

**PLAIN LANGUAGE**

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

PECO Energy Company ("PECO" or the "Company") has asked the Pennsylvania Public Utility Commission ("PUC") to increase its electric distribution rates by \$316.4 million, or 7% of its total electric operating revenues, effective May 30, 2010.

The main reasons for the request are:

- PECO last filed for an increase in electric base rates in July 1989. During the intervening 21 years, PECO has invested \$2.9 billion in its electric system and continues to make significant capital and infrastructure investments to maintain and improve its safety, reliability and customer-service levels. In fact, since 1999, when the PUC established reliability standards, PECO's average number of service interruptions has decreased by 27 percent and the average time customers are without power has declined by 48 percent.
- During the last 21 years, PECO has made concerted efforts to control discretionary spending through the deployment of new technologies, the management of the size of its workforce, the implementation of process improvements, and competitive-procurement policies and benchmarking. However, unavoidable cost increases have occurred in several areas, including inflation on material and contracting costs, and in employee wages, pension and healthcare benefits. In addition, PECO's revenues declined in 2009 and are projected to decline in 2010.
- Without the requested rate relief, the Company's financial results would deteriorate even further in 2011. This would jeopardize the Company's ability to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels. It would also have negative implications with respect to maintaining PECO's investment-grade credit ratings, which would increase its financing costs.

PECO is filing all of the supporting data required by the PUC's regulations, as well as the written statements of 10 witnesses and numerous exhibits prepared. All of the data and other information supporting PECO's rate increase have been prepared in ways that the PUC has approved in the past for PECO and other utilities.

In sum, the proposed increase in revenues is the minimum necessary to enable the Company to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels.