				<u>\$ 1,430</u>

Proposed Pro Forma Annualization

4	Under (Over) recovery at December 31, 2008			(180)	
	<u>Annual Expenditures For</u>				
5	--2009		4,965		
6	--2010		10,447		
7	--2011		3,898		
8	--2012		4,771		
9	--2013		3,855		
10	Total Expenditures			27,936	
11	Net To Be Recovered			<u>\$ 27,756</u>	
12	Number of Years to be Normalized			5	
13	Normalized Insurance Recovery for Test Year				
14	Pro Forma Adjustment for Normalization of Insurance Recovery				<u>\$ 5,551</u>

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Interest on Customer Deposits

Line #	Description	[1]	[2]	[3]	[4]	[5]
#	Description		<u>Reference</u>	Amount	Sub-Total	Total
Residential Customer Deposits						
1	2007 -- January			\$ 29		
2	-- February			30		
3	-- March			30		
4	-- April			32		
5	-- May			33		
6	-- June			34		
7	-- July			34		
8	-- August			35		
9	-- September			35		
10	-- October			35		
11	-- November			35		
12	-- December			34		
13	TOTAL RESIDENTIAL				396	
Commercial & Industrial Customer Deposits						
14	2007 -- January			6		
15	-- February			6		
16	-- March			6		
17	-- April			7		
18	-- May			7		
19	-- June			7		
20	-- July			8		
21	-- August			8		
22	-- September			9		
23	-- October			9		
24	-- November			10		
25	-- December			10		
26	TOTAL C & I				93	
27	Interest on Customer Deposits		L13+L26			489

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Research & Development Expense

Line #	Description	[1]	[2] <u>Reference</u>	[3] Amount	[4] Sub-Total	[5] Total
1	Total Research & Development for 2007			289		
2	Increase in annual Expenditures			500		
	Total Pro Forma R & D Expenditures				789	
4	Amount included in 2007 recorded expense				289	
5	Other					
7	Total Test Year Adjustment		L3-L4			500

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Energy Efficiency Programs

Line #	Description	[1] <u>Reference</u>	[2] Amount	[3] Amount	[4] Su b-Total	[5] Total
<u>Adjustment 16-A .. Establish Annual Expense Level for EEP</u>						
1	Annual Expense associated with Energy Efficiency Programs					2,477
<u>Adjustment 16-B -.Amortization of EEP Start-up Expenditures</u>						
2	EEP Start Up Expenditures			300		
3	Normalized for Test Year					
4	Test Year Expense					100
<u>Adjustment 16-C -- Lost Revenue Associated with EEP</u>						
5	Residential				221	
6	Commercial				5	
7	Revenue Loss from Conservation due to EEP					226

PECO - Gas Operations
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LIURP Expenses

Line #	Description	[1] Reference	[2] Amount	[3] <u>Amount</u>	[4] <u>Sub-Total</u>	[5] Total
<u>LIURP Program Costs. Estimated for FTY</u>						
1	Total Revenue		800,199			
2	LIURP Factor			0.0020		
3	Pro Forma LIURP for FTY				\$ 1,600	
4	LIURP recorded expense for 2007				899	
5	Pro Forma Adjustment					701

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Taxes Other Than Income Taxes

Line #	Description	[1] Account Number	[2] Recorded Amounts 2007	[3] Pro Forma Adjustments	[4] Pro Forma Tax Expense 2007
1	PURTA Taxes		1,629		\$ 1,629
2	Capital Stock		822		822
3	PA & Local Use taxes		(197)		(197)
4	Social Security		2,324	138	2,462
5	FUTA		21	1	183
6	SUTA		182	10	31
7	Other Payroll				
8	Real Estate Taxes		938		938
9	Other - Miscellaneous				
10	Total	Sum L 1 to L 9	<u>\$ 5,719</u>	<u>\$ 149</u>	<u>\$ 5,868</u>

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Taxes Other Than Income Taxes

Line #	<u>Description</u>	[1] Account Number	[2]	[3] 2007 Recorded	[4] FTY Adjustment	[5] Increase in Payroll Taxes
1	Total Payroll Charged to Expense			<u>\$ 28,176</u>	<u>\$ 1,674</u>	
2	FICA Expense			<u>\$ 2,324</u>		
3	FICA Expense - Percent	L2/L1		8.25%	8.25%	
4	Pro Forma FICA Expense on Pro Forma S&W	[4]L1*L3				\$ 138
5	FUTA Expense			<u>\$ 21</u>		
6	F UTA Expense - Percent	L5/L1		0.07%	0.07%	
7	Pro Forma FUTA Expense on Pro Forma S&W	[4]L1*L6				
8	SUTA Expense			<u>\$ 182</u>		
9	SUTA Expense - Percent	L8/L1		<u>0.57%</u>	0.57%	
10	Pro Forma SUTA Expense on Pro Forma S&W	[4] L 1 * L 9				10
11	Other			<u>\$</u>		
12	Other - Percent	L11/L1		0.00%	0.00%	
13	Pro Forma Other Expense on Pro Forma S&W	[4] L 1 * L 12				
14	Pro Forma Adjustment	Sum L 4 to L 13				<u>\$ 149</u>

