

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
v.
PECO ENERGY COMPANY - ELECTRIC DIVISION**

DOCKET NO. R-2010-2161575

VOLUME VII

**Defined Filing Requirements
Section 53.53
General Description of Utility Operations /
Primary Statements of Rate Base and Operating Income**

Q. I-A-1 Provide a summary discussion of the rate change request, including specific reasons for each increase or decrease. Also provide a breakdown which identifies the revenue requirement value of the major items generating the requested rate change.

A. I-A-1 The specific reasons for the rate increase are provided in the Company's Statement of Reasons, which is included as part of the Company's filing. A breakdown identifying the revenue requirement value of the major items generating the requested rate change are provided in the direct testimony of Robert L. O'Brien, PECO Statement No. 3 and in Exhibit RLO-1.

- Q. I-A-2 Identify the proposed witnesses for all statements and schedules of revenues, expenses, taxes, property, valuation and the like.
- A. I-A-2 Refer to PECO Statement No. 1, the direct testimony of Craig L. Adams, for a summary of proposed witnesses.

- Q. I-A-3 Provide a single page summary table showing, at present and at proposed rates, together with references to the filing information, the following as claimed for the fully adjusted test year: Revenues, Operating Expenses, Operating Income, Rate of Return (produced)
- A. I-A-3 Refer to Exhibit RLO-1, Schedule A-1, for the future year, and Exhibit RLO-2, Schedule A-1, for the historic year, and Statement No. 3, the direct testimony of Robert L. O'Brien.

- Q. I-A-4 Whenever a major generating plant is placed in operating service or removed from operating service the utility shall separately indicate the effect of the plant addition or removal from service upon rate base, revenue, expense, tax, income and revenue requirement as if affects the test year.
- A. I-A-4 Not applicable. PECO does not own any generation but instead purchases from others the power used to serve its default service customers.

- Q. I-B-1 Provide a corporate history including the dates of original incorporation, subsequent mergers and acquisitions. Indicate all counties, cities and other governmental subdivisions to which service is provided, including service areas outside this Commonwealth, and the total number of customers or billed units in the areas served.
- A. I-B-1 Refer to Attachment I-B-1.

**ATTACHMENT
I-B-1**

A. CORPORATE HISTORY

PECO Energy Company is the result of a series of corporate mergers, acquisitions and operational transformations. The following history explains the transactions relating to PECO's current electric distribution operations.

1. Corporate Ownership

On October 27, 1902, The Philadelphia Electric Company, Inc. ("Philadelphia Electric") was incorporated and its electric distribution business was the result of a number of electric distribution business acquisitions and consolidations within southeastern Pennsylvania.

On February 24, 1928, Philadelphia Electric became a wholly owned subsidiary of the United Gas Improvement Company (now known as "UGI Corporation" or "UGI"). Philadelphia Electric maintained that status until its divestiture from UGI in 1943.

PECO Energy Company ("PECO") was incorporated on October 31, 1929, in connection with the merger of The Philadelphia Electric Company, Philadelphia Suburban Gas and Electric Company and Counties Gas and Electric Company.

On October 20, 2000, in accordance with the final order of the Pennsylvania Public Utility Commission ("Commission") at Docket No. A-110550F0147 (Order entered June 22, 2000), PECO became an indirect, wholly-owned subsidiary of Exelon Corporation ("Exelon") by operation of the merger between PECO and Unicom Corporation. Exelon is an electric holding company whose primary business focus is electric and gas distribution, electric generation and wholesale electric transactions.

On January 1, 2001, in accordance with the Commission's final order at Docket No. A-110550F0147, PECO transferred its electric generation business to Exelon Generation, LLC as part of a corporate restructuring. Exelon Business Services Company ("EBSC"), a shared services provider, was created at this time and PECO subsequently commenced taking shared services from EBSC through a Commission-approved General Services Agreement and cost-based, negotiated, service level arrangements. A corporate organization chart showing PECO's corporate relationship to Exelon and its other subsidiaries may be found in response to defined filing requirement II-A-24.

2. Electric Operations

All of PECO's predecessor companies held letters, patents and other rights issued by the Commonwealth of Pennsylvania, which allowed for the provision of electric service. These instruments and authorities were ultimately transferred, by operation of law, to PECO. Upon passage of the Public Service Company law and the Public Utility Code, PECO's electric service territory rights were grandfathered or acquired through the issuance of certificates of public convenience by the Commission.

B. LISTING OF GOVERNMENTAL SUBDIVISIONS AND TOTAL CUSTOMER POPULATION SERVED

Bucks County	Population
Boroughs:	
BRISTOL BORO	4,182
CHALFONT BORO	1,833
DOYLESTOWN BORO	4,447
DUBLIN BORO	927
FEASTERVILLE	1
FOUNTAINVILLE	1
HULMEVILLE BORO	413
IVYLAND BORO	351
LANGHORNE BORO	734
LANGHORNE MNR BORO	549
LEVITTOWN	1
MORRISVILLE BORO	3,955
NEW BRITAIN BORO	983
NEW HOPE BORO	1,697
NEWTOWN	1
NEWTOWN BORO	1,224
PENNDDEL BORO	1,013
PIPERSVILLE	1
TELFORD BORO, BUC	1
TULLEYTOWN BORO	1,147
UPPER MAKEFIELD	1
WARMINSTER	2
WARRINGTON	12
WARWICK, BUCKS CO	22
WEST ROCKHILL TWP	2
YARDLEY	2

YARDLEY BORO	1,257
First Class Township:	
BRISTOL TWP	19,874
Second Class Township:	
BEDMINSTER TWP	2,611
BENSALEM TWP	21,028
BUCKINGHAM TWP	7,519
DOYLESTOWN TWP	5,973
FALLS TWP	13,125
HILLTOWN TWP	128
LOWER MAKEFIELD TWP	11,542
LOWER SOUTHAMPT TWP	7,578
MIDDLETOWN TWP, BUC	16,185
NEW BRITAIN TWP	4,287
NEWTOWN TWP, BUC	7,441
NORTHAMPTON TWP	13,641
PLUMSTEAD TWP	4,791
SOLEBURY TWP	3,894
UPPER MAKEFIELD TWP	3,141
UPPER SOUTHAMPT TWP	6,109
WARMINSTER TWP	11,963
WARRINGTON TWP	7,721
WARWICK TWP, BUC	5,152
WRIGHTSTOWN TWP	1,256
Population - Bucks	199,718
Chester County	
City	
COATESVILLE CITY	4,725
Boroughs	
ATGLEN BORO	8
AVONDALE BORO	395
DOWNINGTON BORO	3,305
HONEYBROOK BORO	5
KENNETT SQUARE BORO	2,274
MALVERN BORO	1,543
MODENA BORO	209
OXFORD	7

OXFORD BORO	2,048
PARKESBURG BORO	1,346
PHOENIXVILLE BORO	7,483
S COATESVIL BORO	594
SPRING CITY BORO	1,612
THORNBURY	1
WAYNE	1
WEST CHESTER	12
WEST CHESTER BORO	7,201
WEST GROVE BORO	936
WESTTOWN	3
First Class Townships	
CALN TWP	5,266
Second Class Townships	
BIRMINGHAM TWP, CHE	1,500
CHARLESTOWN TWP	1,981
East MARLBOROUGH TWP	2,832
EAST BRADFORD TWP	3,420
EAST BRANDYWINE TWP	2,374
EAST CALN TWP	1,855
EAST COVENTRY TWP	2,451
EAST FALLOWFIELD TWP	2,610
EAST GOSHEN TWP	7,717
EAST NANTMEAL TWP	788
EAST NOTTINGHAM TWP	2,510
EAST PIKELAND TWP	3,041
EAST VINCENT TWP	2,311
EAST WHITELAND TWP	3,715
EASTTOWN TWP	4,044
ELK TWP	724
FRANKLIN TWP	1,447
HIGHLAND TWP	550
KENNETT TWP	2,974
LONDON BRITAIN TWP	1,068
LONDON GROVE TWP	2,450
LONDONDERRY TWP	742
LOWER OXFORD TWP	1,169
NEW GARDEN TWP	3,968
NEW LONDON TWP	1,791
NEWLIN TWP	484
NORTH COVENTRY TWP	3,404

PENN TWP	1,973
PENNSBURY TWP	1,241
POCOPSON TWP	1,158
RADNOR TWP	3
SADSBURY TWP, CHE	1,300
SCHYLKILL TWP	3,173
SOUTH COVENTRY TWP	1,052
THORNBURY TWP, CHE	1,131
TREDDYFRIN TWP	12,464
UPPER OXFORD TWP	844
UPPER UWCHLAN TWP	3,693
UWCHLAN TWP	6,708
VALLEY TWP	2,625
W FALLOWFIELD TWP	930
W MARLBOROUGH TWP	458
WALLACE TWP	1,129
WARWICK TWP, CHE	10
WEST BRADFORD TWP	4,170
WEST BRANDYWINE TWP	2,379
WEST CALN TWP	3,168
WEST GOSHEN TWP	8,225
WEST NANTMEAL TWP	7
WEST NOTTINGHAM TWP	1,042
WEST PIKELAND TWP	1,463
WEST SADSBURY TWP	499
WEST VINCENT TWP	1,629
WEST WHITELAND TWP	8,061
WESTTOWN TWP	3,906
WILLISTOWN TWP	4,559
Population - Chester	181,894
Delaware County	
City:	
CHESTER	11,042
Boroughs:	
ALDAN BORO	1,700
BROOKHAVEN BORO	3,614
BRYN MAWR	2
CHESTR HEIGHTS BORO	1,185
CLIFTN HEIGHTS BORO	2,896

COLLINGDALE BORO	3,478
COLWYN BORO	838
DARBY BORO	3,541
EAST LANSDOWNE BORO	957
EDDYSTONE BORO	1,063
FOLCROFT BORO	2,662
GLADWYNE	1
GLENOLDEN BORO	2,740
HAVERFORD	1
LANSDOWNE BORO	4,554
LOWER MERION TWP	20,130
MARCUS HOOK BORO	980
MEDIA BORO	3,358
MILBOURNE BORO	412
MORTON BORO	1,336
NARBERTH	10
NARBETH BORO	2,033
NORWOOD BORO	2,303
PARKSIDE BORO	894
PROSPECT PARK BORO	2,764
RADNOR	6
RIDLEY PARK BORO	3,004
ROSE VALLEY BORO	355
RUTLEDGE BORO	305
SHARON HILL BORO	2,249
SWARTHMORE BORO	1,791
TRAINER BORO	677
UPLAND BORO	1,212
VILLANOVA	4
YEADON BORO	4,601
First Class Township	
ASTON	6,311
DARBY	3,925
LOWER CHICHESTER	1,358
MARPLE	8,757
NETHER PROVIDENCE	4,948
RIDLEY	12,046
SPRINGFIELD	8,736
TINICUM	2,053
UPPER CHICHESTER	7,015
UPPER DARBY	31,923

Second Class Townships:	
BETHEL TWP	3,016
CHADDS FORD TWP	2,158
CHESTER TWP	1,504
CONCORD TWP	4,992
EDGMONT TWP	1,458
HAVERFORD TWP	17,320
MIDDLETOWN TWP, DEL	4,729
NEWTOWN TWP, DEL	4,806
RADNOR TWP	10,349
THORNBURY TWP, DEL	2,169
UPR PROVD TWP, DEL	4,123
Population - Delaware	232,394
Montgomery County	
Boroughs:	
AMBLER BORO	2,788
BRIDGEPORT BORO	2,249
BRYN ATHYN BORO	332
COLLEGEVILLE BORO	1,919
CONSHOHOCKEN BORO	4,170
E GREENVILLE BORO	1
GLENSIDE	1
GREEN LANE BORO	236
HATBORO BORO	3,059
HATFIELD BORO	96
JENKINTOWN BORO	1,839
LANSDALE BORO	369
MERION STATION	1
NARBETH BORO	2
NORRISTOWN	2
NORRISTOWN BORO	12,908
NORTH WALES BORO	1,520
PLYMOUTH MEETING	1
POTTSTOWN	1
POTTSTOWN BORO	10,250
RED HILL BORO	2
ROCKLEDGE BORO	1,182
ROYERSFORD BORO	2,239
SCHWENKSVILLE BORO	631

TELFORD BORO, MON	4
TRAPPE BORO	1,557
W CONSHOHOCK BORO	760
WORCESTER	1
ZIEGLERSVILLE	2

First Class Townships:

ABINGTON TWP	20,161
CHELTENHAM TWP	11,036
HATFIELD TWP	2,134
LOWER MERION TWP	13
LOWER MORELAND TWP	4,300
Lower Pottsgrove	3,107
PLYMOUTH TWP	6,704
SPRINGFLD TWP, MON	7,660
UPPER DUBLIN TWP	9,084
UPPER GWYNEDD TWP	6,038
UPPER MORLAND TWP	9,704
UPR POTTS GROVE TWP	973
WEST NORRITON TWP	7,458
WEST POTTS GROVE TWP	1,584

Second Class Townships:

EAST NORRITON TWP	5,230
FRANCONIA TWP	17
HORSHAM TWP	9,556
LIMERICK TWP	7,341
LOWER FREDERICK TWP	1,728
LOWER GWYNEDD TWP	4,133
Lower Providence	8,382
LOWER SALFORD TWP	5,413
MARLBOROUGH TWP	1,355
MONTGOMERY TWP	9,231
PERKIOMEN TWP	2,832
SALFORD TWP	933
SKIPPAK TWP	3,910
TOWAMENCIN TWP	6,373
UPPER FREDERICK TWP	1,286
UPPER HANOVER TWP	3
UPPER MERION TWP	9,895
UPR PROVD TWP, MON	7,061
UPPER SALFORD TWP	1,239
WHITEMARSH TWP	6,747

WHITPAIN TWP	7,574
WORCESTER TWP	3,334
Population - Montgomery	241,651
Philadelphia County	
City:	
PHILADELPHIA	545,431
Borough:	
ROXBORO	1
Population - Philadelphia	545,432
York County	
City:	
COATESVILLE CITY	1
Borough:	
ATGLEN BORO	1
DELTA BORO, YOR	339
Township:	
CHANCEFORD TWP	19
FAWN TWP	38
LWR CHANCEFORD TWP	1,327
PEACH BOTTOM TWP	1,861
Population - York	3,586
Bucks County	
Boroughs:	
BRISTOL	9,635
CHALFONT	4,161
DOYLESTOWN	8,113
DUBLIN	2,141
HULMEVILLE	873
IVYLAND	805
LANGHORNE	1,948
LANGHORNE MANOR	1,063

MORRISVILLE	9,594
NEW BRITAIN	2,265
NEW HOPE	2,278
NEWTOWN	2,376
PENNDDEL	2,470
TELFORD	2,178
TULLYTOWN	1,956
YARDLEY	2,492
First Class Township:	
BRISTOL	53,847
Second Class Township:	
BEDMINSTER	6,105
BENSALEM	58,304
BRIDGETON	1,401
BUCKINGHAM	19,487
DOYLESTOWN	18,675
FALLS	33,579
HILLTOWN	13,447
LOWER MAKEFIELD	32,171
LOWER SOUTHHAMPTON	18,986
MIDDLETOWN	46,693
NEW BRITAIN	10,953
NEWTOWN	19,219
NORTHHAMPTON	40,685
PLUMSTEAD	11,776
SOLEBURY	8,773
TINICUM	4,195
UPPER MAKEFIELD	8,481
UPPER SOUTHHAMPTON	15,249
WARMINSTER	33,651
WARRINGTON	22,796
WARWICK	14,666
WEST ROCKHILL	4,820
WRIGHTSTOWN	2,866
Population Served - Bucks	539,920

Chester County**City**

Coatesville	11,624
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Boroughs:

Atglen	1,365
Avondale	1,086
Downingtown	7,937
Elverson	1,198
Honey Brook	1,587
Kennett Square	5,270
Malvern	3,098
Modena	598
Oxford	4,658
Parkesburg	3,430
Phoenixville	16,382
South Coatesville	1,060
Spring City	3,375
West Chester	18,315
West Grove	2,761

First Class Townships

Caln	12,189
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Second Class Townships

Birmingham	4,254
Charlestown	6,408
East Bradford	10,190
East Brandywine	6,689
East Caln	4,410
East Coventry	6,579
East Fallowfield	7,500
East Goshen	17,975
East Marlborough	8,009
East Nantmeal	1,910
East Nottingham	8,053
East Pikeland	6,904
Easttown	10,523
East Vincent	6,478
East Whiteland	10,639
Elk	1,542
Franklin	4,550
Highland	1,205

Honey Brook	7,158
Kennett	7,789
London Britain	3,133
Londonderry	2,067
London Grove	6,797
Lower Oxford	5,309
New Garden	11,745
Newlin	1,278
New London	5,793
North Coventry	7,713
Penn	5,699
Pennsbury	3,642
Pocopson	3,522
Sadsbury	3,304
Schuylkill	7,679
South Coventry	2,619
Thornbury	3,000
Tredyffrin	28,932
Upper Oxford	2,413
Upper Uwchlan	11,106
Uwchlan	18,641
Valley	6,672
Wallace	3,485
Warwick	2,727
West Bradford	12,661
West Brandywine	7,858
West Caln	8,327
West Fallowfield	2,592
West Goshen	21,192
West Marlborough	862
West Nantmeal	2,221
West Nottingham	2,790
West Pikeland	4,035
West Sadsbury	2,504
Westtown	10,664
West Vincent	4,846
West Whiteland	18,209
Willistown	10,754

Population Served - Chester

442,848

Delaware County**City:**

Chester	36,564
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Boroughs:

Aldan	4,238
Brookhaven	7,886
Chester Heights	2,461
Clifton Heights	6,541
Collingdale	8,365
Colwyn	2,394
Darby	9,903
East Lansdowne	2,473
Eddystone	2,341
Folcroft	6,823
Glenolden	7,203
Lansdowne	10,638
Marcus Hook	2,228
Media	5,396
Millbourne	905
Morton	2,634
Norwood	5,774
Parkside	2,176
Prospect Park	6,374
Ridley Park	6,979
Rose Valley	924
Rutledge	823
Sharon Hill	5,308
Swarthmore	6,090
Trainer	1,831
Upland	2,864
Yeadon	11,367

First Class Townships:

Aston	16,818
Darby	9,903
Lower Chichester	3,440
Marple	23,438
Nether Providence	13,156
Ridley	29,865
Springfield	22,777
Tinicum	4,195
Upper Chichester	17,541
Upper Darby	78,443

Second Class Townships:	
Bethel	11,255
Chadds Ford	3,330
Chester	4,448
Concord	15,617
Edgmont	4,238
Haverford	47,998
Middletown	16,086
Newtown	11,786
Radnor	30,949
Thornbury	8,139
Upper Providence	11,073
Population Served - Delaware	553,619

Lancaster County	
Borough:	
Christiana	1110
Second Class Townships:	
Sadsbury	3,389
Salisbury	10,614
Population Served - Lancaster	14,541

Montgomery County**Boroughs:**

Ambler	6,196
Bridgeport	4,350
Bryn Athyn	1,327
Collegeville	5,058
Conshohocken	8,409
East Greenville	3,017
Green Lane	570
Hatboro	7,125
Hatfield	2,836
Jenkintown	4,299
Lansdale	15,526
Narberth	4,040
Norristown	31,843
North Wales	3,226
Pennsburg	3,302
Pottstown	21,288
Red Hill	2,302
Rockledge	2,478
Royersford	4,356
Schwenksville	1,325
Souderton	6,553
Telford	2,421
Trappe	3,347
West Conshohocken	1,495

First Class Townships

Abington	53,980
Cheltenham	35,880
Hatfield	17,134
Lower Merion	57,203
Lower Moreland	12,646
Lower Pottsgrove	12,163
Plymouth	16,320
Springfield	18,853
Upper Dublin	25,910
Upper Gwynedd	16,022
Upper Moreland	24,183
Upper Pottsgrove	5,198
West Norriton	14,530
West Pottsgrove	3,761

Second Class Townships

East Norriton	13,587
Franconia	12,779
Horsham	24,720
Limerick	16,881
Lower Frederick	4,813
Lower Gwynedd	11,330
Lower Providence	25,865
Lower Salford	14,506
Marlborough	3,265
Montgomery	24,132
Perkiomen	8,234
Salford	3,076
Skippack	13,453
Towamencin	17,618
Upper Frederick	3,633
Upper Hanover	6,233
Upper Merion	26,457
Upper Providence	19,547
Upper Salford	3,076
Whitemarsh	17,724
Whitpain	18,805
Worcester	8,817

Population Served - Montgomery**755,947**

- Q. I-B-2 Provide a description of the property of the utility and an explanation of the system's operation and supply the following, using available projections if actual data is unavailable:
- a. A schedule of generating capability showing for the test year, and for the two consecutive 12-month periods prior to the test year, net dependable capacity in KW by unit, plant capacity factor by unit, and total fuel consumption by type and cost for each unit, if available, or for each station, and operation and maintenance expenses by station.
 - b. A schedule showing for the test year and the 12-month period immediately prior to the test year the scheduled and unscheduled outages – in excess of 48 hours – for each station, the equipment or unit involved, the date the outage occurred, duration of the outage, maintenance expenses incurred for each outage. If available, and amounts reimbursable from suppliers or insurance companies.
 - c. A schedule for each unit retired during the test year or subsequent to the end of the test year, which shows the unit's KW capacity, hours of operation during the test year, net output generated, cents/KWH of maintenance and fuel expenses, and date of retirement.
 - d. A schedule showing latest projections of capacity additions and retirements – costs and KW – and reserve capacity at the time of peak for at least 10 years beyond the test year, including the inservice dates – actual or expected – and AFDC cutoff dates – if different from inservice dates – for all new generating units coming on line during or subsequent to the test year, if claimed.

- A. I-B-2 Not applicable. PECO does not own any generation but instead, purchases from others the power used to serve its default service customers.

- Q. I-B-3 Provide an overall system map, including and labeling all generating plants, transmission substations – indicate voltage, transmission system lines – indicate voltage, and all interconnection points with other electric utilities, power pools, and other like systems.
- A. I-B-3 An “overall system map” as requested in this DFR is highly confidential, extremely sensitive information, and is considered Critical Energy Infrastructure Information (CEII) under Federal Energy Regulatory Commission (FERC) regulations. Should the PA PUC determine that viewing such a map is necessary in deciding the issues presented in this rate case, PECO will make the map available, consistent with FERC regulations, to a PA PUC representative who is trained in handling CEII.

- Q. II-A-1 Provide a schedule showing the test year rate base and rates of return at original cost less accrued depreciation under present rates and under proposed rates. Claims made on this schedule should be cross-referenced to appropriate supporting schedules.
- A. II-A-1 Refer to Exhibit RLO-1, Schedule A, for the test year and Exhibit RLO-2, Schedule A, for the historic year, and Statement No. 3, the direct testimony of Robert L. O'Brien.

- Q. II-A-2 If the schedule provided in response to item 1, is based upon a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.
- A. II-A-2 Refer to Exhibit RLO-2, Schedule A, plus Statement No. 3, the direct testimony of Robert L. O'Brien.

- Q. II-A-3 When a utility files a tariff stating a new rate based in whole or in part on the cost of construction, as defined in 66 Pa. C.S. § 1308(f) (relating to voluntary changes in rates), of an electric generating unit, the utility shall identify:
- a. The total cost of the generating unit.
 - b. The following costs:
 - (1) The cost and quantity of each category of major equipment, such as switchgear, pumps or diesel generators and the like.
 - (2) The cost and quantity of each category of bulk materials, such as concrete, cable and structural steel and the like.
 - (3) Manual labor
 - (4) Direct and indirect costs of architect/engineering services
 - (5) Direct and indirect costs of subcontracts or other contracts involving major components or systems such as turbines, generators, nuclear steam supply systems, major structures and the like.
 - (6) Distributed costs.
 - c. A cost increase of \$5 million or more, including AFUDC, over the original utility estimates provided under 66 Pa. C.S. § 515(a) (relating to construction cost of electric generating units) and its causes.
 - d. Compliance with subsections (a) and (b) will be identical in format and substance as that provided under 52 Pa. Code § 57.103 (relating to estimate of construction costs) for original cost estimates submitted under 66 Pa. C.S. § 515(a).

A. II-A-3

Not applicable. PECO does not own any generation but instead purchases from others the power used to serve its default service customers.

- Q. II-B-1 If a claim is made for future use, supply the following:
- a. A description of the plant or land site and its cost any accumulative depreciation.
 - b. The expected date of use for each item claimed.
 - c. An explanation as to why it is necessary to acquire each item in advance of its date of use.
 - d. The date when each item was acquired.
 - e. The date when each item was placed in plant held for future use.
- A. II-B-1 Not applicable. The Company is not making a claim for plant held for future use.

- Q. II-B-2 If a claim is made for construction work in progress, provide a supporting schedule which sets forth separately, revenue producing and non-revenue producing amounts, and include, for each category a summary of all work orders, amounts expended at the end of the test year and anticipated in-service dates. Indicate if the construction work in progress will result in insurance recoveries, reimbursements, or retirements of existing facilities. Describe in exact detail the necessity of each project claimed if not detailed on the summary page from the work order. Include final completion dates and estimated total amounts to be spent on each project.
- A. II-B-2 Not applicable. The Company is not making a claim for construction work in progress.

- Q. II-B-3 If a claim is made for materials and supplies or fuel inventory provide a supporting schedule for each claim showing the latest actual 13 monthly balances and showing in the case of fuel inventory claims, the type of fuel, and location, as in station, and the quantity and price claimed.
- A. II-B-3 Refer to Exhibit RLO-1, Schedule C-10, for the thirteen-month average for materials and supplies. The Company is not making a claim for fuel inventory.

- Q. II-B-4 If a claim is made for cash working capital provide a supporting schedule setting forth the method and all detailed data utilized to determine the cash working capital requirement. If not provide in the support data provide a lead-lag study of working capital, completed no more than 6 months prior to the rate increase filing.
- A. II-B-4 Refer to PECO Statement No. 3, the direct testimony of Robert L. O'Brien, and Exhibit RLO-1, Schedule C-4, for the calculation of the Company's cash working capital requirement.

- Q. II-B-5 If a claim is made for compensating bank balances, provide the following information:
- a. Names and address of each bank
 - b. Types of accounts with each bank – checking, savings, escrow, other services, and the like.
 - c. Average daily balance in each account.
 - d. Amount and percentage requirements for compensating bank balance at each bank.
 - e. Average daily compensating bank balance at each bank.
 - f. Documents from each bank explaining compensating bank balance requirements.
 - g. Interest earned on each type of account.
 - h. A calculation showing the average daily float for each bank.
- A. II-B-5 No claim is made for compensating bank balances.

- Q. II-B-6 Explain in detail by statement, or exhibit the appropriateness of additional claims or the use of a method not previously mentioned, in the claimed rate base.
- A. II-B-6 Not applicable. The Company has not included additional claims nor has it used a method not previously mentioned in developing its claimed rate base. Refer to PECO Statement No. 3, the direct testimony of Robert L. O'Brien, and Exhibit RLO-1 and Exhibit RLO-2, for the description and presentation of the Company's rate base claim.

- Q. II-C-1 Prepare a Statement of Income including:
- a. The book, or budgeted, statement for the test year.
 - b. Adjustments to annualize and normalize under present rates, including an elimination of the effects on income of the energy cost rate and state tax adjustment surcharge.
 - c. The income statement under present rates after adjustment.
 - d. The adjustment for the revenue requested.
 - e. The income statement under requested rates after adjustment.
- A. II-C-1 Refer to Exhibit RLO-1, Schedules A-1, D-1 and D-2 and PECO Statement No. 3, the direct testimony of Robert L. O'Brien, which provide the requested information.

- Q. II-C-2 If the schedule provided in item 1 is based upon budgeted date for a future test year, provide a similar schedule which is based upon actual data for the 12-month period immediately prior to the test year.
- A. II-C-2 Refer to Exhibit RLO-2, Schedules A-1, D-1, and D-2 and PECO Statement No. 3, the direct testimony of Robert L. O'Brien, which provide the requested information.

Q. II-D-1 Provide a schedule showing all revenues and expenses for the test year and for the 12-month period immediately prior to the test year, together with an explanation for major variances between test year revenues and expenses and those for the previous 12-month period. Revenues and expenses shall be summarized by the major account categories listed below. If budgeted data for a future test year is not readily available by these categories, an analysis of the data for the 12-month period immediately prior to the future test year or for the most recent available calendar year may serve as the basis ratably allocating the budgeted data into the account categories as follows: OPERATING REVENUES 400 Electric Revenues: Residential Sales Commercial Sales Industrial Sales Public Street & Highway Lighting Sales Sales for Resale Total Other Electric Revenues Other Electric Revenues: Late Payment Charges Miscellaneous Service Revenues Rent from Electric Property Other Electric Revenues Total Other Electric Revenues Total Operating Revenues OPERATING EXPENSES 401-2 Operation and Maintenance Expenses Power Production Expenses: Fuel Net Interchange Deferred Energy Costs Other Transmission Expenses Distribution Expenses Customer Service & Informational Expense Sales Expenses Administrative and General Expenses Total Operation & Maintenance Expenses 403 Depreciation Expenses Amortization of Net Salvage Nuclear Decommissioning Expense 407 Amortization of Property Losses Taxes Other Than Income Taxes 408 Total Operating Expenses Prior to Federal & State Income Taxes Operating Income Prior to Federal and State Income Taxes FEDERAL AND STATE INCOME TAXES 409 Federal Income Taxes State Income Taxes Deferred Federal Income Taxes Deferred State Income Taxes Investment Tax Credit Adjustments 411 Deferrals Amortization – Credit Other Income Tax Credits & Charges Total Federal and State Income Taxes Operating Income After Federal and State Income Taxes OTHER INCOME AND DEDUCTIONS OTHER INCOME 415-18 Non-utility Operating Income 419 Interest and Dividend Income Allowance for Other Funds Used During Construction 421 Gain on Disposition of Property Other Miscellaneous Non-operating Income Total Other Income OTHER INCOME DEDUCTIONS 421 Loss on Disposition of Property 425 Miscellaneous Amortization 426 Miscellaneous Total Other Income Deductions TAXES

APPLICABLE TO OTHER INCOME AND DEDUCTIONS 408
Taxes Other Than Income Taxes 409 Federal Income Tax State
Income Tax Total Taxes Applicable to Other Income and
Deductions Income Before Interest Charges INTEREST
CHARGES 427 Interest on Long-Term Debt 428 Amortization of
Debt Discount and Expense 429 Amortization of Premium on Debt
431 Other Interest Expense 432 Allowance for Borrowed Funds
Used During Construction – Credit Net Interest Charges Income
Before Extraordinary Items Extraordinary Items After Taxes Net
Income

- A. II-D-1 Refer to the Attachment II-D-1 for the revenue and expense comparison between 2010 budget and 2009 actuals, as well as the high-level variance explanations.

**ATTACHMENT
II-D-1**

PECO ELECTRIC COMPANY
FUTURE TEST YEAR ENDED DECEMBER 31, 2010
(\$ in Thousands)

Attachment II-D-1

Page 1 of 3

Revenue and Expense Comparison for 2010 and 2009

Line #	Description	[1] Reference/ Account Number	[2] Budgeted 2010	[3] Recorded 2009
Operating Revenues				
1	Residential	440	\$ 1,523,371	\$ 1,452,414
2	C & I Small	440	694,345	703,759
3	C & I Large	442	911,931	955,770
4	Railroads & Railways	442	43,810	44,150
5	Street Lighting	444	29,920	28,066
6	Interdepartmental	446	5,185	3,697
7	CTC Revenue - All Classes		1,029,203	929,848
8	Transmission - All Classes		177,000	177,906
9	Operating Revenue		<u>4,414,765</u>	<u>4,295,610</u>
10	Forfeited Discounts	450.0	18,924	15,661
11	SM & SG Stimulus		8,259	
12	Miscellaneous Service Revenues	451	5,293	8,894
13	Sales for Resale			21,387
14	Rent For Electric Property	454	24,173	26,776
15	Decommissioning Payment To PT		(29,400)	
16	Other Electric Revenues	456	(9,545)	(8,912)
17	Transmission of Electricity for Others	456.1	187,812	193,611
18	TOTAL REVENUE		<u><u>\$ 4,620,281</u></u>	<u><u>\$ 4,553,027</u></u>
Operating Expenses				
O & M Expense				
19	Power Supply		1,875,592	2,030,923
20	Transmission Expenses		282,595	283,611
21	Regional market		1,263	1,262
22	Distribution Expenses		249,176	171,034
23	Customer Accounts		192,513	155,165
24	Customer Service & Information		13,797	12,524
25	Sales		1,127	1,010
26	Administrative & General		<u>186,219</u>	<u>144,887</u>
27	TOTAL O & M		<u>2,802,282</u>	<u>2,800,416</u>
	Depreciation		119,855	115,665
28	Smart Meter & Smart Grid Depreciation		18,411	-
29	Regulatory Amortization		885,646	783,231
30	Other Amortization		-	11,465
31	Taxes Other Than Income		<u>287,371</u>	<u>270,015</u>
32	Total Operating Expense Before Income Taxes		<u>4,113,565</u>	<u>3,980,792</u>
33	Net Operating Income before Income Tax		506,716	572,235
34	State Income Taxes		38,985	32,765
35	Federal income Taxes		134,077	247,716
36	Deferred Federal Income Taxes		(8,263)	(118,502)
37	ITC Amortization		(1,198)	(1,499)
38	Consolidated Tax Adjustment		<u>(537)</u>	
	Net Income Tax Expense		<u>163,064</u>	<u>160,480</u>
39	Net Utility Operating Income		<u><u>\$ 343,651</u></u>	<u><u>\$ 411,755</u></u>

Total Revenue for 2010 is \$67M higher than 2009. The main drivers are:

- Higher CTC Revenue of \$99M
- Energy Efficiency program cost recovery \$87M
- Smart Meter and Smart Grid program cost recovery and Stimulus Grant \$36M.
- Unfavorable weather in 2009 for Electric Distribution \$22M and Transmission \$3M.
- Lower Energy Revenue in 2010 from 2009 (\$108M) and lower Sales for Resale/other Revenue (\$24M), which is offset in Power Supply Cost.
- Lower Load Growth in 2010 from 2009 (\$17M)
- Lower Make Ready Revenue (\$9M)
- Lower Retail Transmission revenue (\$6M)
- Lower Forfeited Discount in 2010 (\$3M)
- Lower Electric property rental revenue (\$3M)
- Lower PETT service revenue (\$2M)

Total O&M is \$2M higher in 2010 than 2009, primarily driven by:

- Distribution Expenses \$78M, primarily due to the amortization of regulatory asset associated with the Energy Efficiency programs beginning in 2010
- Customer Accounts \$37M, primarily driven by the amortization of regulatory asset associated with the Smart Meter programs beginning in 2010 and an increase in bad debt resulting from higher year-over-year reserve requirements partially offset by lower charge-offs
- Administrative and General \$41M, driven by inflation in salaries and wages, contracting and materials, higher expected reserve requirements for injuries and damages and other expenses.

PECO does not budget by FERC account, please refer the company's response to SDR-OM-02 for more detailed variance explanations by natural expense code.

- The above cost increases are offset by lower Power Supply Cost \$156M primarily as the result of lower Energy Revenue and lower Sales for Resale Revenue.

Higher Regulatory Amortization in 2010 than 2009 for \$102M, primarily due to:

- Higher CTC Amortization \$100M
- Energy Procurement Education Expense Amortization \$2M.

Higher Tax Other Than Income for \$17M from 2009 to 2010, driven by:

- Higher GRT related to higher retail revenue \$7M (refer to revenue variance explanation)
- 2009 one-time adjustment \$6M
- Higher Capital Stock Tax \$3M.

- Q. II-D-2 Provide a summary of test year adjustments which sets forth the effect of the adjustment upon the following: operating revenues, operating expenses, taxes other than income taxes, operating income before income taxes, State income tax, Federal income tax and income available for return. In addition, test year adjustments shall be presented on the basis of the major account categories set out at II-D-1.
- A. II-D-2 Refer to Exhibit RLO-1, Schedules D-3 and D-5, for a summary of each proposed adjustment. The impact on taxes other than income is reflected on Schedule D-18, and the impact on State and Federal income taxes is shown in total on Schedule D-20.

Q. II-D-3 List and explain all nonrecurring or extraordinary expenses incurred in the test year and all expenses included in the test year which do not occur yearly but are of a nature that they do occur over an extended period of years, for example, non-yearly maintenance programs, and the like.

A. II-D-3 PECO's 2010 budget includes \$2.1M of non-recurring Operational and Maintenance expense to be allocated to the Delaware Valley Regional Economic Development Corporation.

This cost was originated in the 1999 settlement with the PUC by which PECO established a sustainable energy and economic development fund at a rate of .01 cents per kWh (less applicable gross receipt tax) on all power sold for customers.

This settlement will expire on December 31, 2010; therefore, PECO will not incur in this expense in subsequent years.

The Company excludes this cost from the Revenue Requirement via a pro-forma adjustment to the test year's O&M expense. Refer to Exhibit ROL-1, Schedule 12.

- Q. II-D-4 As a separate item, list extraordinary property losses related to property previously included in cost of service when the gain or loss on this property has occurred or is likely to occur in the future test year. The proposed ratemaking treatment of extraordinary gains and losses must also be disclosed. Sufficient supporting data must be provided.
- A. II-D-4 No claim is being made for extraordinary property losses.

Q. II-D-5 Provide the amount of accumulated reserve for uncollectible accounts, method and rate of accrual, amounts accrued, and amounts written-off in each of last three years.

A. II-D-5 Uncollectible Accounts
(\$000)

<u>Year</u>	<u>Reserve Balance*</u>	<u>Write-offs</u>	<u>Change-In Reserve</u>
2007	\$(48,298)	\$50,996	\$(57,182)
2008	(116,596)	60,867	(129,165)
2009	(92,374)	82,928	(58,706)

*Represents reserve for uncollectible customer accounts at the end of each year for electric services only. Does not include reserve for other accounts.

The methodology is based on applying loss factors to the total aged Accounts Receivable balance stratified by receivable component. The loss factor is determined by reviewing the charge-off history of each receivable component. Once established, the loss factors are updated periodically. On a monthly basis, the reserve is calculated and analyzed, taking into account the current month's write-offs and adjusted as needed.

- Q. II-D-6 Supply detailed calculations to support the total claim for rate case expense, including supporting data for outside service rendered. Provide the items comprising the estimated rate case expense claim for the current rate case.
- A. II-D-6 Refer to Exhibit RLO-1, Schedule D-9, and PECO Statement No. 3, the direct testimony of Robert L O'Brien.

- Q. II-D-7 Submit schedules for the test year and for the 12-month period immediately prior to the test year showing by major components, if included in claimed test year expenses, the expenses incurred in each of the following expense categories.
- a. Miscellaneous general expenses, including account 930.
 - b. Outside service expenses.
 - c. Regulatory commission expenses.
 - d. Advertising expenses, including advertising engaged in by trade associations whenever the utility has claimed a contribution to the trade association as a ratemaking claim – provide explanation of types and purposes of such advertising.
 - e. Research and development expenses – provide a listing of major projects.
 - f. Charitable and civic contributions, by recipient and amount.
- A. II-D-7
- a. Refer to Attachment II-D-7 for Miscellaneous general expenses, including account 930 for distribution.
 - b. Refer to Attachment II-D-7 for Outside service expenses for distribution.
 - c. Refer to Attachment II-D-7 for Regulatory commission expenses for distribution.
 - d. Refer to Attachment II-D-7 for Advertising expenses for distribution.
 - e. Refer to Attachment II-D-7 for a listing of major projects for Research and development expenses for distribution.
 - f. Charitable and civic contributions are not included in the Company's test year claim.

**ATTACHMENT
II-D-7**

PECO Energy Company

Regulatory Commission, Miscellaneous General, Outside Services Employed, Advertising, and Research and Development Expenses for Electric Distribution

Years Ended December 31,
(Thousands of Dollars)

Line No.	Expense	2009	2010
Account 930.2 Miscellaneous General Expenses			
1	Environmental Remediation Expenses and Reserve Adjustments	\$ 2,230	
2	Association Dues	590	
3	Bank Fees	845	
4	Undistributed employee expenses	317	
5	Reserve for cash clearing items	297	
6	Corporate Dues	108	
7	Board of Director Fees	88	
8	Research and Development Expenses	430	
9	Unclaimed property checks	(109)	
10	Obsolete Materials Reserve Adjustments	(73)	
11	Miscellaneous Adjustments	(31)	
12	Total Account 930.2	<u>\$ 4,691</u>	<u>\$ 6,867 (1)</u>
Account 923 - Outside Services Employed			
13	Various	\$ 51,797 (2)	\$ 51,706
14	Legal	1,753	1,750
15	Contracting Professional	1,614	1894
16	Contracting Services	717	716
17	Contracting Other	81	81
18	Staff Augmentation	<u>38</u>	<u>38</u>
19	Total Account 923	<u>\$ 56,000 (3)</u>	<u>\$ 56,185 (1)</u>

Notes:

(1) PECO does not budget by FERC account. Refer to Exhibit RLO-1 for further detail pertaining to the 2010 budget by FERC account and SDR-OM-1 for variance explanations.

(2) Primarily relates to Exelon Business Service Company, LLC (BSC) that provides a variety of corporate support services to PECO Energy Company (PECO). These services include, human resources, financial, information technology, supply management services, planning and engineering of delivery systems, management of construction, maintenance and operations of the transmission and delivery systems, general administration and overall utility administration etc.

(3) See SDR-OM-16 for a breakdown of Account 923 by vendor.

Line No.	Expense	2009	2010
Account 928.0 - Regulatory Commission Expenses			
20	Pennsylvania Public Utility Commission General Assessment	\$ 6,204	\$ 8,487
21	Pennsylvania Office of Consumer Advocate	743	2,367
22	Pennsylvania Small Business Advocate	144	197
23	Sustainable Development Fund	<u>1,730</u>	<u>2,655</u>
24	Total Account 928	<u>\$ 8,821</u>	<u>\$ 13,706 (1)</u>
Advertising Expenses			
25	Other advertising expenses	\$ 642	\$ 460
26	Conservation of energy	<u>1,249</u>	<u>1,502</u>
27	Total Advertising Expenses	<u>\$ 1,891</u>	<u>\$ 1,962 (1)</u>
Research and Development Expenses			
28	Electric Power Research Institute (EPRI)	\$ 341	\$ 205
29	National Electric Energy, Testing, Research and Application Center	45	-
30	Others	25	-
31	CEA Technologies Inc.	18	-
32	Utility Communications Architecture (UCA) Users Group	<u>2</u>	<u>-</u>
33	Total Research and Development Expenditures	<u>\$ 430</u>	<u>\$ 205 (1)</u>

Notes:

(1) PECO does not budget by FERC account. Refer to Exhibit RLO-1 for further detail pertaining to the 2010 budget by FERC account and SDR-OM-1 for variance explanations.

Q. II-D-8 Provide an analysis by function of charges by affiliates, for the test year and the 12-month period immediately prior to the test year, for services rendered included in the operating expenses of the filing company. Explain the nature of the service and the basis on which charges or allocations are made, including a copy of an applicable contract. Also, explain major variances between the charges for the test year and the correspondence charges for the prior 12-month period.

A. II-D-8 Refer to Attachment II-D-8A for 2009 and budgeted 2010 expenditures for services rendered by affiliates Exelon Business Services Company (BSC), Commonwealth Edison Company and Exelon Power Labs.

Refer to Attachment II-D-8B for a description of services.

Whenever possible, BSC charges are directly assigned and billed to PECO where the activity benefits only PECO and direct charged through the use of unit priced services. Remaining costs that cannot be direct charged are allocated as follows. BSC corporate governance services are allocated using the Modified Massachusetts Formula (MMF). The MMF uses the following three factors to develop the allocation ratio for each business unit: gross revenue, total assets, and direct labor. Supply services are allocated based on materials and/or services purchased. Transmission Operations and Planning services are allocated based on peak load. Quality Assurance costs are allocated based on budgeted total expenditures of PECO and Commonwealth Edison Company. (As a result of the 2009 reorganization at BSC, Quality Assurance was eliminated at BSC in the fall of 2009.) IT Costs are allocated based on various cost causative methods, typically units/usage methods, which vary from project to project. Human Resources costs are allocated based on employee headcount ratios.

Charges for affiliate services provided by Commonwealth Edison are based on direct charges for actual work performed

and are priced at cost. Costs for affiliate services provided by Exelon Power Labs are based on the lower of cost or market.

Once the expenditures are billed by BSC to PECO, they are assigned between the electric and gas divisions based on the nature of the expenditure and the operating division(s) that benefit.

**ATTACHMENT
II-D-8A**

PECO Energy Co.
BSC Operations & Maintenance Costs
Presentation Basis: PECO Electric Distribution
2009 Actual & 2010 Budget

(\$ in millions)

	<u>2009 Actual</u>	<u>2010 Budget</u>	<u>Variance</u>
Communication Services .	0.2	0.2	(0.0)
Executive Services .	0.1	(0.4)	0.5
Finance Services	1.5	2.7	(1.2)
Legal Governance Services	0.1	-	0.1
Human Resources Services .	4.2	2.8	1.4
Real Estate Services .	0.0	-	0.0
Reg and Gov Affairs Serv .	0.1	-	0.1
Security Services .	0.1	-	0.1
Supply Chain Services .	0.1	0.0	0.1
BSC Direct	<u>6.4</u>	<u>5.2</u>	<u>1.2</u>
BSC Quality Assurance Serv .	0.7	-	0.7
Communication Services .	1.9	1.6	0.3
Executive Services .	4.8	4.4	0.4
Finance Services	18.0	13.4	4.6
Legal Governance Services	4.5	4.4	0.1
Human Resources Services .	0.3	0.1	0.2
Other BSC Services .	0.9	1.1	(0.2)
Real Estate Services .	1.0	0.2	0.8
Reg and Gov Affairs Serv .	1.8	1.5	0.3
Security Services .	0.4	0.4	(0.0)
Supply Chain Services .	0.5	0.8	(0.3)
BSC Allocated	<u>34.7</u>	<u>27.9</u>	<u>6.8</u>
Commercial Operations Group .	2.3	1.7	0.6
Information Technology Srv .	23.8	29.1	(5.3)
Information Technology - Smart Grid	-	3.2	(3.2)
Legal Services .	4.5	5.9	(1.4)
BSC Transactional	<u>30.6</u>	<u>39.9</u>	<u>(9.3)</u>
Total BSC including Non-utility expenses	<u>71.7</u>	<u>73.0</u>	<u>(1.3)</u>
Non utility expenses	1.2	1.1	0.1
Total BSC EXCLUDING Non-Utility expenses	<u>70.5</u>	<u>71.9</u>	<u>(1.4)</u>
Other Affiliate Charges (Not Above)			
Calibration Testing from Exelon Power Labs	0.3	-	-
Call Center Charges from ComEd	0	0	0
Market Research Charges from ComEd	0	0	0

Variance explanations

2010 PECO EBSC costs are \$1.4M or 2.2% higher than the 2009 actual costs driven by \$8.4M Information Technology (including \$3.2 Smart Grid) in support of PECO Operations offset by lower Finance services of \$3.4M primarily due to implementation of enhanced financial systems in 2009, and \$3.6M of lower costs as a result of cost containment actions at BSC including 2009 reorganization, one-time compensation reductions and depreciation transferred to operating companies.

**ATTACHMENT
II-D-8B**

2010 Services Provided by Exelon Business Services Company

Functional Area	Service Description
Executives & General BSC Activities	Office of the Chairman of the Board and CEO Exelon; Office of President & Chief Operating Officer Exelon, and President & Chief Operating Officer Exelon Generation; Office of Executive Vice President, Finance and Legal Exelon; Office of Executive Vice President Exelon, President of Exelon BSC, and Chief Diversity Officer; Office of Executive Vice President, Exelon, and CEO, Exelon Transmission Company. Also includes corporate aircraft, lobbying activities, and general activities, such as depreciation, taxes, severance and interest.
Security	Includes corporate security functions. Security reports to Human Resources organization.
Finance	Senior Vice President and CFO Exelon, Finance, Treasury, Cash Management, Investments Management, Accounting Services, Tax, Financial Planning and Analysis, Risk Management, Investor Relations, Project Evaluation, Capital Markets, Insurance services, and External Audit Services.
Communications and Public Affairs	Exelon Corporation advertising/brand management, donations/contributions, sponsorships and annual report creation, shareholder/investor external communications, and other communication services; as well as Client Company advertising, coordination of donations/contribution approval, corporate relations, and corporate and external communications; and internal communications.
Government Affairs and Public Policy	Executive oversight; management services for compliance with Federal laws, regulations and other policy requirements including relationship management with Congress, Administration and regulators; strategy development and advocacy related to Federal legislative and regulatory initiatives; wholesale market development activities; PAC administration and operation; grassroots activities; direct lobbying activities; Federal policy issue and management coordination; and Federal public affairs activities.
Legal Governance	Office of the General Counsel; Corporate Strategy & Exelon 2020; Internal Audit, Financial Controls, & Environmental, Health and Safety Audit; and Corporate Governance (previously called Corporate Secretary), including BOD costs and shareholder meeting costs.
Corporate Development	Evaluation and prioritization of acquisition and merger opportunities, evaluation of divestitures, and financial and transaction support to restructuring projects.
Real Estate	Real Estate provides property tax management and Corporate occupancy management services.
Supply	<p><u>Strategic Sourcing</u>: Manages the sourcing of categories across Exelon, drives total cost of ownership, and manages supplier relationships.</p> <p><u>Supply Operations</u>: Provides tactical support to business unit operations, including logistics and warehousing for Exelon Generation. Embedded Supply employees perform these services for ComEd and PECO.</p> <p><u>Supply Support</u>: Comprises technical services functions, supply projects, and diversity initiatives, as well as policies, programs, systems and decision support systems.</p>

Functional Area	Sub-Area	Service Description
Information Technology (IT)	GENCO Solutions, Energy Delivery Solutions, Projects & Enterprise Solutions	Provides application support to the business units and centrally manages enterprise-wide applications and business unit specific projects.
	Infrastructure and Operations	Manages the enterprise IT infrastructure, provides infrastructure services, and ensures a safe and stable operating environment.
	IT Governance	Comprises an IT Program Management Office and Business Office focused on establishing standard processes, procedures and methods; Enterprise Architecture and Planning responsible for comprehensive enterprise strategic planning and architecture standards and assurance; and Information Assurance (IT security) focused on policies and procedures as well as detection and assessment of intrusion incidents in the operating environment.
Commercial Operations Group	Payroll	Manages payroll processing.
	Accounts Payable	Processes invoices, manages A/P, and administers the purchasing-card (P-Card) program.
	Mail Services	BSC Mail Services provides mail sorting and delivery services.
	Worker's Compensation Administration	Provides administration and management of Exelon's self-insured worker's compensation program.
	HR/Payroll App Support	Provides HR Profile transaction processing, HR/Payroll system maintenance, and COG process improvement support and metric reporting.
	Media Productions	Provides photography, videography, and video production services.
	Chauffeur Services	Provides professional transportation service for Exelon Executives.

Functional Area	Sub-Area	Service Description
Legal Services	Corporate & Commercial	Provides legal support for commercial contract negotiations, acquisitions, intellectual property, strategy, securities, financial reporting, real estate, nuclear related issues, bankruptcy, credit and collections, environmental, general corporate, and other transactional matters.
	Labor & Employment	Represents Exelon in a wide range of employment related matters before agencies, arbitrators, and state and federal courts; provides advice and counsel on all labor and employment related matters.
	Litigation	Provides legal support for all forms of disputes, including breach of contract, commercial disputes, personal injury, and property damage.
	Regulatory	Represents Exelon before various regulatory agencies, including the Illinois Commerce Commission, the Pennsylvania Public Utility Commission and the Federal Energy Regulatory Commission.
	Exelon Generation	Provides support for matters across all areas related to or impacting generation issues, including commercial contracts, FERC and NRC compliance issues, plant licensing and re-licensing, NRC, employment, environmental compliance, property tax and financial derivatives and hedging contracts.
Human Resources		Human Resources is subdivided into four groups – (i) BSC HR Operations, including HR operations, labor relations, employee relations, compensation and benefits design; (ii) Talent Acquisition, Diversity, & Development Programs, including diversity & inclusion, talent acquisition, and development; (iii) HR Planning, Technology, and Metrics, including reporting, analysis, & metrics, workforce planning, and HR technology strategy, governance, & compliance; and (iv) Other HR Activities, including benefits administration and occupational health services.
Transmission Operations & Planning		Transmission Operations and Planning includes transmission system capacity expansion, planning and strategy activities, transmission system operations and outage planning, external interfaces with regional transmission organizations and reliability councils and management of interconnection processes.

2009 Services Provided by Exelon Business Services Company

Functional Area	Service Description
Executives & General BSC Activities	Office of the Chairman of the Board and CEO Exelon; Office of President & Chief Operating Officer Exelon, and President & Chief Operating Officer Exelon Generation; Office of Executive Vice President, Finance and Legal Exelon; Office of Executive Vice President Exelon, President of Exelon BSC, and Chief Diversity Officer; Office of Executive Vice President, Exelon, and CEO, Exelon Transmission Company. Also includes corporate aircraft, lobbying activities, and general activities, such as depreciation, taxes, severance and interest.
Security	Corporate security functions, which reports to the Human Resources (HR) organization.
Finance	Senior Vice President and CFO Exelon, Finance, Treasury, Cash Management, Investments Management, Accounting Services, Tax, Financial Planning and Analysis, Risk Management, Investor Relations, Project Evaluation, Capital Markets, Insurance services, and External Audit Services.
Communications	Exelon Corporation advertising/brand management, donations/contributions, sponsorships and annual report creation; shareholder/investor external communications; other communication services; client company advertising, donations/contributions, corporate relations, and corporate and external communications; and internal communications.
Government Affairs, Environmental, Health and Safety, and Public Policy	Executive oversight; management services for compliance with federal laws, regulations, and other policy requirements, including relationship management with Congress, federal/state administration, and regulators; strategy development and advocacy related to federal legislative and regulatory initiatives; wholesale market development activities; political action committee (PAC) administration and operation; grassroots activities; and federal public affairs activities. In addition includes development of Environmental, Health and Safety (EH&S) strategy and policy; reporting on and auditing of enterprise environmental compliance activities; provision of advocacy for regulatory and legislative environmental issues; monitoring performance of corporate compliance with EH&S policies and programs; developing recommendations for improving environmental risk management.
Legal Governance	EVP Exelon and General Counsel; Public Utility Holding Company Act (PUHCA) 2005/Federal Energy Regulatory Commission (FERC) governance; Corporate Strategy; Corporate Governance including Corporate Secretary, Board of Directors' (BOD) and shareholder meeting; Internal Audit.
Human Resources	a) Corporate governance activities, including executive oversight, executive compensation plan costs, leadership development for executives, executive benefit program costs, executive recruitment; (b) Labor relations, including development and management of labor relations strategy in support of business units with represented employees; and (c) other HR, including support functions such as diversity, planning and development, employee health and benefits, compensation planning, management and employee development, HR field units, and employee service center.

Functional Area	Sub-Area	Service Description
Information Technology (IT)	GENCO Solutions, Energy Delivery Solutions, Projects & Enterprise Solutions	Provides application support to the business units and centrally manages enterprise-wide applications and business-unit-specific projects.
	Infrastructure and Operations	Manages the enterprise IT infrastructure, provides infrastructure services, and ensures a safe and stable operating environment.
	IT Governance	Comprises an IT Program Management Office and Business Office that is focused on establishing standard processes, procedures, and methods; Enterprise Architecture and Planning that is responsible for comprehensive enterprise strategic planning and architecture standards and assurance; and Information Assurance (IT security) that is focused on policies and procedures as well as detection and assessment of intrusion incidents in the operating environment.
Supply	Strategic Sourcing	Manages the sourcing of categories across Exelon, drives total cost of ownership, and manages supplier relationships.
	Supply Operations	Provides tactical support to business unit operations, including logistics and warehousing.
	Supply Support	Comprises e-business functions, supply projects, and diversity initiatives, as well as policies, programs, systems, and decision support systems.
Commercial Operations Group	Payroll	Manages payroll processing.
	Accounts Payable	Processes invoices, manages A/P, and administers the purchasing-card (P-Card) program.
	Mail Services	BSC Mail Services provides mainframe print, microfiche, mail sort and delivery.
	Worker's Compensation Administration	Provides administration and management of Exelon's self-insured worker's compensation program.
	HR/Payroll App Support	Provides HR Profile transaction processing, HR/Payroll system maintenance, and COG process improvement support and metric reporting.
	Media Productions	Provides photography, videography, and video production services.
	Chauffeur Services	Provides professional transportation service for Exelon's management committee members and Directors.
Real Estate		Real estate governance, property tax, management and occupancy services.

Functional Area	Sub-Area	Service Description
Legal Services	Corporate & Commercial	Provides support for commercial contract negotiations, acquisitions, intellectual property, strategy, securities, financial reporting, real estate, nuclear-related issues, bankruptcy, credit and collections, environmental, general corporate, and other transactional matters.
	Labor & Employment	Represents Exelon in a wide range of employment-related matters before agencies, arbitrators, and state and federal courts; provides advice and counsel on all labor- and employment-related matters.
	Litigation	Provides legal support for all forms of disputes, including breach of contract, commercial disputes, personal injury, and property damage.
	Regulatory	Represents Exelon before various regulatory agencies, such as Illinois Commerce Commission, Pennsylvania Public Utility Commission, and Federal Energy Regulatory Commission.
	Exelon Generation	Provides support for matters across all areas related to or impacting generation issues, including commercial contracts, FERC and NRC compliance issues, plant licensing and re-licensing, NRC, employment, environmental compliance, property tax and financial derivatives and hedging contracts.
Operational Governance and Quality Assurance		Owners of the Management Model Program, Quality Assurance Program, Peer Group Program, Process Improvement services, Oversight of Common Benchmarking program, Coordination of shared Performance Reviews and Coordination of Delivery Oversight Committee Reporting.
Transmission Operations & Planning		Executive management/oversight transmission system capacity expansion, planning, and strategy activities; transmission system operations and outage planning, external interfaces with regional transmission organizations and reliability councils, and management of interconnection processes.

2009 & 2010 Services Provided by Exelon Power Labs

Service	Service Description
Calibration Testing	Provide calibration and repair services for all portable M&TE instruments and providing a failure analysis

2009 & 2010 Services Provided by Commonwealth Edison Company

Service	Service Description
Call Center	Provide assistance in handling outage calls during significant outage duration.
Market Research	Marketing research, data extraction, analysis and reporting, customer sample management and target list development, market segmentation, and related information and analysis services.

- Q. II-D-9 Prepare a detailed schedule for the test year showing types of social and service organization memberships paid for, the cost thereof, the accounting treatment and whether included in claimed test year expenses.
- A. II-D-9 Refer to Attachment II-D-9 for the social and service organization memberships to be paid for in the test year. Memberships paid for an annual period are accrued as prepaid expenses and amortized over the life of the membership period. All of the memberships on Attachment II-D-9 are included in the claimed test year expenses.

**ATTACHMENT
II-D-9**

**PECO ENERGY COMPANY
SOCIAL AND SERVICE ORGANIZATIONS
PRESENTATION BASIS - ELECTRIC ONLY**

<u>Association</u>	<u>FY 2009 (dollars)</u>
Barnes Foundation	19,325
Natural Lands Trust	13,914
The Academy of Natural Sciences	7,730
Urban Land Institute	4,627
Pennsylvania Academy of the Fine Arts	3,865
Mann Center	2,703
Melmark	2,349
Arts and Business Council of Philadelphia	1,159
TOTAL	<u><u>55,672</u></u>

- Q. II-D-10 Provide the following payroll and employee benefit data – regular and overtime – separately for the test year and for the 12-month period immediately prior to the test year:
- a. The average and year-end number of employees and the unadjusted annual payroll expenses and employees benefit expense associated with union personnel.
 - b. The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with nonunion personnel.
 - c. The average and year-end number of employees and the unadjusted annual payroll expense and employee benefit expense associated with management employees, if different than b.
 - d. A summary of the wage rate, salary and employee benefit changes granted or to be granted during the year.
 - e. The claimed test year payroll expense and employee benefit expense.
 - f. The percentage of payroll expense and employee benefit expense applicable to operation and maintenances and the basis thereof.
- A. II-D-10 Refer to Attachment II-D-10 for responses to items (a.) through (f.)

**ATTACHMENT
II-D-10**

a. Average and year end number of union employees: ⁽¹⁾

	<u>Average</u>	<u>Year End</u>
2009	828	835
2010	853	853
Change	25	18

b. Average and year end number of non-union employees: ⁽¹⁾

	<u>Average</u>	<u>Year End</u>
2009	728	735
2010	750	747
Change	22	12

c. Average and year end number of exempt management and professional employees: ⁽¹⁾

	<u>Average</u>	<u>Year End</u>
2009	577	587
2010	599	598
Change	22	11

⁽¹⁾ Payroll and Benefit expenses are not available by union/non-union and management/professional splits.

d. The budgeted wage increases for hourly employees (1/1) and salaried employees (3/1) are listed below:

1/1 employees 3.8%
3/1 employees 3.0%

All job title salaries are based on market reference averages, which were reviewed for 2010. Some ranges moved, while other ranges stayed the same. The movement of the range impacts the employee's year end merit increase based on the location in the range.

Executive wages were frozen in 2010.

2010 Benefit change – The company 401K matching program is changing from a 5% fixed match to a 3% fixed match and up to 3% profit sharing match.

e. Total O&M payroll and benefits expenses are as follows:

<u>2010 Budget</u>	<u>\$ in millions</u>
Total Payroll	\$ 95.7
Total OT	\$ 15.4
Total P&B	\$ 45.2 (1)

(1) excludes worker's compensation

f. The percentage of payroll expense and employee benefit expense applicable to O&M are as follows:

	<u>2010 Budget</u>
	<u>% O&M</u>
Payroll	63.2%
OT	63.6%
P&B	65.3%

Basis of O&M:

- Payroll: Direct labor is budgeted to projects with an O&M and capital split. Back office and other support labor is allocated based on the direct labor and contracting splits
- OT: Budgeted to categories of work with O&M and capital splits. Categories of work are based on historical data.
- P&B: Generally allocated to O&M and capital based on payroll split to O&M and capital

- Q. II-D-11 Describe costs relative to leasing equipment, including computer rentals, and office space, including terms and conditions of the leases. State method for calculating monthly or annual payments.
- A. II-D-11 Refer to Attachment II-D-11.

**ATTACHMENT
II-D-11**

PECO Energy Company
Lease Costs (Electric distribution only)
(In dollars)

Vendor	Average Monthly Rate	Length of Lease	Lease commencement date
Fleet vehicles	\$ 60,331 A	Various (terms range from less than 1 year - 10 years)	Various
Executive cars	\$ 825 A	All leases terminate no later than January 2010.	C Various
Cellnet meters	\$ 2,421,635 A	15+ years	B 10/12/1999
SEPTA conduit	\$ 69,513 A	Four 5-year periods beginning 10/1/1997 and 2-year periods thereafter.	D 10/1/1997
Verizon	\$ 219,585 A	Five year term ending 11/15/2012, then year-to-year.	E Amended 11/15/07
Amtrak	\$ 1,361 A	Various	F Various
CSX	\$ (107) A	25 years	G 7/14/2006

A - The average monthly rate was calculated using 2009 data, consistent with information used for the SEC Form 10-K lease disclosures.

B - PECO has the right to terminate this agreement at the end of the initial 15-year term that began on 10/14/1999, or the end of each of the three 5-year renewal terms, the first of which will begin on 10/14/2014, by providing notice 12 months prior to the end of the term.

C - PECO terminated the executive car lease program effective February 2010, so no executive car leases will continue past that time.

D - PECO has the right to terminate the agreement at any time by giving 1-year notice.

E - PECO can terminate after the five-year period or anytime after by giving one-year written notice.

F - PECO leases multiple sections of land from Amtrak when poles, etc. need to be set up on land belonging to Amtrak. Some leases are noncancelable and some are renewed year-to-year and are cancelable at those times.

G - PECO executed this agreement to lease land for a non-cancellable 25-year initial term and prepaid the entire amount (\$643K) due under the agreement at the inception. Rent expense represents the amortization of the prepaid amount over the life of the lease (25 years).

Q. II-D-12 Submit a statement of past and anticipated changes, since the previous rate case, in major accounting procedures, explain any differences between the basis or procedure used in allocations of revenues, expenses, depreciation and taxes in the current rate case and that used in the prior rate cases, and list all internal and independent audit reports for the most recent 2 year period.

A. II-D-12 Refer to Attachment II-D-12A. As PECO Energy Gas Division has filed a base rate case in 2008, the requested information on significant accounting policies is found in Footnote 1 – Significant Accounting Policies in the FERC Form 1 and SEC Form 10-K for 2008 and 2009. As the information in those two reports for each year are identical, only the relevant pages from the FERC Form 1 are attached.

Refer to the Attachment II-D-12B for a list of internal audit reports issued in 2008 and through February 2010.

Refer to Attachment II-D-12C for the external audit reports. The audit reports are Management's Report on Internal Control Over Financial Reporting dated February 5, 2010 and February 6, 2009, the Report of Independent Registered Public Accounting Firm dated February 5, 2010 and February 6, 2009, and the Report of Independent Auditors dated March 10, 2009.

**ATTACHMENT
II-D-12A**

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NOTES TO FINANCIAL STATEMENTS (Continued)			

PECO Energy Company
NOTES TO FINANCIAL STATEMENTS
(Dollars in millions, unless otherwise noted)

1. Significant Accounting Policies

Description of Business

Incorporated in Pennsylvania in 1929, PECO Energy Company (PECO) is engaged principally in the purchase and regulated retail sale of electricity and the provision of transmission and distribution services to residential, commercial and industrial customers in southeastern Pennsylvania, including the City of Philadelphia, as well as the purchase and regulated retail sale of natural gas and the provision of distribution services to residential, commercial and industrial customers in the Pennsylvania counties surrounding the City of Philadelphia. PECO is subject to extensive regulation by the Pennsylvania Public Utility Commission (PAPUC) as to electric and gas rates and service, the issuances of certain securities and certain other aspects of PECO's operations. PECO is a public utility under the Federal Power Act subject to regulation by FERC as to transmission rates and certain other aspects of PECO's business and by the U.S. Department of Transportation as to pipeline safety and other aspects of gas operations. Pursuant to the Pennsylvania Electricity Generation Customer Choice and Competition Act of 1996 (Competition Act), the Commonwealth of Pennsylvania required the unbundling of retail electric services in Pennsylvania into separate energy transmission and distribution services with open retail competition for generation services. PECO serves as the local distribution company providing electric distribution services in its franchised service territory in southeastern Pennsylvania and energy service to customers who do not choose a competitive electric generation supplier or who choose to return to the utility after taking service from a competitive electric generation supplier.

Basis of Presentation

PECO is a principal indirect subsidiary of Exelon Corporation (Exelon), which indirectly owns 100% of PECO's common stock. At December 31, 2009 and 2008, PECO's common stock without par value consisted of 500,000,000 shares authorized and 170,478,507 shares outstanding. At December 31, 2009 and 2008, PECO's cumulative preferred stock without par value consisted of 15,000,000 shares authorized and 874,720 shares outstanding. Shares of preferred stock have full voting rights, including the right to accumulate votes in the election of directors. At December 31, 2009, PECO's preferred stock was owned by 1,016 shareholders.

Accounting policies for regulated operations are in accordance with those prescribed by the regulatory authorities having jurisdiction, principally the PAPUC and FERC. The accompanying financial statements have been prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts (USOA) and accounting releases, which differ from accounting principles generally accepted in the United States (GAAP).

PECO's investments in its subsidiaries, ExTel Corporation, LLC, Adwin Realty Company (Adwin Realty) and PECO Wireless, LP are accounted for under the equity method of accounting in accordance with the USOA. These entities are consolidated in GAAP financial statements. PECO Wireless, LP is the parent company of ATNP Finance Company (ATNP) and sole member of PEC Financial Services, LLC.

PECO's investments in its subsidiaries, PECO Energy Capital Trust IV (PECO Trust IV), PECO Energy Transition Trust (PETT), and PECO Energy Capital Corporation (PECC), collectively the financing trusts, are accounted for under the equity method of accounting in accordance with the USOA. These entities are not consolidated in GAAP financial statements pursuant to the provisions of the authoritative guidance for variable interest entities (VIE). PECC is the general partner of PECO Energy Capital, L.P., which is the grantor of PECO Energy Capital Trust III (PECO Trust

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III). See Note 17 - Related Party Transactions regarding information on the amounts recorded with respect to the financing trusts within the Balance Sheet.

Use of Estimates

The preparation of financial statements in conformity with USOA and GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which significant estimates have been made include, but are not limited to, the accounting for asset retirement obligations (AROs), pension and other postretirement benefits, inventory reserves, allowance for uncollectible accounts, asset impairments, derivative instruments, fixed asset depreciation, environmental costs, taxes, and unbilled energy revenues.

Accounting for the Effects of Regulation

PECO accounts for its regulated electric and gas operations in accordance with accounting policies prescribed by the regulatory authorities having jurisdiction, principally the PAPUC under state public utility laws and the FERC under various Federal laws. PECO applies the authoritative guidance for accounting for certain types of regulation, which requires PECO to record in its financial statements the effects of rate regulation for utility operations that meet the following criteria: (1) third-party regulation of rates; (2) cost-based rates; and (3) a reasonable expectation that all costs will be recoverable from customers through rates. PECO believes that it is probable that its currently recorded regulatory assets and liabilities will be recovered in future rates. However, PECO continues to evaluate its ability to apply the authoritative guidance for accounting for certain types of regulation, including consideration of current events in its regulatory and political environments. If a separable portion of PECO's business was no longer able to meet the criteria discussed above, PECO would be required to eliminate from its consolidated financial statements the effects of regulation for that portion, which would have a material impact on its results of operations and financial position. See Note 2—Regulatory Issues for additional information.

Segment Information

PECO represents a single reportable business segment. PECO has two operating segments, electric and gas delivery, which are aggregated into one reportable segment primarily due to their similar economic characteristics and the regulatory environments in which they operate.

Variable Interest Entities

PECO's consolidated GAAP financial statements include the accounts of entities in which PECO has a controlling financial interest, other than certain financing trusts, and PECO's proportionate interests in jointly owned electric utility property, after the elimination of intercompany transactions. A controlling financial interest is evidenced by either a voting interest greater than 50% or a risk and rewards model that identifies PECO as the primary beneficiary of the VIE. Investments and joint ventures in which PECO does not have a controlling financial interest and certain financing trusts PECO accounts for under the equity or cost method of accounting.

The financing trusts of PECO, namely PECO Capital Trust III (PECO Trust III), PECO Energy Capital Trust IV (PECO Trust IV) and PECO Energy Transition Trust (PETT), are not consolidated in PECO's GAAP financial statements. PETT was created for the sole purpose of issuing debt obligations to securitize intangible transition property of PECO; and the other entities were created to issue mandatorily redeemable trust preferred securities.

PECO has concluded that it does not have a variable interest in PECO Trust III or PECO Trust IV as PECO

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financed its equity interest in the financing trusts through the issuance of subordinated debt. PECO has concluded that it is not the primary beneficiary of PETT because investors in the trust's securities, not PECO, bear the majority of risk of loss related to those securities. See further discussion regarding the future consolidation of VIEs below under New Accounting Pronouncements.

PECO, as the sponsor of the financing trusts, is obligated to pay the operating expenses of the trusts. PECO's balance sheets include payable to affiliate amounts due to their respective financing trusts as well as investments in their respective trusts. See Note 17—Related-Party Transactions regarding information on the amounts recorded with respect to the financing trusts within the Financial Statements.

The maximum exposure to loss as a result of PECO's involvement with PETT was \$7 million at December 31, 2009 and \$30 million at December 31, 2008. PECO's maximum exposure to loss is determined based on the current carrying value of investments made in PETT. PECO has not provided any non-contractually required financial support to PETT during the years ended December 31, 2009 and December 31, 2008. PECO had net undistributed losses of equity method investments related to PETT of \$97 million and \$73 million at December 31, 2009 and 2008, respectively.

Revenues

Operating revenues are recorded as service is rendered or energy is delivered to customers. At the end of each month, PECO accrues an estimate for the unbilled amount of energy delivered or services provided to customers. See Note 3—Accounts Receivable for additional information.

Income Taxes

Deferred Federal and state income taxes are provided on all significant temporary differences between the book basis and the tax basis of assets and liabilities and for tax benefits carried forward. Investment tax credits previously utilized for income tax purposes have been deferred on PECO's Balance Sheets and are recognized in book income over the life of the related property. In accordance with the USOA, PECO reports deferred income tax balances arising from temporary differences in Accounts 190, 282 and 283 as appropriate, which differs from the net presentation required by GAAP. See Note 9—Income Taxes for additional information. PECO recognizes accrued interest related to unrecognized tax benefits in interest expense or interest income in Other Income and Deductions on its Statements of Income.

PECO accounts for uncertain income tax positions in accordance with FERC's guidance on Accounting and Financial Reporting for Uncertainty in Income Taxes, issued in Docket No. AI07-2-000 for FERC reporting purposes. The guidance requires, among other things, that entities should continue to recognize deferred income taxes for FERC accounting and reporting purposes based on the difference between positions taken in tax returns filed or expected to be filed and amounts reported in financial statements.

Pursuant to the Internal Revenue Code, Exelon and its subsidiaries file a consolidated Federal income tax return that includes its subsidiaries in which it owns at least 80% of the outstanding stock. Income taxes are allocated to each of Exelon's subsidiaries included in the filing of the consolidated Federal income tax return based on the separate return method. PECO's income tax expense reflects the effects of income taxes associated with certain subsidiary companies that are disregarded entities for federal income tax purposes, but have been accounted for under the equity method of accounting in accordance with the USOA. PECO records an income tax valuation allowance for deferred tax assets which are not more likely than not to be realized in the future. See Note 9—Income Taxes for additional information.

PECO is a party to an agreement (Tax Sharing Agreement) with Exelon that provides for the allocation of consolidated tax liabilities and benefits. The Tax Sharing Agreement generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. Any net benefit attributable to the parent is reallocated to other members. That allocation is treated as a contribution to the capital of the

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party receiving the benefit.

Taxes Directly Imposed on Revenue-Producing Transactions

PECO presents any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer on a gross (included in revenues and costs) basis. See Note 16 – Supplemental Financial Information for PECO's utility taxes that are presented on a gross basis.

Losses on Reacquired and Retired Debt

Consistent with rate recovery for ratemaking purposes, recoverable losses on reacquired long-term debt related to regulated operations are deferred and amortized to Account 428.1, Amortization of Loss on Reacquired Debt, over the life of the new debt issued to finance the debt redemption.

Cash and Cash Equivalents

PECO considers investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

As of December 31, 2009 and 2008, restricted cash primarily represented funds from the sales of assets that were subject to PECO's Mortgage Indenture. PECO's restricted cash is not available for general operations until released from the Mortgage Indenture.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts reflects PECO's best estimate of losses on the accounts receivable balances. The allowance is based on accounts receivable agings, historical experience and other currently available evidence. Customers' accounts are generally considered delinquent if the amount billed is not received by the time the next bill is issued, which normally occurs on a monthly basis. Customers' accounts are written off consistent with approved regulatory requirements.

PECO's provision for uncollectible accounts recorded in Account 904, Uncollectible Accounts, for the years ended December 31, 2009 and 2008 were \$63 million and \$160 million, respectively.

Inventories

Inventory is recorded at the lower of cost or market. Provisions are recorded for excess and obsolete inventory.

Gas. Gas inventory includes the weighted average costs of stored natural gas and propane. The costs of natural gas and propane are generally included in inventory when purchased and charged to fuel expense or deferred energy costs when used. PECO has several long-term storage contracts for natural gas as well as a liquefied natural gas storage facility.

Materials and Supplies. Materials and supplies inventory generally includes the average costs of transmission and distribution materials. Materials are generally charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed or used.

Marketable Securities

Marketable securities are classified as available-for-sale securities and are reported at fair value in accordance

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with the authoritative guidance for fair value measurements. Unrealized gains and losses, net of tax, for PECO's available-for-sale securities are reported in other comprehensive income. Any decline in the fair value of PECO's available-for-sale securities below the cost basis is reviewed to determine if such decline is other-than-temporary. If the decline is determined to be other-than-temporary, the cost basis of the available-for-sale securities is written-down to fair value as a new cost basis and the amount of the write-down shall be included in earnings.

Deferred Energy Costs

PECO's natural gas rates are subject to a PAPUC purchased gas cost adjustment clause (PGC) designed to recover or refund the difference between the actual cost of purchased gas and the amount included in rates. Differences between the amounts billed to customers and the actual costs recoverable are deferred and recovered or refunded in future periods by means of prospective quarterly adjustments to rates. At December 31, 2009 and 2008, over-recovered energy costs of \$22 million and \$12 million, respectively, were recorded in Account 242 (Miscellaneous Current and Deferred Liabilities) on PECO's Balance Sheets.

Leases

PECO accounts for leases in accordance with the authoritative guidance for leases and determines whether its long-term purchase power contracts, purchase contracts and sales contracts are leases. At the inception of the lease, or subsequent modification, PECO determines whether the lease is an operating or capital lease based upon its terms and characteristics.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost. Original cost includes labor and materials, construction overhead, when appropriate, capitalized interest and allowance for funds used during construction (AFUDC) for regulated property at PECO. The cost of repairs, maintenance, including planned major maintenance activities, and minor replacements of property is charged to maintenance expense as incurred.

Upon retirement, the cost of regulated property, net of salvage, is charged to accumulated depreciation in accordance with the composite method of depreciation. Removal costs are capitalized when incurred and recorded to depreciation expense over the life of the new asset constructed consistent with PECO's regulatory recovery method. For unregulated property, the cost and accumulated depreciation of property, plant and equipment retired or otherwise disposed of are charged to accumulated depreciation.

See Note 4 – Property, Plant and Equipment for additional information regarding property, plant and equipment.

Capitalized Software Costs

Costs incurred during the application development stage of software projects that are developed or obtained for internal use are capitalized. Such capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, generally not to exceed five years. Certain other capitalized software costs are being amortized over a longer life, pursuant to regulatory approval or requirement. At December 31, 2009 and 2008, PECO's net unamortized capitalized software costs were \$55 million and \$55 million, respectively. During 2009 and 2008, PECO's amortization of capitalized software costs was \$15 million and \$13 million, respectively.

Depreciation and Amortization

Depreciation is generally recorded over the estimated service lives of property, plant and equipment on a straight-line basis using the composite method. The estimated service lives for PECO are primarily based on the average service lives from the most recent depreciation study. See Note 4 - Property, Plant and Equipment for information

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regarding depreciation.

Amortization of regulatory assets is provided over the recovery period specified in the related legislation or regulatory agreement. See Note 16 – Supplemental Financial Information for additional information regarding PECO's regulatory assets.

Asset Retirement Obligations

The authoritative guidance for accounting for AROs requires the recognition of a liability for a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event. The liabilities associated with non-nuclear AROs are adjusted on an ongoing basis due to the passage of new laws and regulations and revisions to either the timing or amount of estimates of undiscounted cash flows and estimates of cost escalation factors. AROs are accreted each year to reflect the time value of money for these present value obligations through a charge to operating and maintenance expense in the Statement of Income or, in the case of the majority of PECO's accretion, through an increase to regulatory assets. See Note 10 - Asset Retirement Obligations for additional information.

Allowance for Funds Used During Construction

PECO applies the authoritative guidance for accounting for certain types of regulation to calculate AFUDC, which is the cost, during the period of construction, of debt and equity funds used to finance construction projects for regulated operations. AFUDC is recorded as a charge to construction work in progress and as a non-cash credit to AFUDC that is included in Account 432, Allowance for Borrowed Funds Used During Construction – Credit, for debt-related funds and Account 419.1, Allowance for Other Funds Used During Construction, for equity-related funds. The rates used for capitalizing AFUDC are computed under a method prescribed by regulatory authorities.

The following table summarizes total cost incurred, capitalized interest and credits of AFUDC by year:

	December 31, 2009	December 31, 2008
Total incurred interest (a)	\$ 188	\$ 229
Credits to AFUDC debt and equity (Accounts 432 and 419.1)	6	3

(a) Includes interest expense to affiliates.

Guarantees

PECO recognizes, at the inception of a guarantee, a liability for the fair market value of the obligations it has undertaken in issuing the guarantee, including the ongoing obligation to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

The liability that is initially recognized at the inception of the guarantee is reduced as PECO is released from risk under the guarantee. Depending on the nature of the guarantee, PECO's release from risk may be recognized only upon the expiration or settlement of the guarantee or by a systematic and rational amortization method over the term of the guarantee. The recognition and subsequent adjustment of the liability are highly dependent upon the nature of the associated guarantee. See Note 15 – Commitments and Contingencies for additional information.

Asset Impairments

Long-Lived Assets. PECO evaluates the carrying value of long-lived assets when circumstances indicate the

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carrying value of those assets may not be recoverable. Conditions that could have an adverse impact on the cash flows and fair value of the long-lived assets are deteriorating business climate, including current energy and market conditions, condition of the asset, specific regulatory disallowance, or plans to dispose of a long-lived asset significantly before the end of its useful life. The review of long-lived assets for impairment requires significant assumptions about operating strategies and estimates of future cash flows, which require assessments of current and projected market conditions. A variation in the assumptions used could lead to a different conclusion regarding the realizability of an asset and, thus, could have a significant effect on the consolidated financial statements. An impairment evaluation is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of assets and liabilities. The lowest level of independent cash flows is determined by evaluation of several factors including the ratemaking jurisdiction and the type of service or commodity. For PECO, the lowest level of independent cash flows is transmission, distribution and gas. Impairment may occur when the carrying value of the asset exceeds the future undiscounted cash flows. When the undiscounted cash flow analysis indicates a long-lived asset is not recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset over its fair value. An impairment would require PECO to reduce both the long-lived asset and current period earnings by the amount of the impairment.

Derivative Financial Instruments

PECO has entered into derivative natural gas contracts to hedge its long-term price risk in the natural gas market. As part of the preparation for the expiration of the power purchase agreement (PPA) with Exelon Generation Company, LLC (Generation) at the end of 2010, PECO has entered into derivative contracts to procure electric supply through a competitive RFP process as outlined in its PAPUC-approved Default Service Provider Program (DSP Program). PECO does not enter into derivatives for proprietary trading purposes. PECO's derivative activities are in accordance with Exelon's Risk Management Policy.

All derivatives are recognized on the balance sheet at their fair value and the change in fair value each period is recorded as a regulatory asset or liability unless they qualify for certain scope exceptions, including the normal purchases and normal sales exception. Additionally, derivatives that qualify and are designated for hedge accounting are classified as either hedges of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair-value hedge) or hedges of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge). Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing cash flows in the Statement of Cash Flows, depending on the underlying nature of PECO's hedged items.

Revenues and expenses on contracts that qualify as normal purchases and normal sales are recognized when the underlying physical transaction is completed. Normal purchases and normal sales are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable period of time, and price is not tied to an unrelated underlying derivative. If it were determined that a transaction designated as a normal purchase or a normal sale no longer met the exceptions, the fair value of the related contract would be recorded on the balance sheet and offset by a regulatory asset or liability at PECO. See Note 7—Derivative Financial Instruments for additional information.

Retirement Benefits

PECO participates in Exelon's defined benefit pension plans and postretirement plans. Exelon's defined benefit pension plans and postretirement benefit plans are accounted for and disclosed in accordance with applicable authoritative guidance. See Note 11 – Retirement Benefits for further discussion of PECO's accounting for retirement benefits.

The measurement of the plan obligations and costs of providing benefits under these plans involve various

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factors, including numerous assumptions and accounting elections. The assumptions are reviewed annually and at any interim remeasurement of the plan obligations. The impact of assumption changes on pension and other postretirement benefit obligations is generally recognized over the expected average remaining service period of the employees rather than immediately recognized in the income statement. See Note 11 - Retirement Benefits for additional information.

New Accounting Pronouncements

PECO has identified the following new accounting pronouncements that have been recently adopted or issued that may affect PECO upon adoption.

Derivative Instrument and Hedging Activity Disclosures

In March 2008, the Financial Accounting Standards Board (FASB) amended and expanded the disclosure requirements related to derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivative instruments, how an entity accounts for derivative instruments and related hedged items and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The revised guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. This guidance was effective for PECO as of January 1, 2009. Since this guidance provides only disclosure requirements, the adoption of this standard did not impact PECO's Statement of Income, Balance Sheet or Statement of Cash Flows. See Note 7—Derivative Financial Instruments for further information.

Pension and Other Postretirement Benefit Plan Asset Disclosures

In December 2008, the FASB issued authoritative guidance requiring additional disclosures for employers' pension and other postretirement benefit plan assets. This guidance requires employers to disclose information about fair value measurements of plan assets, the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. This guidance became effective for PECO as of December 31, 2009. As this guidance provides only disclosure requirements, the adoption of this standard did not impact PECO's Statement of Income, Balance Sheet or Statement of Cash Flows. See Note 11—Retirement Benefits for further information.

Fair Value Measurements

The FASB's fair value measurement and disclosure guidance for all nonrecurring fair value measurements of nonfinancial assets and liabilities became effective for PECO as of January 1, 2009. See Note 6—Fair Value of Financial Assets and Liabilities for further information.

In April 2009, the FASB issued authoritative guidance clarifying that fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions. This new guidance requires an evaluation of whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. If there has, transactions or quoted prices may not be indicative of fair value and an adjustment may need to be made to those prices to estimate fair value. Additionally, an entity must consider whether the observed transaction was orderly (i.e. not distressed or forced). If the transaction was orderly, the obtained price can be considered a relevant observable input for determining fair value. If the transaction is not orderly, other valuation techniques must be used when estimating fair value. This guidance was adopted for the period ending June 30, 2009. The adoption of this guidance did not have a material impact to PECO's Statement of Income, Balance Sheet or Statement of Cash Flows.

In August 2009, the FASB issued authoritative guidance clarifying the measurement of the fair value of a liability in

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circumstances when a quoted price in an active market for an identical liability is not available. The guidance emphasizes that entities should maximize the use of observable inputs in the absence of quoted prices when measuring the fair value of liabilities. This guidance became effective for PECO as of October 1, 2009 and did not have a material impact on PECO's Statement of Income, Balance Sheet or Statement of Cash Flows.

Fair Value of Financial Instruments Disclosures

In April 2009, the FASB issued revised authoritative guidance requiring disclosures about fair value of financial instruments, currently provided annually, to be included in interim financial statements. This guidance was adopted by PECO for the period ended June 30, 2009. Since this guidance provides only disclosure requirements, the adoption of this standard did not impact PECO's Statement of Income, Balance Sheet or Statement of Cash Flows. See Note 6—Fair Value of Financial Assets and Liabilities for further information.

Recognition and Presentation of Other-Than-Temporary Impairments

In April 2009, the FASB amended authoritative guidance related to accounting for certain investments in debt and equity securities and accounting for certain investments held by not-for-profit organizations. This revised guidance establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. If it is more likely than not that an impaired debt security will be sold before the recovery of its cost basis, either due to the investor's intent to sell or because it will be required to sell the security, the entire impairment is recognized in earnings. Otherwise, only the portion of the impaired debt security related to estimated credit losses is recognized in earnings, while the remainder of the impairment is recorded in OCI and recognized over the remaining life of the debt security. In addition, the guidance expands the presentation and disclosure requirements for other-than-temporary impairments for both debt and equity securities. This guidance was adopted for the period ended June 30, 2009 and did not have a material impact on PECO's Statement of Income, Balance Sheet or Statement of Cash Flows. See Note 6—Fair Value of Financial Assets and Liabilities for further information.

Subsequent Events

In May 2009, the FASB issued authoritative guidance which incorporates the principles and accounting guidance for recognizing and disclosing subsequent events that originated as auditing standards into the body of authoritative literature issued by the FASB and prescribes disclosures regarding the date through which subsequent events have been evaluated. PECO is required to evaluate subsequent events through the date the financial statements are issued. This guidance was effective for PECO for the period ended June 30, 2009. Since this guidance is not intended to significantly change the current practice of reporting subsequent events, it did not have an impact on PECO's Statement of Income, Balance Sheet or Statement of Cash Flows.

Transfers of Financial Assets

In June 2009, the FASB issued authoritative guidance amending the accounting for the transfers of financial assets. Key provisions include (i) the removal of the concept of qualifying special purpose entities, (ii) the introduction of the concept of a participating interest, in circumstances in which a portion of a financial asset has been transferred and (iii) the requirement that to qualify for sale accounting, the transferor must evaluate whether it maintains effective control over transferred financial assets either directly or indirectly. Furthermore, this guidance requires enhanced disclosures about transfers of financial assets and a transferor's continuing involvement. This guidance is effective for PECO beginning January 1, 2010 and is required to be applied prospectively. Currently, PECO's agreement related to the sale of accounts receivable is accounted for as a sale. Under the new guidance, this agreement will be accounted for as a secured borrowing. As a result, beginning in the first quarter of 2010, the transferred accounts receivable of \$225 million under this agreement will be recorded on PECO's balance sheet with an offsetting short-term note payable of \$225 million.

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Consolidation of Variable Interest Entities

In June 2009, the FASB issued authoritative guidance to amend the manner in which entities evaluate whether consolidation is required for VIEs. The model for determining which enterprise has a controlling financial interest and is the primary beneficiary of a VIE has changed significantly under the new guidance. Previously, variable interest holders had to determine whether they had a controlling financial interest in a VIE based on a quantitative analysis of the expected gains and/or losses of the entity. In contrast, the new guidance requires an enterprise with a variable interest in a VIE to qualitatively assess whether it has a controlling financial interest in the entity, and if so, whether it is the primary beneficiary. Furthermore, this guidance requires that companies continually evaluate VIEs for consolidation rather than assessing based upon the occurrence of triggering events. This revised guidance also requires enhanced disclosures about how a company's involvement with a VIE affects its financial statements and exposure to risks. This guidance became effective for PECO on January 1, 2010. As a result of the issuance of this new guidance, PECO consolidated PETT effective January 1, 2010 in its GAAP financial statements.

Accounting Standards Codification

In June 2009, the FASB issued authoritative guidance which replaced the previous hierarchy of GAAP and establishes the FASB Codification as the single source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. SEC rules and interpretive releases are also sources of authoritative GAAP for SEC registrants. This guidance modifies the GAAP hierarchy to include only two levels of GAAP: authoritative and nonauthoritative. This guidance was effective for PECO as of September 30, 2009. The adoption of this guidance did not impact PECO's Statement of Income, Balance Sheet or Statement of Cash Flows since the FASB Codification is not intended to change or alter existing GAAP.

Revenue Arrangements with Multiple Deliverables

In October 2009, the FASB issued authoritative guidance that amends existing guidance for identifying separate deliverables in a revenue-generating transaction where multiple deliverables exist, and provides guidance for allocating and recognizing revenue based on those separate deliverables. The guidance is expected to result in more multiple-deliverable arrangements being separable than under current guidance. This guidance is effective for PECO beginning on January 1, 2011 and is required to be applied prospectively to new or significantly modified revenue arrangements. PECO is currently assessing the impacts this guidance may have on its GAAP financial statements.

Fair Value Measurements Disclosures

In January 2010, the FASB issued authoritative guidance intended to improve disclosures about fair value measurements. The guidance requires entities to disclose significant transfers in and out of fair value hierarchy levels and the reasons for the transfers and to present information about purchases, sales, issuances and settlements separately in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). Additionally, the guidance clarifies that a reporting entity should provide fair value measurements for each class of assets and liabilities and disclose the inputs and valuation techniques used for fair value measurements using significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). This guidance is effective for interim and annual periods beginning after December 15, 2009 except for the disclosures about purchases, sales, issuances and settlements in the Level 3 reconciliation, which will be effective for interim and annual periods beginning after December 15, 2010. As this guidance provides only disclosure requirements, the adoption of this standard will not impact PECO's Statement of Income, Balance Sheet or Statement of Cash Flows.

2. Regulatory Issues

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PECO Energy Company
NOTES TO FINANCIAL STATEMENTS
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1. Significant Accounting Policies**Description of Business**

Incorporated in Pennsylvania in 1929, PECO Energy Company (PECO) is engaged principally in the purchase and regulated retail sale of electricity and the provision of transmission and distribution services to residential, commercial and industrial customers in southeastern Pennsylvania, including the City of Philadelphia, as well as the purchase and regulated retail sale of natural gas and the provision of distribution services to residential, commercial and industrial customers in the Pennsylvania counties surrounding the City of Philadelphia. PECO is subject to extensive regulation by the Pennsylvania Public Utility Commission (PAPUC) as to electric and gas rates and service, the issuances of certain securities and certain other aspects of PECO's operations. PECO is also subject to regulation by the Federal Energy Regulatory Commission (FERC) as to transmission rates and certain other aspects of PECO's business. Pursuant to the Pennsylvania Electricity Generation Customer Choice and Competition Act (Competition Act), the Commonwealth of Pennsylvania requires the unbundling of retail electric services in Pennsylvania into separate energy transmission and distribution services with open retail competition for generation services. PECO serves as the local distribution company providing electric distribution services in its franchised service territory in southeastern Pennsylvania and energy service to customers who do not choose a competitive electric generation supplier or who choose to return to the utility after taking service from a competitive electric generation supplier.

Basis of Presentation

PECO is a principal indirect subsidiary of Exelon Corporation (Exelon), which indirectly owns 100% of PECO's common stock. At December 31, 2008 and 2007, PECO's common stock without par value consisted of 500,000,000 shares authorized and 170,478,507 shares outstanding. At December 31, 2008 and 2007, PECO's cumulative preferred stock without par value consisted of 15,000,000 shares authorized and 874,720 shares outstanding. Shares of preferred stock have full voting rights, including the right to cumulate votes in the election of directors. At December 31, 2008, PECO's preferred stock was owned by 1,063 shareholders.

Accounting policies for regulated operations are in accordance with those prescribed by the regulatory authorities having jurisdiction, principally the PAPUC and FERC. The accompanying financial statements have been prepared in accordance with the accounting requirements of the FERC as set forth in the Uniform System of Accounts (USOA) and accounting releases, which differ from accounting principles generally accepted in the United States (GAAP).

PECO's investments in its subsidiaries, ExTel Corporation, LLC, Adwin Realty Company (Adwin Realty) and PECO Wireless, LP are accounted for under the equity method of accounting in accordance with the USOA. These entities are consolidated in GAAP financial statements. PECO Wireless, LP is the parent company of ATNP Finance Company (ATNP) and sole member of PEC Financial Services, LLC.

PECO's investments in its subsidiaries, PECO Energy Capital Trust IV (PECO Trust IV), PECO Energy Transition Trust (PETT), and PECO Energy Capital Corporation (PECC) are accounted for under the equity method of accounting in accordance with the USOA. These entities are not consolidated in GAAP financial statements as a result of the adoptions of Financial Accounting Standards Board (FASB) Interpretation No. (FIN) 46 and its revision FIN 46-R "Consolidation of Variable Interest Entities." PECC is the general partner of PECO Energy Capital, L.P., which is the grantor of PECO Energy Capital Trust III (PECO Trust III). See Note 15 - Related Party Transactions regarding

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information on the amounts recorded with respect to the financing trusts within the Balance Sheet. The maximum exposure to loss as a result of PECO's involvement with the financing trusts was \$39 million and \$57 million as December 31, 2008 and December 31, 2007, respectively.

Use of Estimates

The preparation of financial statements in conformity with USOA and GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which significant estimates have been made include, but are not limited to, the accounting for asset retirement obligations (AROs), pension and other postretirement benefits, inventory reserves, allowance for doubtful accounts, asset impairments, derivative instruments, fixed asset depreciation, environmental costs, taxes, and unbilled energy revenues.

Accounting for the Effects of Regulation

PECO accounts for all of its regulated electric and gas operations in accordance with Statement of Financial Accounting Standard (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," (SFAS No. 71). SFAS No. 71 requires PECO to record in its financial statements the effects of rate regulation for utility operations that meet the following criteria: (1) third-party regulation of rates; (2) cost-based rates; and (3) a reasonable assumption that PECO's costs will be recoverable from customers through rates. PECO believes that it is probable that its currently recorded regulatory assets and liabilities will be recovered in future rates. However, PECO continues to evaluate its ability to apply SFAS No. 71, including consideration of the current events related to regulatory and political environments. If a separable portion of PECO's business was no longer able to meet the provisions of SFAS No. 71, PECO would be required to eliminate from its financial statements the effects of regulation for that portion, which could have a material impact on its financial condition and results of operations. See Note 2 - Regulatory Issues for further information.

Segment Information

PECO operates a single business segment.

Revenues

Operating revenues are recorded as service is rendered or energy is delivered to customers. At the end of each month, PECO accrues an estimate for the unbilled amount of energy delivered or services provided to customers (see Note 3 - Accounts Receivable).

Income Taxes

Deferred Federal and state income taxes are provided on all significant temporary differences between the book basis and the tax basis of assets and liabilities and for tax benefits carried forward. Investment tax credits previously utilized for income tax purposes have been deferred on PECO's Balance Sheets and are recognized in book income over the life of the related property. In accordance with the USOA, PECO reports deferred income tax balances arising from temporary differences in Accounts 190, 282 and 283 as appropriate, which differs from the net presentation required by GAAP (See Note 8 - Income Taxes). PECO recognizes accrued interest related to unrecognized tax benefits in interest expense or interest income in Other Income and Deductions on its Statements of Income.

PECO accounts for uncertain income tax positions in accordance with FERC's guidance on Accounting and Financial Reporting for Uncertainty in Income Taxes, issued in Docket No. AI07-2-000 for FERC reporting purposes.

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The guidance requires, among other things, that entities should continue to recognize deferred income taxes for FERC accounting and reporting purposes based on the difference between positions taken in tax returns filed or expected to be filed and amounts reported in financial statements.

Pursuant to the Internal Revenue Code, Exelon and its subsidiaries file a consolidated Federal income tax return that includes its subsidiaries in which it owns at least 80% of the outstanding stock. Income taxes are allocated to each of Exelon's subsidiaries included in the filing of the consolidated Federal income tax return based on the separate return method. PECO's income tax expense reflects the effects of income taxes associated with certain subsidiary companies that are disregarded entities for federal income tax purposes, but have been accounted for under the equity method of accounting in accordance with the USOA. PECO records an income tax valuation allowance for deferred tax assets which are not more likely than not to be realized in the future (see Note 8 – Income Taxes).

PECO is a party to an agreement (Tax Sharing Agreement) with Exelon that provides for the allocation of consolidated tax liabilities. The Tax Sharing Agreement generally provides that each party is allocated an amount of tax similar to that which would be owed had the party been separately subject to tax. Any net benefit attributable to the parent is reallocated to other members. That allocation is treated as a contribution to the capital of the party receiving the benefit.

Taxes Directly Imposed on Revenue-Producing Transactions

PECO presents any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer on a gross (included in revenues and costs) basis in accordance with Emerging Issues Task Force (EITF) Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." See Note 14 – Supplemental Financial Information for PECO's utility taxes that are presented on a gross basis.

Losses on Reacquired Debt

Consistent with rate recovery for rate-making purposes, recoverable losses on reacquired debt related to regulated operations are deferred and amortized to Account 428.1, Amortization of Loss on Reacquired Debt, over the life of the new debt issued to finance the debt redemption.

Cash and Cash Equivalents

PECO considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

As of December 31, 2008 and 2007, restricted cash primarily represented funds from the sales of assets that were subject to PECO's Mortgage Indenture. PECO's restricted cash is not available for general operations until released from the Mortgage Indenture.

Allowance for Uncollectible Accounts

The allowance for uncollectible accounts reflects PECO's best estimate of probable losses in the accounts receivable balances. The allowance is based on known troubled accounts, historical experience and other currently available evidence. Customers' accounts are generally considered delinquent if the amount billed is not received by the time the next bill is issued, which normally occurs on a monthly basis. Customers' accounts are written off consistent with approved regulatory requirements.

PECO's provision for uncollectible accounts recorded in Account 904, Uncollectible Accounts, for the years

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ended December 31, 2008, and 2007, was \$160 million and \$71 million, respectively.

Inventories

Inventories are recorded at the lower of cost or market, and provisions are made for excess and obsolete inventory.

Gas. Gas inventory includes the weighted average costs of stored natural gas and propane. The costs of natural gas and propane are generally included in inventory when purchased and charged to fuel expense or deferred energy costs when used. PECO has several long-term storage contracts for natural gas as well as a liquefied natural gas storage facility.

Materials and Supplies. Materials and supplies inventory generally includes the average costs of transmission and distribution materials. Materials are generally charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed or used.

Marketable Securities

Marketable securities are classified as available-for-sale securities and are reported at fair value pursuant to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). Unrealized gains, net of tax, for PECO's available-for-sale securities are reported in other comprehensive income. Any decline in the fair value of PECO's available-for-sale securities below the cost basis is reviewed to determine if such decline is other-than-temporary. If the decline is determined to be other-than-temporary, the cost basis of the available-for-sale securities shall be write-down to fair value as a new cost basis and the amount of the write-down shall be included in earnings.

Deferred Energy Costs

PECO's natural gas rates are subject to a fuel adjustment clause designed to recover or refund the difference between the actual cost of purchased gas and the amount included in rates. Differences between the amounts billed to customers and the actual costs recoverable are deferred and recovered or refunded in future periods by means of prospective quarterly adjustments to rates. At December 31, 2008 and 2007, over-recovered energy costs of \$12 million were recorded in Account 242 (Miscellaneous Current and Deferred Liabilities) on PECO's Balance Sheets.

Leases

PECO accounts for leases in accordance with SFAS No. 13, "Accounting for Leases" and determines whether its long-term purchase power, purchases and sales contracts are leases pursuant to EITF Issue No. 01-8, "Determining Whether an Arrangement is a Lease." At the inception of the lease, or subsequent modification, PECO determines whether the lease is an operating or capital lease based upon its terms and characteristics.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost. Original cost includes labor and materials, construction overhead, when appropriate, capitalized interest under SFAS No. 34, "Capitalization of Interest and Costs" (SFAS No. 34) and allowance for funds used during construction (AFUDC) under SFAS No. 71. The cost of repairs, maintenance, including planned major maintenance activities, and minor replacements of property is charged to maintenance expense as incurred.

Upon retirement, the cost of regulated property, net of salvage, is charged to accumulated depreciation in accordance with the composite method of depreciation. Removal costs are capitalized when incurred and depreciated

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over the life of the new asset constructed consistent with PECO's regulatory recovery method. For unregulated property, the cost and accumulated depreciation of property, plant and equipment retired or otherwise disposed of are charged to accumulated depreciation.

See Note 4 – Property, Plant and Equipment for additional information regarding property, plant and equipment.

Capitalized Software Costs

Costs incurred during the application development stage of software projects that are developed or obtained for internal use are capitalized in accordance with Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Such capitalized amounts are amortized ratably over the expected lives of the projects when they become operational, generally not to exceed five years. Certain other capitalized software costs are being amortized over a longer life, pursuant to regulatory approval or requirement. At December 31, 2008 and 2007, PECO's net unamortized capitalized software costs were \$55 million and \$53 million, respectively. During 2008 and 2007, PECO's amortization of capitalized software costs was \$13 million and \$11 million, respectively.

Depreciation and Amortization

Depreciation is generally recorded over the estimated service lives of property, plant and equipment on a straight-line basis using the composite method. See Note 4 - Property, Plant and Equipment for information regarding annual depreciation provisions for financial reporting purposes, presented by average service life and as a percentage of average service life for each asset category and for information on a change in PECO's depreciation rates.

Amortization of regulatory assets is recorded over the recovery period specified in the related legislation or regulatory agreement. See Note 14 – Supplemental Financial Information for further information regarding the amortization of PECO's regulatory assets.

Asset Retirement Obligations

AROs are accounted for in accordance with FASB Statement No. 143, "Accounting for Asset Retirement Obligations" (SFAS No. 143) and FIN 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47). FIN 47 requires the recognition of a liability for a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event. The liabilities associated with conditional AROs are adjusted on an ongoing basis due to the passage of new laws and regulations and revisions to either the timing or amount of estimates of undiscounted cash flows and estimates of cost escalation factors. AROs and conditional AROs are accreted each year to reflect the time value of money for these present value obligations through a charge to operating and maintenance expense in the Statement of Income or, in the case of the majority of PECO's accretion, through an increase to regulatory assets due to the application of SFAS No. 71. See Note 9 - Asset Retirement Obligations for additional information.

Allowance for Funds Used During Construction

PECO applies SFAS No. 71 to calculate AFUDC, which is the cost, during the period of construction, of debt and equity funds used to finance construction projects for regulated operations. AFUDC is recorded as a charge to construction work in progress and as a non-cash credit to AFUDC that is included in Account 432, Allowance for Borrowed Funds Used During Construction – Credit, for debt-related funds and Account 419.1, Allowance for Other Funds Used During Construction, for equity-related funds. The rates used for capitalizing AFUDC are computed under a method prescribed by regulatory authorities.

Guarantees

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In accordance with FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others" (FIN 45), PECO recognizes, at the inception of a guarantee, a liability for the fair market value of the obligations it has undertaken in issuing the guarantee, including the ongoing obligation to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

The liability that is initially recognized at the inception of the guarantee is reduced as PECO is released from risk under the guarantee. Depending on the nature of the guarantee, PECO's release from risk may be recognized only upon the expiration or settlement of the guarantee or by a systematic and rational amortization method over the term of the guarantee. The recognition and subsequent adjustment of the liability are highly dependent upon the nature of the associated guarantee. See Note 13 – Commitments and Contingencies for further information.

Asset Impairments

Long-Lived Assets. PECO evaluates the carrying value of long-lived assets when circumstances indicate the carrying value of those assets may not be recoverable. Conditions that could have an adverse impact on the cash flows and fair value of the long-lived assets are deteriorating business climate, including current energy and market conditions, condition of the asset, or plans to dispose of a long-lived asset significantly before the end of its useful life. The review of long-lived assets for impairment requires significant assumptions about operating strategies and estimates of future cash flows, which require assessments of current and projected market conditions. A variation in the assumptions used could lead to a different conclusion regarding the realizability of an asset and, thus, could have a significant effect on the consolidated financial statements. An impairment evaluation is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of assets and liabilities. Impairment may occur when the carrying value of the asset exceeds the future undiscounted cash flows. When the undiscounted cash flow analysis indicates a long-lived asset is not recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset over its fair value. An impairment would require PECO to reduce both the long-lived asset and current period earnings by the amount of the impairment.

Derivative Financial Instruments

PECO may enter into derivatives to manage its exposure to fluctuations in interest rates, changes in interest rates related to planned future debt issuances and changes in the fair value of outstanding debt. PECO's derivative activities are in accordance with Exelon's Risk Management Policy. PECO may utilize fixed-to-floating interest-rate swaps, which are typically designated as fair-value hedges, as a means to achieve its targeted level of variable-rate debt as a percent of total debt. In addition, PECO may utilize interest-rate derivatives to lock in interest-rate levels in anticipation of future financings, which are typically designated as cash-flow hedges.

PECO accounts for derivative instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). Under SFAS No. 133, all derivatives are recognized on the balance sheet at their fair value unless they qualify for certain scope exceptions, including normal purchases and normal sales exception. Further, derivatives that qualify and are designated for hedge accounting are classified as either hedges of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair-value hedge) or hedges of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge). For fair-value hedges, changes in fair values for both the derivative and the underlying hedged exposure are recognized in earnings each period. For cash-flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in the cost or value of the underlying exposure is deferred in accumulated other comprehensive income and later reclassified into earnings when the underlying transaction occurs. Amounts recorded in earnings are included in Account 421, Miscellaneous Non-Operating Income, and Account 426.5, Other Deductions, within PECO's Statement of Income. Gains and losses from the ineffective portion of any hedge are recognized in earnings immediately. For other derivative contracts that do not qualify or are not designated for hedge accounting,

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changes in the fair value of the derivatives are recognized in earnings each period. Cash inflows and outflows related to derivative instruments are included as a component of operating, investing or financing cash flows in the Statement of Cash Flows, depending on the underlying nature of PECO's hedged items.

Revenues and expenses on contracts that qualify as normal purchases and normal sales are recognized when the underlying physical transaction is completed. Normal purchases and normal sales are contracts where physical delivery is probable, quantities are expected to be used or sold in the normal course of business over a reasonable period of time, and price is not tied to an unrelated underlying derivative.

Retirement Benefits

PECO participates in Exelon's defined benefit pension plans and postretirement plans. Exelon's defined benefit pension plans and postretirement benefit plans are accounted for in accordance with SFAS No. 87, "Employer's Accounting for Pensions" (SFAS No. 87), SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" (SFAS No. 106), FASB Staff Position (FSP) FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" (FSP FAS 106-2) and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (SFAS No. 158), and are disclosed in accordance with SFAS No. 132-R, "Employers' Disclosures about Pensions and Other Postretirement Benefits – an Amendment of FASB Statements No. 87, 88, and 106" (revised 2003) (SFAS No. 132-R) and SFAS No. 158. See Note 10 – Retirement Benefits for further discussion of PECO's accounting for retirement benefits.

The measurement of the plan obligations and costs of providing benefits under these plans involve various factors, including numerous assumptions and accounting elections. The assumptions are reviewed annually and at any interim remeasurement of the plan obligations. The impact of assumption changes on pension and other postretirement benefit obligations is generally recognized over the expected average remaining service period of the employees rather than immediately recognized in the income statement as allowed by SFAS No. 87 and SFAS No. 106. See Note 10 - Retirement Benefits for additional information.

Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Prescription Drug Act). Through Exelon's postretirement benefit plans, PECO provides retirees with prescription drug coverage. The Prescription Drug Act was enacted on December 8, 2003. The Prescription Drug Act introduced a prescription drug benefit under Medicare as well as a Federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare prescription drug benefit. Management believes the prescription drug benefit provided under Exelon's postretirement benefit plans is at least actuarially equivalent to the Medicare prescription drug benefit.

New Accounting Pronouncements

PECO has identified the following new accounting pronouncements that either have been recently adopted or issued that may affect PECO upon adoption.

SFAS No. 157

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 defines fair value for financial accounting and reporting purposes, establishes a framework for measuring fair value and expands disclosures about fair value measurements but does not change the requirements to apply fair value in existing accounting standards. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or, in the absence of a principal, the most advantageous market. The standard clarifies that fair value should be based on the

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assumptions market participants would use when pricing the applicable asset or liability.

SFAS No. 157 was effective and adopted by PECO as of January 1, 2008. The provisions of SFAS No. 157 are being applied prospectively. The adoption of SFAS No. 157 did not have a material impact on PECO's results of operations, cash flows or financial position during the three and twelve months ended December 31, 2008. See Note 5—Fair Value of Financial Assets and Liabilities for additional information regarding the adoption of SFAS No. 157.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2, "Effective Date of FASB Statement No. 157" (FSP FAS 157-2), which delays the effective date of SFAS No. 157 for all nonrecurring fair value measurements of nonfinancial assets and liabilities until fiscal years beginning after November 15, 2008. PECO has adopted the nonrecurring fair value measurement disclosures of nonfinancial assets and liabilities effective January 1, 2009. The adoption of FSP FAS 157-2 did not have a material impact on PECO's results of operations, cash flows or financial position.

On October 10, 2008, the FASB issued FSP FAS No. 157-3, "Fair Value Measurements" (FSP FAS 157-3), which clarifies the application of SFAS No. 157 in an inactive market and provides an example to demonstrate how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The adoption of this standard did not have a material impact on PECO's results of operations, cash flows or financial position.

SFAS No. 159

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115" (SFAS No. 159). SFAS No. 159 allows an entity to irrevocably elect fair value for the initial and subsequent measurement of certain financial instruments and other items that are not currently required to be measured at fair value. When the fair value option is elected and a company chooses to record eligible items at fair value, the company must report unrealized gains and losses on those items in results of operations at each subsequent reporting date. Additionally, the transition provisions of SFAS No. 159 permit a one-time election for existing positions at the adoption date, with a cumulative-effect adjustment included in opening retained earnings. All future changes in fair value will be reported in results of operations. PECO did not elect the fair value option allowed by SFAS No. 159.

FSP FIN 39-1

In April 2007, the FASB issued FSP Interpretation No. (FIN) 39-1, "Amendment of FASB Interpretation No. 39" (FSP FIN 39-1). This pronouncement amends FIN 39, "Offsetting of Amounts Related to Certain Contracts," to permit companies to offset fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) against fair value amounts recognized for derivative instruments executed with the same counterparty under a master netting arrangement. FSP FIN 39-1 was effective for PECO as of January 1, 2008. The provisions of FSP FIN 39-1 are not currently applicable to PECO.

SFAS No. 160

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" (SFAS No. 160). SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 requires that changes in a parent's ownership interest in a subsidiary be reported as an equity transaction in the consolidated financial statements when it does not result in a change in control of the subsidiary. When a change in a parent's ownership interest results in deconsolidation, a gain or loss should be recognized in the consolidated financial statements. SFAS No. 160 must be applied prospectively as of January 1, 2009, except for the presentation and disclosure requirements, which are required to be applied retrospectively for all periods presented. The adoption of SFAS No. 160

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will not have a material impact on PECO's results of operations, cash flows or financial position; however, it could impact future transactions entered into by PECO.

SFAS No. 161

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS No. 161). SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 by requiring enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 will be effective for PECO as of January 1, 2009. As SFAS No. 161 provides only disclosure requirements, the adoption of this standard will not have a material impact on PECO's results of operations, cash flows or financial position.

FSP FAS 142-3

In April 2008, the FASB issued FSP FAS No. 142-3, "Determination of the Useful Life of Intangible Assets" (FSP FAS 142-3). This pronouncement amends Statement No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), regarding the factors that should be considered in developing the useful lives for intangible assets with renewal or extension provisions, when determining the useful life of an intangible asset. In the absence of such experience, an entity shall consider the assumptions that market participants would use about renewal or extension, adjusted for entity-specific factors. FSP FAS 142-3 also requires an entity to disclose information regarding the extent to which the expected future cash flows associated with an intangible asset are affected by the entity's intent and/or ability to renew or extend the arrangement. FSP FAS 142-3 will be effective for qualifying intangible assets acquired by PECO on or after January 1, 2009. The application of FSP FAS 142-3 is not expected to have a material impact on PECO's results of operations, cash flows or financial position; however, it could impact future transactions entered into by PECO.

FSP FAS 140-4 and FIN 46(R)-8

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, "Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities," (FSP FAS 140-4 and FIN 46(R)-8). This pronouncement amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" to require public entities to provide additional disclosures about the transfers of financial assets. The pronouncement also amends FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities," to require public enterprises to provide additional disclosures about their involvement with variable interest entities and qualifying special purpose entities. FSP FAS 140-4 and FIN 46(R)-8 were effective for PECO for the year ended December 31, 2008. As this FSP provides only disclosure requirements, the adoption of this standard did not have a material impact on PECO's results of operations, cash flows or financial position. As a result, PECO has provided additional disclosure with respect to its involvement with Exelon Generation Company, LLC's (Generation) power purchase agreement (PPA) and the financing trusts.

FSP FAS 132(R)-1

In December 2008, the FASB issued FSP FAS No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" (FSP FAS 132(R)-1), which requires additional disclosures for employers' pension and other postretirement benefit plan assets. As pension and other postretirement benefit plan assets were not included within the

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scope of SFAS No. 157, FSP FAS 132(R)-1 requires employers to disclose information about fair value measurements of plan assets similar to the disclosures required under SFAS No. 157, the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. FSP FAS 132(R)-1 will be effective for PECO as of December 31, 2009. As FSP FAS 132(R)-1 provides only disclosure requirements, the adoption of this standard will not have a material impact on PECO's results of operations, cash flows or financial position.

FSP EITF 99-20-1

In January 2009, the FASB issued FSP EITF No. 99-20-1, "Amendments to the Impairment Guidance of EITF Issue No. 99-20" (FSP EITF 99-20-1). This pronouncement amends EITF 99-20, "Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets," (EITF 99-20), to achieve more consistent determination of whether an other-than-temporary impairment has occurred. FSP EITF 99-21-1 also retains and emphasizes the objective of an other than-temporary impairment assessment and the related disclosure requirements in SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and other related guidance. FSP EITF 99-20-1 is effective for interim and annual reporting periods ending after December 15, 2008, and is required to be applied prospectively. The adoption of FSP EITF 99-20-1 did not have a material impact on PECO's results of operations, cash flows or financial position.

SFAS No. 141-R

In December 2007, the FASB issued SFAS No. 141-R, "Business Combinations" (SFAS No. 141-R) which revised SFAS No. 141, "Business Combinations" (SFAS No. 141). This pronouncement became effective for PECO as of January 1, 2009. Under SFAS No. 141, organizations utilized the announcement date as the measurement date for the purchase price of the acquired entity. SFAS No. 141-R requires measurement at the date the acquirer obtains control of the acquiree, generally referred to as the acquisition date. SFAS No. 141-R will have a significant impact on the accounting for transaction and restructuring costs, as well as the initial recognition of contingent assets and liabilities assumed during a business combination. Under SFAS No. 141-R, adjustments to the acquired entity's deferred tax assets and uncertain tax position balances occurring outside the measurement period are recorded as a component of income tax expense, rather than goodwill. As the provisions of SFAS No. 141-R are applied prospectively to business combinations for which the acquisition date occurs after the guidance becomes effective, the impact to PECO cannot be determined until the transactions occur.

2. Regulatory Issues

Pennsylvania Gas Distribution Rate Case. On March 31, 2008, PECO filed a petition before the PAPUC for a \$98 million increase to its distribution revenue to fund critical infrastructure improvement projects that will ensure the safety and reliability of the natural gas delivery system. On August 21, 2008, PECO filed a joint settlement petition with the PAPUC, signaling that it had reached an agreement with the opposing parties regarding the requested distribution rate increase. The settlement petition provided for an annual revenue increase of \$77 million. As part of the settlement, PECO will enhance its low-income programs as well as provide funding for new energy-efficiency programs to help customers manage their energy usage and gas bills. Additionally, PECO agreed not to file a new base rate case for natural gas distribution service before January 1, 2010. On October 23, 2008, the PAPUC voted to approve the joint settlement. The approved rate adjustment became effective on January 1, 2009.

Pennsylvania Transition-Related Legislative and Regulatory Matters. In Pennsylvania, despite the decrease during 2008 in wholesale electricity market prices, there is growing pressure from state regulators and elected officials to mitigate the potential impact of electricity price increases on customers. Experiences in other states following the end of retail electric generation rate cap transition periods created a heightened state of political concern that significant

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Audit Name
2009 CIMS Application Support Review
2009 Financial Controls Review - CET
2009 Financial Controls Review - PECO Mark to Market SOX
2009 Financial Controls Review - PECO Meter to Cash
2009 PECO Bad Debt Review
2009 PECO BancTec Payment Processing Review
2009 PECO Capital Projects Review
2009 PECO CIMS Continuous Monitoring Review
2009 PECO Company Damage Claims Review
2009 PECO Damage Prevention Program Review
2009 PECO Default Service Plan Readiness Review
2009 PECO Meter Maintenance and Inventory Review
2009 PECO Miscellaneous Billing - New Business Follow Up Review
2009 PECO Mobile Dispatch Review
2009 PECO NERC Compliance Review
2009 PECO Project Management Follow-up Review
2009 PECO Third Party Claim Liability Review
2009 PECO Universal Services Review
2008 Electric SCADA Systems and Reporting Follow-up Review - PECO
2008 Financial Controls Review - Artemis
2008 Financial Controls Review - BancTec
2008 Financial Controls Review - CET
2008 Financial Controls Review - PECO IT Meter to Cash
2008 PECO Affiliated Transactions Compliance Review
2008 PECO CIMS Continuous Monitoring Review
2008 PECO Electronic Payment Processing Review
2008 PECO Miscellaneous Billing Review - New Business
2008 PECO Miscellaneous Billing Review - Revenue Protection
2008 PECO Project Management - Capacity Expansion Review
2008 PECO Revenue Management Review
2008 PECO Transmission & Substation Predictive and Preventative Maintenance Review

**ATTACHMENT
II-D-12C**

Table of Contents**Management's Report on Internal Control Over Financial Reporting**

The management of PECO Energy Company (PECO) is responsible for establishing and maintaining adequate internal control over financial reporting. PECO's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PECO's management conducted an assessment of the effectiveness of PECO's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, PECO's management concluded that, as of December 31, 2009, PECO's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2009, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

February 5, 2010

Management's Report on Internal Control Over Financial Reporting

The management of PECO Energy Company (PECO) is responsible for establishing and maintaining adequate internal control over financial reporting. PECO's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PECO's management conducted an assessment of the effectiveness of PECO's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, PECO's management concluded that, as of December 31, 2008, PECO's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2008, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

February 6, 2009

Table of Contents**Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of PECO Energy Company:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(4)(i) present fairly, in all material respects, the financial position of PECO Energy Company and its subsidiaries (PECO) at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under item 15(a)(4)(ii) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Chicago, Illinois
February 5, 2010

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of PECO Energy Company:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(4)(i) present fairly, in all material respects, the financial position of PECO Energy Company and its subsidiaries (PECO) at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under item 15(a)(4)(ii) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2008 and 2007). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, PECO changed its method of accounting for uncertain tax positions as of January 1, 2007.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Chicago, Illinois
February 6, 2009



PricewaterhouseCoopers LLP
One North Wacker
Chicago, IL 60606
Telephone (312) 298-2000
Facsimile (312) 298-2001

Report of Independent Auditors

To the Board of Directors of

PECO Energy Company:

We have audited the balance sheets of PECO Energy Company as of December 31, 2008 and 2007 and the related statements of income, retained earnings and cash flows for the years then ended, included on pages 110 through 123 of the accompanying Federal Energy Regulatory Commission Form 1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PECO Energy Company as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

This report is intended solely for the information and use of the board of directors and management of PECO Energy Company and for filing with the Federal Energy Regulatory Commission and should not be used for any other purpose.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

March 10, 2009

- Q. II-D-13 Regardless of whether a claim for negative or positive net salvage is made, attach an exhibit showing gross salvage, cost of removal, third party reimbursements, if any, and net salvage for the test year and 4 previous years.
- A. II-D-13 Refer to Attachment II-D-13, which shows the 2006-2010 net salvage (net of cost of removal) that is closed to the Accumulated Reserve. The 2010 net salvage amounts are based on a three-year average from 2007-2009.

**ATTACHMENT
II-D-13**

PECO Energy Company							
Net Salvage							
2006 - 2010							
			Year				
New Product Class	depr_group	Date	2006	2007	2008	2009	2010
Common	PECO Com 3030-CIS & Mods	Sum of COR	(68,730.44)	-	-	-	-
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(68,730.44)	-	-	-	-
	PECO Common 3901 PA	Sum of COR	(571,869.78)	(242,235.20)	(1,147,372.39)	(52,725.48)	(480,777.69)
		Sum of Salvage	68,773.00	-	-	-	-
		Sum of Net Salvage	(503,096.78)	(242,235.20)	(1,147,372.39)	(52,725.48)	(480,777.69)
	PECO Common 3902 PA	Sum of COR	(53,702.40)	(34,437.96)	(21,090.78)	(16,669.99)	(24,066.24)
		Sum of Salvage	-	-	0.25	-	0.08
		Sum of Net Salvage	(53,702.40)	(34,437.96)	(21,090.53)	(16,669.99)	(24,066.16)
	PECO Common 3911 PA	Sum of COR	-	-	-	(15,227.17)	(5,075.72)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	-	-	-	(15,227.17)	(5,075.72)
	PECO Common 3912 PA	Sum of COR	(35,111.86)	-	(44,300.64)	-	-
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(35,111.86)	-	(44,300.64)	-	(14,766.88)
	PECO Common 3913 PA	Sum of COR	-	-	-	(22,880.60)	(7,626.87)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	-	-	-	(22,880.60)	(7,626.87)
	PECO Common 3921 PA	Sum of COR	(100.84)	-	-	-	-
		Sum of Salvage	1,833.34	-	-	-	-
		Sum of Net Salvage	1,732.50	-	-	-	-
	PECO Common 3922 PA	Sum of COR	(100.84)	-	-	(245.00)	(81.67)
		Sum of Salvage	1,833.34	-	-	37,600.00	12,533.33
		Sum of Net Salvage	1,732.50	-	-	37,355.00	12,451.67
	PECO Common 3923 PA	Sum of COR	(100.84)	-	-	(820.00)	(273.33)
		Sum of Salvage	1,833.34	-	(10,250.00)	291,450.00	93,733.33
		Sum of Net Salvage	1,732.50	-	(10,250.00)	290,630.00	93,460.00
	PECO Common 3924 PA	Sum of COR	(100.84)	-	-	-	-
		Sum of Salvage	1,833.34	-	-	-	-
		Sum of Net Salvage	1,732.50	-	-	-	-
	PECO Common 3925 PA	Sum of COR	(100.84)	-	-	(15.00)	(5.00)
		Sum of Salvage	1,833.32	-	-	1,850.00	616.67
		Sum of Net Salvage	1,732.48	-	-	1,835.00	611.67
	PECO Common 3926 PA	Sum of COR	(1,185.80)	(3,576.05)	(820.04)	(155.91)	(1,517.33)
		Sum of Salvage	8,233.32	90,230.00	474,650.00	4,730.00	189,870.00
		Sum of Net Salvage	7,047.52	86,653.95	473,829.96	4,574.09	188,352.67
	PECO Common 3930 PA	Sum of COR	-	-	-	-	-
		Sum of Salvage	-	36,443.00	16,306.00	2,500.00	18,416.33
		Sum of Net Salvage	-	36,443.00	16,306.00	2,500.00	18,416.33
	PECO Common 3941 PA	Sum of COR	0.03	-	-	-	-
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	0.03	-	-	-	-
	PECO Common 3943 PA	Sum of COR	(10,920.00)	-	-	-	-
		Sum of Salvage	24,693.70	-	-	-	-
		Sum of Net Salvage	13,773.70	-	-	-	-
	PECO Common 3961 PA	Sum of COR	-	-	-	-	-
		Sum of Salvage	3,925.00	-	-	-	-
		Sum of Net Salvage	3,925.00	-	-	-	-
	PECO Common 3970 PA	Sum of COR	-	(38,366.75)	(134,649.65)	(2,580.92)	(58,532.44)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	-	(38,366.75)	(134,649.65)	(2,580.92)	(58,532.44)
	PECO Common 3980 PA	Sum of COR	-	-	(2,242.33)	-	(747.44)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	-	-	(2,242.33)	-	(747.44)
	Allocated to Electric	Sum of COR	582,516.77	251,386.67	1,066,065.62	87,987.38	468,479.89
		Sum of Salvage	(90,115.75)	(89,944.47)	(379,469.51)	(267,257.95)	(248,890.65)
		Sum of Net Salvage	492,401.02	161,442.20	686,596.11	(179,270.57)	219,589.25
	Allocated to Gas	Sum of COR	159,507.68	67,229.29	284,410.21	23,332.69	124,990.73
		Sum of Salvage	(24,675.95)	(26,728.53)	(101,236.74)	(70,872.05)	(66,279.10)
		Sum of Net Salvage	134,831.73	40,500.76	183,173.47	(47,539.36)	58,711.62
Common Sum of COR			0.00	-	(0.00)	0.00	(0.00)
Common Sum of Salvage			0.00	(0.00)	0.00	(0.00)	(0.00)
Common Sum of Net Salvage			0.00	-	0.00	(0.00)	0.00

New Product Class	depr group	Data	Year				
			2006	2007	2008	2009	2010
Electric - Distribution	PECO Electric 3611 PA	Sum of COR	(17,967.59)	(59,286.29)	(12,381.84)	(8,900.30)	(26,856.14)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(17,967.59)	(59,286.29)	(12,381.84)	(8,900.30)	(26,856.14)
	PECO Electric 3612 PA	Sum of COR	-	(16,664.28)	(71,205.90)	(4,552.50)	(30,807.56)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	-	(16,664.28)	(71,205.90)	(4,552.50)	(30,807.56)
	PECO Electric 3613 PA	Sum of COR	-	(37,131.56)	-	-	(12,377.19)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	-	(37,131.56)	-	-	(12,377.19)
	PECO Electric 3620 PA	Sum of COR	(1,520,837.81)	(1,703,973.35)	(672,934.87)	(708,376.10)	(1,028,428.11)
		Sum of Salvage	69,059.64	2,534.54	11,482.55	447.80	4,821.63
		Sum of Net Salvage	(1,451,778.17)	(1,701,438.81)	(661,452.32)	(707,928.30)	(1,023,606.48)
	PECO Electric 3640 PA	Sum of COR	(3,632,034.29)	(4,402,979.89)	(3,018,051.23)	(2,752,575.68)	(3,391,202.27)
		Sum of Salvage	-	1,235.72	-	-	411.91
		Sum of Net Salvage	(3,632,034.29)	(4,401,744.17)	(3,018,051.23)	(2,752,575.68)	(3,390,790.36)
	PECO Electric 3650 PA	Sum of COR	(3,656,110.15)	(3,758,951.11)	(3,652,323.58)	(3,673,515.10)	(3,634,929.93)
		Sum of Salvage	-	1,360.72	1,063,252.58	324,887.58	463,166.95
		Sum of Net Salvage	(3,656,110.15)	(3,757,590.39)	(2,589,071.02)	(3,348,627.52)	(3,231,762.98)
	PECO Electric 3660 PA	Sum of COR	(392,549.00)	(273,968.33)	(257,364.77)	(464,531.98)	(331,955.03)
		Sum of Salvage	-	(273,968.33)	(257,364.77)	(464,531.98)	(331,955.03)
		Sum of Net Salvage	(392,549.00)	(273,968.33)	(257,364.77)	(464,531.98)	(331,955.03)
	PECO Electric 3670 PA	Sum of COR	(5,176,053.99)	(5,060,858.74)	(5,486,583.19)	(4,772,549.65)	(5,106,657.19)
		Sum of Salvage	-	2,469,746.76	1,081,690.05	324,887.58	1,292,108.12
		Sum of Net Salvage	(5,176,053.99)	(2,591,111.98)	(4,404,873.14)	(4,447,662.09)	(3,814,549.07)
	PECO Electric 3680 PA	Sum of COR	(696,476.70)	(860,020.90)	(480,922.48)	(219,243.04)	(520,062.14)
		Sum of Salvage	-	357,168.27	-	-	-
		Sum of Net Salvage	(696,476.70)	(860,020.90)	(480,922.48)	(219,243.04)	(520,062.14)
	PECO Electric 3691 PA	Sum of COR	(732,725.34)	(395,858.82)	(629,838.20)	(338,470.82)	(454,722.61)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(732,725.34)	(395,858.82)	(629,838.20)	(338,470.82)	(454,722.61)
	PECO Electric 3692 PA	Sum of COR	(731,624.60)	(303,976.75)	(249,768.32)	(301,978.65)	(285,241.24)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(731,624.60)	(303,976.75)	(249,768.32)	(301,978.65)	(285,241.24)
	PECO Electric 3700 PA	Sum of COR	(191,435.84)	(74,083.95)	(38,164.57)	(38,847.29)	(50,365.27)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(191,435.84)	(74,083.95)	(38,164.57)	(38,847.29)	(50,365.27)
	PECO Electric 3730 PA	Sum of COR	(46,280.09)	(4,406.34)	(2,233.54)	(9,983.26)	(5,541.05)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(46,280.09)	(4,406.34)	(2,233.54)	(9,983.26)	(5,541.05)
	PECO Electric 3731 PA	Sum of COR	(293.68)	(66.32)	(118.35)	(101.86)	(95.51)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(293.68)	(66.32)	(118.35)	(101.86)	(95.51)
	PECO Electric 3732 PA	Sum of COR	(499,104.28)	(38,875.30)	(39,539.29)	(38,903.74)	(39,106.11)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(499,104.28)	(38,875.30)	(39,539.29)	(38,903.74)	(39,106.11)
Allocated Common Plant - Electric Distribution		Sum of COR	(507,437.28)	(222,000.09)	(920,356.48)	(75,620.94)	(405,992.50)
	Sum of Salvage	-	78,500.90	88,261.17	327,603.87	229,695.41	215,186.82
		Sum of Net Salvage	(428,936.38)	(133,738.92)	(592,752.60)	(154,074.47)	(190,805.68)
Allocated General Plant - Electric Distribution		Sum of COR	(90,258.66)	(10,066.64)	(22,304.86)	(32,584.32)	(21,651.94)
	Sum of Salvage	-	-	-	-	-	
		Sum of Net Salvage	(90,258.66)	(10,066.64)	(22,304.86)	(32,584.32)	(21,651.94)
Electric - Distribution Sum of COR			(17,891,190.21)	(17,223,168.65)	(15,554,071.47)	(13,440,735.23)	(15,405,991.79)
Electric - Distribution Sum of Salvage			2,822,770.88	2,563,138.91	2,487,050.65	879,918.55	1,976,702.64
Electric - Distribution Sum of Net Salvage			(14,968,419.33)	(14,660,029.75)	(13,067,020.82)	(12,560,816.68)	(13,429,289.15)
Electric - General Plant Allocated	PECO Electric 3901 PA	Sum of COR	(102,353.51)	(8,341.62)	(25,836.13)	(8,512.77)	(14,230.17)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	(102,353.51)	(8,341.62)	(25,836.13)	(8,512.77)	(14,230.17)
	PECO Electric 3913 PA	Sum of COR	-	-	-	(29,400.13)	(9,800.04)
		Sum of Salvage	-	-	-	-	-
		Sum of Net Salvage	-	-	-	(29,400.13)	(9,800.04)
	PECO Electric 3940 PA	Sum of COR	(1,259.66)	(3,057.56)	-	-	(1,019.19)
		Sum of Salvage	-	-	3,500.00	-	1,166.67
		Sum of Net Salvage	(1,259.66)	(3,057.56)	3,500.00	-	147.48
Allocated to Electric Distribution		Sum of COR	90,258.66	10,066.64	22,304.86	32,584.32	21,651.94
	Sum of Salvage	-	-	(3,021.62)	-	-	(1,007.21)
		Sum of Net Salvage	90,258.66	10,066.64	19,283.24	32,584.32	20,644.73
Allocated to Electric Transmission		Sum of COR	13,354.51	1,332.54	3,531.27	5,328.58	3,397.46
	Sum of Salvage	-	-	(478.38)	-	-	(159.46)
		Sum of Net Salvage	13,354.51	1,332.54	3,052.89	5,328.58	3,238.00
Electric - General Plant Allocated Sum of COR			(0.00)	0.00	(0.00)	-	0.00
Electric - General Plant Allocated Sum of Salvage			-	-	-	-	-
Electric - General Plant Allocated Sum of Net Salvage			(0.00)	0.00	(0.00)	-	(0.00)
Total Sum of COR			(17,891,190.21)	(17,223,168.65)	(15,554,071.47)	(13,440,735.23)	(15,405,991.79)
Total Sum of Salvage			2,822,770.88	2,563,138.91	2,487,050.65	879,918.55	1,976,702.64
Total Sum of Net Salvage			(14,968,419.33)	(14,660,029.75)	(13,067,020.82)	(12,560,816.68)	(13,429,289.15)

- Q. II-D-14 State the amount of debt interest utilized for test year income tax calculations, including the amount so utilized which has been allocated from the debt interest of an affiliate, and provide details of debt interest allocation computations.
- A. II-D-14 Refer to Exhibit RLO-1, Schedule 20, and PECO Statement No. 3, the direct testimony of Robert L. O'Brien. The Company has not included any debt interest of an affiliate in its interest synchronization calculation.

- Q. II-D-15 Provide a schedule for the test year of Federal and Pennsylvania taxes other than income taxes, per books, pro forma at present rates, and pro forma at proposed rates, including the following tax categories:
- a. Social security
 - b. Unemployment
 - c. Capital stock
 - d. Public utility
 - e. P.U.C. assessment
 - f. Other property taxes
 - g. Any other appropriate categories
- A. II-D-15 Refer to Exhibit RLO-1, Section D-18, Pages 1-3 for future test year budget amounts, pro forma at present rates and pro forma at proposed rates. Refer to Attachment II-D-15 for historic test year data.

**ATTACHMENT
II-D-15**

PECO Energy Company
Schedule of Federal and Pennsylvania Taxes, Other Than Income Taxes
12 Months Ended December 31, 2009
(Thousand \$)

	Electric
FICA (Social Security)	8,388
FUTA (Federal Unemployment)	74
SUTA (State Unemployment)	318
Payroll Taxes	<u>8,780</u>
PURTA	3,960
Personal Property Tax	188
Local Real Estate	3,392
Property Taxes	<u>7,540</u>
Gross Receipts Tax	248,895
Gross Receipts Tax	<u>248,895</u>
Capital Stock Tax	4,135
Capital Stock Tax	<u>4,135</u>
Miscellaneous TOTI	7
Misc. Tax	<u>7</u>
Sales and Use	659
Sale and Use Tax	<u>659</u>
TOTAL TOTI	<u><u>270,015</u></u>

- Q. II-D-16 Submit a schedule showing the adjustments from taxable net income per books to taxable net income pro forma under existing rates and pro forma under proposed rates, together with an explanation of all normalizing adjustments. Submit detailed calculations supporting taxable income before State and Federal income taxes where the income tax is subject to allocation due to operations in another state or due to operation of other taxable utility or non-utility business, or by operating divisions or areas.
- A. II-D-16 Refer to Exhibit RLO-1 and PECO Statement No. 3, the direct testimony of Robert L. O'Brien.

- Q. II-D-17 Submit a schedule showing for the last 5 years the income tax refunds, plus interest – net of taxes, received from the Federal government due to prior years' claims.
- A. II-D-17 Refer to Attachment II-D-17 for a schedule detailing the last five years of Federal income tax refunds. The refunds shown in the attachment do not relate to electric distribution operations. There were no refunds for the years 2004 through 2006.

**ATTACHMENT
II-D-17**

Attachment II-D-17

Refunds received in prior five years (in thousands):

Received in 2008:

Tax ¹	\$ 9,086
Interest (net of tax)	\$ 2,698

Received in 2007:

Tax ²	\$33,423
Interest (net of tax)	\$ 867

¹ Refund relates to 1997-1999 research and development claims on formerly owned Generation plants.

² Refund relates to 1994-1996 research and development claims on formerly owned Generation plants.

- Q. II-D-18 Furnish a breakdown of major items comprising prepaid and deferred income tax charges and other deferred income tax credits, reserves and associated reversals on liberalized depreciation.
- A. II-D-18 Refer to Attachment II-D-18 for the breakdown of major items.

**ATTACHMENT
II-D-18**

PECO Energy Company
Prepaid and Deferred Taxes
12 Months Ended December 31, 2009
(Thousand \$)

Electric

Accumulated Deferred Income Taxes (Account 190)

Accrued Benefits	313
Accrued Bonus	6,068
Accrued Severance	394
Accrued Vacation	1,709
Addback of Non Qualified Stock Expense	2,221
Bad Debt	35,960
Cellnet Deferred Revenue	2,357
Customer Advances for Construction	949
Deferred Compensation Liability	11,454
Deferred Revenue	1,201
Electric Choice	86
Environmental Liability	(42,074)
Holiday Pay	(251)
Vegetation Management Accrual	2,144
Charitable Contribution	348
Injury/Personal Damage Reserve	8,081
Merger Costs Deferred	12,767
Wind Energy Accrual	(1,419)
Obsolete Inventory	302
Other	84
Other Miscellaneous Reserve	(5,940)
PA Use Tax	5,522
Phantom Stock Award	270
Post Retirement Benefits	68,498
Pole Attachment Revenue Reserve	749
SECA Adjustments	274
Total Rewards Accrual	66
USFC Over Recovery Reg Liab	826
Vacation Pay Reg Asset	(2,585)
Wind Energy Accrual	291
Workmens Comp. Reserve	7,021
Total Account 190	<u>117,686</u>

Accumulated Deferred Income Taxes(Accounts 282 &283)

Other Property (Account 282)

FIN 47	577
Fas 109	(693,084)
Software	(10,949)
Liberalized Depreciation	(639,702)
	<u>(1,343,159)</u>

Other (Account 283)

Amortization on Loss of Reacquired Debt	(7,429)
Pension Obligation	(4,697)
Regulatory Asset	(5,045)
Interest Rate Swap	(628)
	<u>(17,798)</u>

Total Accounts 282 and 283

(1,360,956)

- Q. II-D-19 Explain how the Federal corporate graduated tax rates have been reflected for rate case purposes. If the Pennsylvania jurisdictional utility is part of a multi-corporate system, explain how the tax savings are allocated to each member of the system.
- A. II-D-19 PECO Energy Company, on a stand alone basis, and its consolidated filing group under Exelon Corporation, have taxable income in excess of the amount at which the benefit from graduated rates is phased out (\$18.3M). Therefore, there is no benefit from graduated rates reflected in the rate case filing.

- Q. II-D-20 Explain the treatment given to costs of removal in the income tax calculation and the basis for such treatment.
- A. II-D-20 The Company includes the cost of removal in the income tax calculation in accordance with the following IRC provision: Section 1.167(a) – 11(d)(3) of the Asset Depreciation Range (ADR) regulations provide "The cost of dismantling, demolishing, or removing an asset in the process of a retirement from the vintage account shall be treated as an expense deductible in the year paid or incurred, and such costs shall not be subtracted from the depreciation reserve for the account." For Non-ADR assets, salvage proceeds and removal costs incurred in connection with retirements from item accounts enter into the normal gain and loss computation.

- Q. II-D-21 Show income tax loss/gain carryovers from previous years. Show loss/gain carryovers by years of origin and amounts remaining by years at the beginning of the test year.
- A. II-D-21 PECO Energy Company does not have any net operating losses/gains carried forward into 2010.

- Q. II-D-22 State whether the company eliminates tax savings by the payment of actual interest on construction work in progress not in rate base claim. If response is affirmative:
- a. Set forth amount of construction claimed in this tax savings reduction and explain the basis for this amount.
 - b. Explain the manner in which the debt portion of this construction is determined for purposes of the deferral calculations.
 - c. State the interest rate used to calculate interest on this construction debt portion, and the manner in which it is derived.
 - d. Provide details of calculation to determine tax savings reduction, and state whether State taxes are increased to reflect the construction interest elimination.
- A. II-D-22 The Company does not eliminate tax savings by the payment of actual interest on construction work in progress not in rate base claim.

Q. II-D-23

Under section 1552 of the Internal Revenue Code (26 U.S.C.A. § 1552) and 26 CFR 1.1552-1 (1983), if applicable, a parent company, in filing a consolidated income tax return for the group, must choose one of four options by which it must allocate total income tax liability of the group to the participating members to determine each member's tax liability to the Federal government (if this interrogatory is not applicable, so state):

- a. State what option has been chosen by the group.
- b. Provide, in summary form, the amount of tax liability that has been allocated to each of the participating members in the consolidated income tax return for the test year and the most recent 3 years for which data is available.
- c. Provide a schedule, in summary form, of contributions, which were determined on the basis of separate tax return calculations, made by each of the participating members to the tax liability indicated in the consolidated group tax return. Provide total amounts of actual payments to the tax depository for the tax year, as computed on the basis of separate returns of members.
- d. Provide the most recent annual income tax return for the group.
- e. Provide details of the amount of the net operating losses of any member allocated to the income tax returns of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.

- f. Provide details of the amount of net negative income taxes, after all tax credits are accounted for, of any member allocated to the income tax return of each of the members of the consolidated group for the test year and the 3 most recent years for which data is available, together with a summary of the actual tax payments for those years.

A. II-D-23

- a. PECO Energy Company is owned by Exelon Corporation (Exelon). Internal Revenue Code Section 1552 provides for an allocation of consolidated income tax for "earnings and profits" purposes only. Exelon has elected option (a)(2), which in general, allocates consolidated tax (other than alternative minimum tax) among subsidiaries in accordance with Separate Return Tax. Generally, as set forth in the Exelon Tax Sharing Agreement, subsidiaries having positive allocations pay the amount of such allocations and subsidiaries having negative allocations receive payment for their allocation.
- b. Attachment II-D-23A details the tax liability allocated to each of the participating members in the consolidated federal income tax return for 2008, 2007 and 2006.
- c. Exelon Corporation is the parent company of the Exelon consolidated group that includes PECO Energy Company and makes all necessary income tax payments to the Internal Revenue Service for the net tax liability that is due for the consolidated group. Exelon Corporation charges member companies that have positive federal income tax allocation and pays member companies that have a negative federal income tax allocation. The amounts Exelon Corporation receives from, or pays to, each member company are the same amounts as detailed in Attachment II-D-23A.

- d. The most recent Federal income tax return filed by the consolidated group is for tax year 2008. The complete tax return contains over 1,000 pages. Attachment II-D-23B contains pages 1-5 of the Federal Form 1120 and a summary of taxable income by member company. Access to the complete Federal Income Tax returns shall be provided upon request.
- e. The details of members with net operating losses are on Attachment II-D-23A in the column entitled "Consolidated Taxable Income". Net operating losses are expressed as negative numbers on the attachment. See part c of this defined filing requirement for the detail of actual tax payments.
- f. The details of the amounts of net negative income taxes are on Attachment II-D-23A in the column entitled "BU Expense/(Benefit)". Net negative income taxes are expressed as negative numbers. See part c of this defined filing requirement for the detail of actual tax payments.

THE ATTACHMENTS ARE CONFIDENTIAL AND ARE SUBMITTED ONLY IN THE NON-PUBLIC VERSION OF THIS RESPONSE FILED WITH THE COMMISSION.

- Q. II-D-24 Provide detailed computations by vintage year showing State and Federal deferred income taxes resulting from the use of accelerated tax depreciation associated with post-1969 public utility property, ADR rates, and accelerated tax depreciation associated with post-1980 public utility property under the Accelerated Cost Recovery System (ACRS).
- A. II-D-24 Attachment II-D-24 contains the tax depreciation for all assets included in the Company's measure of value. The book depreciation is presented on Exhibit RLO-1, Schedule D-19. The Company records do not separate between property installed prior to 1970 and property installed subsequent to 1969.
- Attachment II-D-24 also includes plant installed subsequent to 1980, but the Company does not segregate data in the manner requested.

**ATTACHMENT
II-D-24**

10200 PECO Energy Company
 PowerTax Deferred Tax Recovery By Type Report
 Rpt # 216 3/12/2010 10:25 AM
 2) PECO Rate Case Feb 2010
 Electric TDE

	Tax Recovery			Book Recovery			Basis Diff			Current Difference			Current Deferred Tax				
	Depreciation	Loss/(Gain)	Tax Total	Depreciation	Loss/(Gain)	Book Total	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Total DIT
Medicare-D	\$0	\$0	\$0	(\$154,654)	\$0	(\$154,654)	\$1,546,078	\$154,654	\$0	(\$1,546,078)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$0	\$0	\$0	(\$154,654)	\$0	(\$154,654)	\$1,546,078	\$154,654	\$0	(\$1,546,078)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Method Federal Only	\$904,615	\$0	\$904,615	\$1,053,083	\$0	\$1,053,083	\$0	(\$148,468)	\$0	\$0	(\$60,493)	\$0	\$0	(\$60,493)	\$0	\$0	(\$60,493)
ML Fed Only	\$127,172,678	\$0	\$127,172,678	\$82,056,539	\$0	\$82,056,539	\$0	\$45,116,139	\$0	\$0	\$15,615,357	\$0	\$0	\$15,615,357	\$0	\$0	\$15,615,357
SubTotal	\$128,077,293	\$0	\$128,077,293	\$83,109,622	\$0	\$83,109,622	\$0	\$44,967,671	\$0	\$0	\$15,554,864	\$0	\$0	\$15,554,864	\$0	\$0	\$15,554,864
AFUDC Debt Fed	\$0	\$0	\$0	\$1,276,373	\$0	\$1,276,373	\$0	(\$1,276,373)	\$0	\$0	(\$443,893)	\$0	\$0	(\$443,893)	\$0	\$0	(\$443,893)
Avoided Cost Fed	\$0	\$0	\$0	(\$1,677,571)	\$0	(\$1,677,571)	\$0	\$1,677,571	\$0	\$0	\$584,545	\$0	\$0	\$584,545	\$0	\$0	\$584,545
CIAC Fed	\$0	\$0	\$0	(\$1,993,351)	\$0	(\$1,993,351)	\$8,237,364	\$1,993,351	\$0	(\$8,237,364)	\$697,214	\$0	(\$2,863,078)	\$697,214	\$0	(\$2,863,078)	(\$2,185,864)
Ind Cost Meth Basis Adj Fed	\$0	\$0	\$0	\$2,422,647	\$0	\$2,422,647	(\$32,563,701)	(\$2,422,647)	\$0	\$32,563,701	(\$847,927)	\$0	\$11,397,295	(\$847,927)	\$0	\$11,397,295	\$10,549,369
SubTotal	\$0	\$0	\$0	\$28,099	\$0	\$28,099	(\$24,326,337)	(\$28,099)	\$0	\$24,326,337	(\$10,061)	\$0	\$8,514,218	(\$10,061)	\$0	\$8,514,218	\$8,504,157
ML Adj Fed	(\$379,448)	\$0	(\$379,448)	\$0	\$0	\$0	\$0	(\$379,448)	\$0	\$0	(\$132,807)	\$0	\$0	(\$132,807)	\$0	\$0	(\$132,807)
SubTotal	(\$379,448)	\$0	(\$379,448)	\$0	\$0	\$0	\$0	(\$379,448)	\$0	\$0	(\$132,807)	\$0	\$0	(\$132,807)	\$0	\$0	(\$132,807)
Life FT Federal Only	\$1,053,083	\$0	\$1,053,083	\$12,306,148	\$0	\$12,306,148	\$0	(\$11,253,065)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ML FT Fed	\$429,510	\$0	\$429,510	\$9,307,440	\$0	\$9,307,440	\$0	(\$8,877,930)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$1,482,593	\$0	\$1,482,593	\$21,613,588	\$0	\$21,613,588	\$0	(\$20,130,995)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AFUDC - FT Fed	\$0	\$0	\$0	\$2,966,401	\$0	\$2,966,401	\$0	(\$2,966,401)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, State Use FT FEI	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, Taxes Cap FT FE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
EddyStone Piping FT Fed	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ITC Basis Reduct Fed	\$0	\$0	\$0	\$306,797	\$0	\$306,797	\$0	(\$306,797)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pensions-Book FT FED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pensions-Tax FT FED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rep Allow FT Fed	\$0	\$0	\$0	\$7,326,914	\$0	\$7,326,914	(\$22,260,329)	(\$7,326,914)	\$0	\$22,260,329	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trans Cap Depr FT Fed	\$0	\$0	\$0	(\$48,301)	\$0	(\$48,301)	\$0	\$48,301	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$0	\$0	\$0	\$10,551,810	\$0	\$10,551,810	(\$22,260,329)	(\$10,551,810)	\$0	\$22,260,329	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Company/Jur Total:	\$129,180,438	\$0	\$129,180,438	\$115,148,466	\$0	\$115,148,466	(\$45,040,588)	\$14,031,973	\$0	\$45,040,588	\$15,411,996	\$0	\$8,514,218	\$15,411,996	\$0	\$8,514,218	\$23,926,213

\$59,072,560

10200 PECO Energy Company
 PowerTax Deferred Tax Recovery By Type Report
 Rpt # 216 3/12/2010 10:25 AM
 2) PECO Rate Case Feb 2010
 Electric, TDE