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Depreciation Expense Adjustment
[1] [2] [3] [4] [8] [6]

Line #	Description	Account Number	On 2007 Balance of Net Plant	2007 Recorded Expense On 2007 Additions	Total	Annualize 2007 Depreciation	Pro Forma Test Year Depreciation
1	Organization	301		\$	\$	\$	\$
2	Franchise & Consent	302					
3	Miscellaneous Intangible Plant	303	298	(15)	283		268
4	TOTAL INTANGIBLE	SumL 1toL3	298		283		268
PRODUCTION PLANT							
5	Land and land rights						
6	Structures, Improvements	305	10		10		10
7	Liquefied Petroleum Gas Equip	312	95		95		95
8	TOTAL PRODUCTION PLANT	SumL5toL7	105		105		105
OTHER GAS PRODUCTION PLANT							
9	Land and land rights	340					
10	Structures, Improvements	341					
11	Misc Power Plant Equipment	346					
12	OTHER PRODUCTION	SumL9toL12					
13	TOTAL PRODUCTION PLANT	(LS+L12)	105		105		105
OTHER STORAGE PLANT							
14	Land and land rights	360					
15	Structures, Improvements	361	91		91		91
16	Gas Holders	362	15	2	17	2	19
17	Purification Equipment	363	10	(1)	9	(1)	8
18	Liquefaction Equipment	363.1	156	10	166	10	176
19	Vaporizing Equipment	363.2	19	5	24	5	29
20	Compressor Equipment	363.3	45		45		45
21	Measuring and Regulating Equipment	363.4	16		16		16
22	Other Equipment	363.5	74	4	78	4	82
23	Asset Retirement Costs	0					
24							
25							
26							
27							
28	TOTAL OTHER STORAGE PLANT	Sum L 14 to L 27	426	20	446	20	466

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Depreciation Expense Adjustment

Line #	Description	[1] Account Number	[2] 2007 Recorded Expense			[4] Total	[5] Annualize 2007 Depreciation	[6] Pro Forma Test Year Depreciation
			Net Plant	Additions				
DISTRIBUTION PLANT								
29	Land and land rights	374						
30	Structures, Improvements	375	319	5	324	5	329	
31	Mains	376	10,726	230	10,956	230	11,186	
32	Compressor Station Equipment	377						
33	Measuring & Regulating Station Eq -General	378	231	7	238	7	245	
34	Measuring & Regulating Station Eq -City Gate	379	541	5	546	5	551	
35	Services	380	8,662	216	8,878	216	9,094	
36	Meters	381	1,939	32	1,971	32	2,003	
37	Meter Installations	382	2,571	14	2,585	14	2,599	
38	House Regulators & installations	383/84						
39	Industrial Measuring & Station Equip	385						
40	Other Property on Customer Premises	386						
41	Other Equipment	387	114	49	163	49	212	
42	Asset Retirement Cost	388	13	3	16	3	19	
43								
44	TOTAL DISTRIBUTION PLANT	Sum L 29 to L 43	25,116	561	25,677	561	26,238	
GENERAL PLANT								
45	Land and land rights	389						
46	Structures, Improvements	390	95	4	99	4	103	
47	Office Furniture & Equipment	391	(514)	162	(352)	162	(190)	
48	Transportation Equipment	392						
49	Stores Equipment	393						
50	Tools & Garage Equipment	394	148	10	158	10	168	
51	Laboratory Equipment	395	241	11	252	11	263	
52	Power Operated Equipment	396						
53	Communications Equipment	397						
54	Miscellaneous Equipment	398						
55	Other Tangible Property	399						
56								
57								
58								
59								
60	SUB-TOTAL	Sum L 45 to L 59	123	188	165	188	353	
61	DEPRECIATION ON PLANT (L4+L13+L28 L44+ L60)		\$ 25,922	\$ 754	\$ 26,676	\$ 754	\$ 27,430	
DEPRECIATION ON COMMON PLANT								
62	Common Utility Plant		\$	\$	\$ 2,766	\$	\$ 2,766	
63	Common Software				2,289		2,289	
64	DEPRECIATION ON COMMON PLANT		\$	\$	\$ 5,055	\$	\$ 5,055	

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Income Taxes at Present and Proposed Revenue Levels

Line #	Description	[1] Factor Or Reference	[2] Element Or Amount	[3] Pro Forma 2007 At Present Rates	[4] Revenue Increase	[5] Pro Forma Tax Expense Proposed Revenue <u>[3]+[4]</u>
1	Revenue			\$ 800,199	\$ 92,920	\$ 893,119
2	Operating Expenses			(747,824)	(1,156)	(748,980)
3	OIBIT	L 1 + L 2		52,375	91,764	144,139
4	Interest Exoense					
	Rate Base		1,077,973			
5	Weighted Cost of Debt		0.02090			
6	Synchronized Interest Expense	L 4 * L 5		(22,530)		(22,530)
7	Base Taxable Income	L 3 + L 6		29,845	91,764	121,609
8	Total Tax Depreciation		64,613			
9	Pro Forma Book Depreciation		32,485			
10	State Tax Depreciation (Over) Under Book	L 9 - L 8		(32,128)		(32,128)
11	Repair Allowance Deduction			(-,600)		(1,600)
12	State Taxable Income	L 7 + L 10 + L 11		<u>\$ (3,882)</u>	<u>\$ 91,764</u>	<u>\$ 87,882</u>
13	State Income Tax	- L 12 * Rate [2]	9.99%	\$ 388	\$ (9,167)	\$ (8,779)
14	Total Tax Depreciation		\$ 64,613			
15	Pro Forma Book Depreciation		32,485			
16	Federal Tax Deducts (Over) Under Book	L 15 - L 14		(32,128)		(32,128)
17	Repair Allowance Deduction			(1,600)		(1,600)
18	Federal Taxable Income	L 7 + L 13 + L 16 + L 17		(3,494)	82,597	79,102
19	Federal Income Tax Expense	- L 18 * Rate [2]	35.00%	1,223	(28,909)	(27,686)
20	Total Tax Expense before Deferred Income Tax	L 13 + L 19		1,611	(38,076)	(36,465)
	Deferred Federal Income Taxes					
21	Total Straight Line Tax Depreciation		\$ 34,388			
22	Total Tax Depreciation		64,613			
23	Federal Tax Deducts (Over) Under Book	L 22 o L 21		30,225		30,225
24	Deferred Federal Taxable Income	L 23		<u>\$ 30,225</u>		<u>\$ 30,225</u>
25	Federal Income Tax Expense	- L 23 * Rate [2]	35.00%	(10,579)		(10,579)
26	Net Income Tax Expense			(8,968)	(38,076)	(47,044)
	Other Tax Adjustments					
	Amortization of Investment Tax Credit					
27	-Gas Plant			556		556
28	-Common Plant Allocated			11		11
29	Consolidated Income Tax Adjustment			325		325
30	Combined income Tax Expense	Sum L 26 to 29		<u>(8,076)</u>	<u>\$ (38,076)</u>	<u>\$ (46,152)</u>

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Depreciation for Income Tax Calculation

Line #	Description	[1] Reference	[2] Amount	[3] Amount	[4] Total
<u>Accelerated Tax Depreciation</u>					
1	Gas Plant			57,331	
2	PA CIAC				
3	Common Plant (no Software)		\$ 20,878		
4	Allocation Factor		0.2106		
5	Common Plant Allocated to Gas			4,397	
6	Software Amortization for Tax		\$ 13,698		
7	Common Plant Allocated to Gas		0.2106	2,885	
8	Total Tax Depreciation				<u>\$ 64,613</u>
<u>Straight Line Tax Depreciation</u>					
9	Gas Plant			28,330	
10	PA CIAC			(350)	
11	Common Plant (no Software)		\$ 19,557		
12	Allocation Factor		0.2106		
13	Common Plant Allocated to Gas			4,119	
14	Software Amortization for Tax		\$ 10,870		
15	Common Plant Allocated to Gas		0.2106	2,289	
16	Total Tax Depreciation				<u>\$ 34,388</u>
<u>Book Depreciation</u>					
17	Pro Forma Book Depreciation			27,430	
18	Pro Forma Common Plant Depreciation & Amort			2,766	
19	Gas and Common Depreciation for FTY				\$ 30,196
20					
21	Software Amortization				2,289
22	Book Depreciation for Tax Calculation				32,485