	Tax Recovery				Book Recovery				Basis Diff				Current Difference				Current Deferred Tax					
	Depreciation	Loss/(Gain)	Tax Total		Depreciation	Loss/(Gain)	Book Total		Orig Diff	Depreciation	Loss/(Gain)		Orig Diff	Depreciation	Loss/(Gain)		Orig Diff	Depreciation	Loss/(Gain)		Orig Diff	Total DIT
Medicare-D PA	\$0	\$0	\$0		(\$154,654)	\$0	(\$154,654)		\$1,546,078	\$154,654	\$0	(\$1,546,078)		\$0	\$0		\$0	\$0	\$0		\$0	\$0
SubTotal	\$0	\$0	\$0		(\$154,654)	\$0	(\$154,654)		\$1,546,078	\$154,654	\$0	(\$1,546,078)		\$0	\$0		\$0	\$0	\$0		\$0	\$0
AFUDC PA	\$0	\$0	\$0		\$1,276,373	\$0	\$1,276,373		\$0	(\$1,276,373)	\$0	\$0		(\$86,216)	\$0		\$0	(\$86,216)	\$0		\$0	(\$86,216)
Avoided Cost PA	\$0	\$0	\$0		(\$1,677,571)	\$0	(\$1,677,571)		\$0	\$1,677,571	\$0	\$0		\$112,199	\$0		\$0	\$112,199	\$0		\$0	\$112,199
CIAC PA	\$0	\$0	\$0		(\$1,993,351)	\$0	(\$1,993,351)		\$8,237,364	\$1,993,351	\$0	(\$8,237,364)		\$130,420	\$0		\$0	\$130,420	\$0		(\$534,893)	(\$404,474)
Ind Cost Meth Basis Adj PA	\$0	\$0	\$0		\$2,422,647	\$0	\$2,422,647		(\$32,563,701)	(\$2,422,647)	\$0	\$32,563,701		(\$157,315)	\$0		\$0	\$2,114,524	\$0		\$0	\$1,957,209
SubTotal	\$0	\$0	\$0		\$28,099	\$0	\$28,099		(\$24,326,337)	(\$28,099)	\$0	\$24,326,337		(\$912)	\$0		\$0	\$1,579,631	\$0		\$0	\$1,578,719
ML FT PA	\$106,437,199	\$0	\$106,437,199		\$88,021,735	\$0	\$88,021,735		\$0	\$18,415,464	\$0	\$0		(\$7,823)	\$0		\$0	(\$7,823)	\$0		\$0	(\$7,823)
ML Pa Non-Conforming	\$31,921,779	\$0	\$31,921,779		\$15,648,391	\$0	\$15,648,391		\$0	\$16,273,388	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
ML PA Tax Only FT	\$0	\$0	\$0		\$0	\$0	\$0		\$0	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
SubTotal	\$138,358,978	\$0	\$138,358,978		\$103,670,127	\$0	\$103,670,127		\$0	\$34,688,851	\$0	(\$34,688,851)		(\$7,823)	\$0		\$0	(\$7,823)	\$0		\$0	(\$7,823)
AFUDC - FT PA	\$0	\$0	\$0		\$2,966,401	\$0	\$2,966,401		\$0	(\$2,966,401)	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
Cap 263A Book, State Use PA	\$0	\$0	\$0		\$0	\$0	\$0		\$0	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
Cap 263A Book, Taxes Cap PA	\$0	\$0	\$0		\$0	\$0	\$0		\$0	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
EddyStone Piping PA	\$0	\$0	\$0		\$306,797	\$0	\$306,797		\$0	(\$306,797)	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
ITC Basis Reduct PA	\$0	\$0	\$0		\$0	\$0	\$0		\$0	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
Pensions-Book PA	\$0	\$0	\$0		\$0	\$0	\$0		\$0	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
Pensions-Tax PA	\$0	\$0	\$0		\$0	\$0	\$0		\$0	\$0	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
Rep Allow FT PA	\$0	\$0	\$0		\$7,326,914	\$0	\$7,326,914		(\$22,260,329)	(\$7,326,914)	\$0	\$22,260,329		\$0	\$0		\$0	\$0	\$0		\$0	\$0
Trans Cap Depr PA	\$0	\$0	\$0		(\$48,301)	\$0	(\$48,301)		\$0	\$48,301	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
SubTotal	\$0	\$0	\$0		\$10,551,810	\$0	\$10,551,810		(\$22,260,329)	(\$10,551,810)	\$0	\$22,260,329		\$0	\$0		\$0	\$0	\$0		\$0	\$0
ML Adj PA FT	(\$379,448)	\$0	(\$379,448)		\$0	\$0	\$0		\$0	(\$379,448)	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
SubTotal	(\$379,448)	\$0	(\$379,448)		\$0	\$0	\$0		\$0	(\$379,448)	\$0	\$0		\$0	\$0		\$0	\$0	\$0		\$0	\$0
Company/Jur Total:	\$137,979,530	\$0	\$137,979,530		\$114,095,382	\$0	\$114,095,382		\$45,040,588	\$23,884,148	\$0	\$45,040,588		(\$8,735)	\$0		\$0	\$1,579,631	\$0		\$0	\$1,570,895

\$68,924,735

10200 PECO Energy Company
 PowerTax Deferred Tax Recovery By Type Report
 Rpt # 216 3/12/2010 10:32 AM
 2) PECO Rate Case Feb 2010
 Gas

	Tax Recovery			Book Recovery			Basis Diff			Current Difference			Current Deferred Tax				
	Depreciation	Loss/(Gain)	Tax Total	Depreciation	Loss/(Gain)	Book Total	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Total DIT
Medicare-D PA	\$0	\$0	\$0	(\$31,010)	\$0	(\$31,010)	\$330,831	\$31,010	\$0	(\$330,831)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$0	\$0	\$0	(\$31,010)	\$0	(\$31,010)	\$330,831	\$31,010	\$0	(\$330,831)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AFUDC PA	\$0	\$0	\$0	\$112,231	\$0	\$112,231	\$0	(\$112,231)	\$0	\$0	(\$7,521)	\$0	\$0	(\$7,521)	\$0	\$0	(\$7,521)
Avoided Cost PA	\$0	\$0	\$0	(\$121,609)	\$0	(\$121,609)	\$0	\$121,609	\$0	\$0	\$8,273	\$0	\$0	\$8,273	\$0	\$0	\$8,273
CIAC PA	\$0	\$0	\$0	(\$466,057)	\$0	(\$466,057)	\$1,762,636	\$466,057	\$0	(\$1,762,636)	\$30,667	\$0	(\$114,457)	\$30,667	\$0	(\$114,457)	(\$83,790)
Ind Cost Meth Basis Adj PA	\$0	\$0	\$0	\$452,794	\$0	\$452,794	(\$6,967,998)	(\$452,794)	\$0	\$6,967,998	(\$29,402)	\$0	\$452,467	(\$29,402)	\$0	\$452,467	\$423,065
SubTotal	\$0	\$0	\$0	(\$22,641)	\$0	(\$22,641)	(\$5,205,362)	\$22,641	\$0	\$5,205,362	\$2,016	\$0	\$338,010	\$2,016	\$0	\$338,010	\$340,026
ML FT PA	\$39,070,011	\$0	\$39,070,011	\$23,960,189	\$0	\$23,960,189	\$0	\$15,109,821	\$0	\$0	(\$1,924)	\$0	\$0	(\$1,924)	\$0	\$0	(\$1,924)
ML Pa Non-Conforming	\$11,024,630	\$0	\$11,024,630	\$4,691,299	\$0	\$4,691,299	\$0	\$6,333,331	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$50,094,641	\$0	\$50,094,641	\$28,651,488	\$0	\$28,651,488	\$0	\$21,443,152	\$0	\$0	(\$1,924)	\$0	\$0	(\$1,924)	\$0	\$0	(\$1,924)
AFUDC - FT PA	\$0	\$0	\$0	\$111,154	\$0	\$111,154	\$0	(\$111,154)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, State Use PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, Taxes Cap PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ITC Basis Reduct PA	\$0	\$0	\$0	\$68,717	\$0	\$68,717	\$0	(\$68,717)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pensions-Book PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pensions-Tax PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rep Allow FT PA	\$0	\$0	\$0	\$420,842	\$0	\$420,842	(\$1,448,053)	(\$420,842)	\$0	\$1,448,053	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Software PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trans Cap Depr PA	\$0	\$0	\$0	\$55,046	\$0	\$55,046	\$0	(\$55,046)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$0	\$0	\$0	(\$655,759)	\$0	(\$655,759)	(\$1,448,053)	(\$655,759)	\$0	\$1,448,053	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Company/Jur Total:	\$50,094,641	\$0	\$50,094,641	\$29,253,596	\$0	\$29,253,596	(\$6,322,564)	\$20,841,044	\$0	\$6,322,564	\$93	\$0	\$338,010	\$93	\$0	\$338,010	\$338,103

\$27,163,629

10200 PECO Energy Company
 PowerTax Deferred Tax Recovery By Type Report
 Rpt # 216 3/12/2010 10:34 AM
 2) PECO Rate Case Feb 2010
 Common Assets (NO Software)

	Tax Recovery			Book Recovery			Basis Diff			Current Difference			Current Deferred Tax			
	Depreciation	Loss/(Gain)	Tax Total	Depreciation	Loss/(Gain)	Book Total	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Loss/(Gain)	Orig Diff	Total DIT
Method Federal Only	\$435,225	\$0	\$435,225	\$611,189	\$0	\$611,189	\$0	(\$175,964)	\$0	\$0	(\$175,964)	\$0	\$0	\$0	\$0	(\$71,763)
ML FAS106 Fed	\$607,667	\$0	\$607,667	\$344,335	\$0	\$344,335	\$0	\$263,331	\$0	\$0	\$263,331	\$0	\$0	\$0	\$0	\$92,166
ML Fed Only	\$14,304,207	\$0	\$14,304,207	\$19,747,900	\$0	\$19,747,900	\$0	(\$5,443,693)	\$0	\$0	(\$5,443,693)	\$0	\$0	\$0	\$0	(\$1,908,696)
SubTotal	\$15,347,099	\$0	\$15,347,099	\$20,703,424	\$0	\$20,703,424	\$0	(\$5,356,325)	\$0	\$0	(\$5,356,325)	\$0	\$0	\$0	\$0	(\$1,888,293)
AFUDC Debt Fed	\$0	\$0	\$0	\$52,821	\$0	\$52,821	\$0	(\$52,821)	\$0	\$0	(\$52,821)	\$0	\$0	\$0	\$0	(\$18,546)
Avoided Cost Fed	\$0	\$0	\$0	(\$89,172)	\$0	(\$89,172)	\$0	\$89,172	\$0	\$0	\$89,172	\$0	\$0	\$0	\$0	\$31,273
CIAC Fed	\$0	\$0	\$0	(\$417)	\$0	(\$417)	\$0	\$417	\$0	\$0	\$417	\$0	\$0	\$0	\$0	\$146
SubTotal	\$0	\$0	\$0	(\$36,768)	\$0	(\$36,768)	\$0	\$36,768	\$0	\$0	\$36,768	\$0	\$0	\$0	\$0	\$12,873
Life FT Federal Only	\$611,189	\$0	\$611,189	\$575,955	\$0	\$575,955	\$0	\$35,233	\$0	\$0	\$35,233	\$0	\$0	\$0	\$0	\$0
ML FT Fed	\$65,077	\$0	\$65,077	\$201,260	\$0	\$201,260	\$0	(\$136,183)	\$0	\$0	(\$136,183)	\$0	\$0	\$0	\$0	\$0
SubTotal	\$676,266	\$0	\$676,266	\$777,215	\$0	\$777,215	\$0	(\$100,949)	\$0	\$0	(\$100,949)	\$0	\$0	\$0	\$0	\$0
AFUDC - FT Fed	\$0	\$0	\$0	\$94,949	\$0	\$94,949	\$0	(\$94,949)	\$0	\$0	(\$94,949)	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, State Use FT FEI	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, Taxes Cap FT FE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ITC Basis Reduct Fed	\$0	\$0	\$0	\$2,550	\$0	\$2,550	\$0	(\$2,550)	\$0	\$0	(\$2,550)	\$0	\$0	\$0	\$0	\$0
Other FT Fed	\$0	\$0	\$0	\$196,402	\$0	\$196,402	\$0	(\$196,402)	\$0	\$0	(\$196,402)	\$0	\$0	\$0	\$0	\$0
Pensions-Book FT FED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Section 179a FT Fed	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$0	\$0	\$0	\$293,901	\$0	\$293,901	\$0	(\$293,901)	\$0	\$0	(\$293,901)	\$0	\$0	\$0	\$0	\$0
Company/Jur Total:	\$16,023,365	\$0	\$16,023,365	\$21,737,772	\$0	\$21,737,772	\$0	(\$5,714,407)	\$0	\$0	(\$5,714,407)	\$0	\$0	\$0	\$0	(\$1,875,420)

(\$5,714,407)

10200 PECO Energy Company
 PowerTax Deferred Tax Recovery By Type Report
 Rpt # 216 3/12/2010 10:35 AM
 2) PECO Rate Case Feb 2010
 Common Software

Jurisdiction : Federal Tax Year : 2010	Tax Recovery			Book Recovery			Basis Diff			Current Difference			Current Deferred Tax				
	Depreciation	Loss/(Gain)	Tax Total	Depreciation	Loss/(Gain)	Book Total	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Total DIT
ML Fed Only	\$3,294,510	\$0	\$3,294,510	\$8,205,813	\$0	\$8,205,813	\$0	(\$4,911,303)	\$0	\$0	(\$1,718,956)	\$0	\$0	(\$1,718,956)	\$0	\$0	(\$1,718,956)
SubTotal	\$3,294,510	\$0	\$3,294,510	\$8,205,813	\$0	\$8,205,813	\$0	(\$4,911,303)	\$0	\$0	(\$1,718,956)	\$0	\$0	(\$1,718,956)	\$0	\$0	(\$1,718,956)
AFUDC Debt Fed	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Avoided Cost Fed	\$0	\$0	\$0	(\$96)	\$0	(\$96)	\$0	\$96	\$0	\$0	\$34	\$0	\$0	\$34	\$0	\$0	\$34
Software Fed	\$0	\$0	\$0	\$8,912,189	\$0	\$8,912,189	(\$10,844,000)	(\$8,912,189)	\$0	\$10,844,000	(\$3,119,266)	\$0	\$3,795,400	\$0	\$3,795,400	\$0	\$676,134
SubTotal	\$0	\$0	\$0	\$8,912,093	\$0	\$8,912,093	(\$10,844,000)	(\$8,912,093)	\$0	\$10,844,000	(\$3,119,232)	\$0	\$3,795,400	\$0	\$3,795,400	\$0	\$676,168
AFUDC - FT Fed	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, State Use FT FEI	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, Taxes Cap FT FE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pensions-Book FT FED	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Company/Jur Total:	\$3,294,510	\$0	\$3,294,510	\$17,117,906	\$0	\$17,117,906	(\$10,844,000)	(\$13,823,396)	\$0	\$10,844,000	(\$4,838,189)	\$0	\$3,795,400	\$0	\$3,795,400	\$0	(\$1,042,789)

(\$2,979,396)

10200 PECO Energy Company
 PowerTax Deferred Tax Recovery By Type Report
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 2) PECO Rate Case Feb 2010
 Common Assets (NO Software)

	Tax Recovery			Book Recovery			Basis Diff			Current Difference			Current Deferred Tax				
	Depreciation	Loss/(Gain)	Tax Total	Depreciation	Loss/(Gain)	Book Total	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Total DIT
AFUDC PA	\$0	\$0	\$0	\$52,821	\$0	\$52,821	\$0	(\$52,821)	\$0	\$0	(\$3,523)	\$0	\$0	\$0	\$0	\$0	(\$3,523)
Avoided Cost PA	\$0	\$0	\$0	(\$89,172)	\$0	(\$89,172)	\$0	\$89,172	\$0	\$0	\$5,892	\$0	\$0	\$0	\$0	\$0	\$5,892
CIAC PA	\$0	\$0	\$0	(\$417)	\$0	(\$417)	\$0	\$417	\$0	\$0	\$27	\$0	\$0	\$0	\$0	\$0	\$27
SubTotal	\$0	\$0	\$0	(\$36,768)	\$0	(\$36,768)	\$0	\$36,768	\$0	\$0	\$2,396	\$0	\$0	\$0	\$0	\$0	\$2,396
ML FAS106 PA	\$607,667	\$0	\$607,667	\$344,335	\$0	\$344,335	\$0	\$263,331	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ML FT PA	\$10,485,756	\$0	\$10,485,756	\$14,191,411	\$0	\$14,191,411	\$0	(\$3,705,655)	\$0	\$0	(\$40)	\$0	\$0	\$0	\$0	\$0	(\$40)
ML Pa Non-Conforming	\$5,894,522	\$0	\$5,894,522	\$6,333,704	\$0	\$6,333,704	\$0	(\$439,182)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$16,987,946	\$0	\$16,987,946	\$20,869,451	\$0	\$20,869,451	\$0	(\$3,881,506)	\$0	\$0	(\$40)	\$0	\$0	\$0	\$0	\$0	(\$40)
AFUDC - FT PA	\$0	\$0	\$0	\$94,949	\$0	\$94,949	\$0	(\$94,949)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, State Use PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, Taxes Cap PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ITC Basis Reduct PA	\$0	\$0	\$0	\$2,550	\$0	\$2,550	\$0	(\$2,550)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other FT PA	\$0	\$0	\$0	\$196,402	\$0	\$196,402	\$0	(\$196,402)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pensions-Book PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Section 179a PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$0	\$0	\$0	\$293,901	\$0	\$293,901	\$0	(\$293,901)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Company/Jur Total:	\$16,987,946	\$0	\$16,987,946	\$21,126,584	\$0	\$21,126,584	\$0	(\$4,138,638)	\$0	\$0	\$2,356	\$0	\$0	\$0	\$0	\$0	\$2,356

(\$4,138,638)

10200 PECO Energy Company
 PowerTax Deferred Tax Recovery By Type Report
 Rpt # 216 3/12/2010 10:36 AM
 2) PECO Rate Case Feb 2010
 Common Software

	Tax Recovery			Book Recovery			Basis Diff			Current Difference			Current/Deferred Tax				
	Depreciation	Loss/(Gain)	Tax Total	Depreciation	Loss/(Gain)	Book Total	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Depreciation	Loss/(Gain)	Orig Diff	Total DIT
AFUDC PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Avoided Cost PA	\$0	\$0	\$0	(\$96)	\$0	(\$96)	\$0	\$96	\$0	\$0	\$96	\$0	\$0	\$6	\$0	\$0	\$6
SubTotal	\$0	\$0	\$0	(\$96)	\$0	(\$96)	\$0	\$96	\$0	\$0	\$96	\$0	\$0	\$6	\$0	\$0	\$6
ML FT PA	\$3,174,454	\$0	\$3,174,454	\$7,979,560	\$0	\$7,979,560	\$0	(\$4,805,106)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ML Pa Non-Conforming	\$240,111	\$0	\$240,111	\$226,253	\$0	\$226,253	\$0	\$13,858	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$3,414,565	\$0	\$3,414,565	\$8,205,813	\$0	\$8,205,813	\$0	(\$4,791,248)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AFUDC - FT PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, State Use PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cap 263A Book, Taxes Cap PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pensions-Book PA	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Software PA	\$0	\$0	\$0	\$8,912,189	\$0	\$8,912,189	(\$10,844,000)	(\$8,912,189)	\$0	\$10,844,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SubTotal	\$0	\$0	\$0	\$8,912,189	\$0	\$8,912,189	(\$10,844,000)	(\$8,912,189)	\$0	\$10,844,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Company/Jur Total:	\$3,414,565	\$0	\$3,414,565	\$17,117,906	\$0	\$17,117,906	(\$10,844,000)	(\$13,703,341)	\$0	\$10,844,000	\$0	\$0	\$6	\$0	\$0	\$0	\$6

(\$2,859,341)

**ATTACHMENT
II-D-25**

- Q. II-D-25 Submit a schedule showing a breakdown of accumulated and unamortized investment tax credits, by vintage year and percentage rate, together with calculations supporting the amortized amount claimed as a reduction to pro forma income taxes. Provide details of methods used to write-off the unamortized balances.
- A. II-D-25 Prior years' deferred investment tax credits ("ITC's") are being recognized in income ratably over the remaining life of the related property as used for depreciation for financial accounting purposes. The amortization of the ITC's is calculated based on the remaining life of the underlying asset. Refer to Attachment II-D-25.

- Q. II-D-27 If the utility's operations include non-jurisdictional activities, provide a schedule which demonstrates the manner in which rate base and operating income date have been adjusted to develop the jurisdictional test year claim.
- A. II-D-27 Refer to Exhibit RLO-1 and PECO Statement No. 3, the direct testimony of Robert L. O'Brien.

- Q. II-D-26 Explain in detail by statement or exhibit the appropriateness of claiming any additional items, not otherwise specifically explained and supported in the statement of operating income.
- A. II-D-26 Not applicable. The Company is not claiming any additional items not discussed, explained and supported in the statement of operating income contained in Exhibit RLO-1 and PECO Statement No. 3, the direct testimony of Robert L. O'Brien.

Q. II-E-1 Supply a copy of any budget utilized as a basis for any test year claim, and explain the utility budgeting process.

A. II-E-1 Refer to the Company's response to SDR-ROR-13 for the Company's projected operating budget.

Refer to the direct testimony of Phillip S. Barnett, which explains the Company's budgeting process.

Q. II-E-2 Supply summaries of the utility's projected operating and capital budgets for the 2 calendar years following the end of the test year.

A. II-E-2 Refer the Company's response to SDR-ROR-13 for the Company's projected operating budgets.

Refer the Company's response to III-F-2 for the Company's projected capital budgets.