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Phila. 10/14, 15, 16/97
E. Hoibard

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
APPLICATION OF PECO ENERGY COMPANY
FOR APPROVAL OF ITS RESTRUCTURING PLAN
UNDER SECTION 2806 OF THE PUBLIC UTILITY CODE

REBUTTAL TESTIMONY
OF
JOSEPH F. BRENNAN

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Regarding the Development of
the Cost Rate for Common Equity,
Overall Rate of Return, and an
Overall After-Tax Discount Rate Employed
to Compute Stranded Investment and
Comments Regarding the Direct Testimony
of John B. Legler, Kevan L. Deardorff,
David Schoengold, Peter A. Bradford, and
Ralph C. Smith

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1

I. PURPOSE

2 Q. Are you the same Joseph F. Brennan who filed direct testimony on the subject of
3 the cost rate for common equity, overall rate of return, and an overall after-tax
4 discount rate employed to compute stranded investment?

5 A. Yes.

6 Q. What is the purpose of your testimony at this time?

7 A. PECO Energy Company (PECO or the Company) has requested I update my
8 original recommendation which was prepared several months ago. In addition, I
9 have been asked by PECO to comment upon the direct testimonies of Dr. John B.
10 Legler, appearing on behalf of the Department of the Navy, and Kevan L.
11 Deardorff, appearing on behalf of the Office of Trial Staff; and upon portions of
12 the testimonies of David Schoengold, appearing on behalf of the Environmentalists;
13 Ralph C. Smith, appearing on behalf of the Department of the Navy; and of Peter
14 A. Bradford, appearing on behalf of Senator Vincent J. Fuomo, CEPA, Acorn
15 Tenant Action Group, Action Alliance of Senior Citizens, and John W. Long, Jr.

16 Q. Have you prepared any exhibits to accompany your rebuttal testimony?

17 A. Yes. I have prepared two exhibits. The first, PECO Exhibit JFBr-1 (Updated) is

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1 comprised of 21 schedules. These schedules are updates of the schedules contained
2 in PECO Exhibit JFBr-1 filed to accompany my direct testimony. For convenience,
3 *I have numbered these updated schedules identically to the schedules included in*
4 PECO Exhibit JFBr-1, except I have labeled them "(Updated)". The methodology
5 I have employed with respect to the Update regarding my estimate of the investor-
6 required cost rate for common equity capital, overall rate of return, and overall
7 after-tax discount rate employed to compute stranded investment is identical to the
8 methodology I employed in my direct testimony.

9 I have also prepared PECO Exhibit JFBr-2, which is comprised of 10
10 schedules. These schedules relate to my comments regarding the testimonies of Dr.
11 Legler and Mr. Deardorff.

12 II. UPDATED RECOMMENDATION

13 **Q. What are your updated cost of capital computations?**

14 **A. My update results in a recommended 12.20% estimated investor-required cost rate**
15 **for common equity capital and an overall rate of return of 10.35%, which translates**
16 **into an overall after-tax discount rate of 8.71%.**

17 **Q. How do your updated recommendations differ from your initial**

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1 **findings?**

2 A. The sole factor which leads to the increased overall rate of return and after-income
3 tax weighted discount rate is my updated 12.20% common equity cost rate finding,
4 which compares with my initial 11.60% recommendation.

5 Q. **How does your recommendation differ from those of Dr. Legler and Mr. Deardorff?**

6 A. *Mr. Deardorff and Dr. Legler have adopted my recommended capital structure*
7 *ratios and debt and preferred stock cost rates. The sole difference between our*
8 *recommendations is a difference in the cost rate for common equity capital.*

9 **III. COMMENTS PERTAINING TO PORTIONS OF THE**
10 **DIRECT TESTIMONY OF MESSRS. SMITH,**
11 **BRADFORD AND SCHOENGOLD**

12 **A. Ralph C. Smith**

13 Q. **Have you reviewed Mr. Smith's assertion that PECO's accounts receivable**
14 **financing should be included in the determination of its overall rate of return?**

15 A. Yes. On pages 28 and 29 of Mr. Smith's pre-filed direct testimony, he discusses this
16 issue. Mr. Smith states at lines 23 through 25 on page 28, "My position is that this
17 financing should be reflected somewhere in the ratemaking process, and that
18 PECO's failure to reflect it is unacceptable." Mr. Smith also observed on lines 15

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1 through 19 on page 29, that PECO has not reflected in the development of its
2 AFUDC rate the benefit of what he calls receivable financing.

3 **Q. Do you agree that what Mr. Smith's characterizes as receivable financing should**
4 **be reflected somewhere in the ratemaking process?**

5 A. Yes.

6 **Q. Should so-called receivable financing be reflected either as rate base reduction or**
7 **in the development of capital structure ratios for overall rate of return**
8 **determination purposes?**

9 A. No.

10 **Q. What is the basis of your opinion?**

11 A. As reported on page 33 of the 1996 PECO Energy Annual Report to Stockholders,
12 the Company does not finance its accounts receivable as contended by Mr. Smith.
13 PECO sells its accounts receivable. The cash generated from the sale of
14 receivables is used to finance the Company's activities which include financing
15 Construction Work in Progress (CWIP).

16 In Pennsylvania and elsewhere, short-term debt employed by investor-owned
17 public utilities has traditionally been assumed to first finance CWIP. The balance

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1 of CWIP not financed with short-term debt has been traditionally assumed to be
2 financed by the mix of permanent capital such as long-term debt, preferred stock,
3 and common equity. In this circumstance, if the proceeds from the sale of
4 receivables is used to finance CWIP, the cost rate of such funds should be reflected
5 in the development of the AFUDC rate. If the AFUDC rate is reflective of
6 proceeds from the sale of accounts receivable, there is no justification for either
7 inclusion of accounts receivable financing in the development of capital structure
8 ratios for rate of return purposes, nor for any rate base reduction.

9 For clarification, it should be stated that it is possible that at any particular
10 *moment in time*, the amount of short-term debt and proceeds from the sale of
11 receivables could exceed CWIP. If rates were reset at that very moment in time,
12 the dollar amount of any excess could be justified as either a rate base reduction
13 or inclusion in the development of capital structure ratios for overall rate of return
14 determination purposes under these circumstances. However, it should also be
15 noted that the test year concept proceeds from the premise that the test year data
16 are representative of the future, the period of time the service rates in question are
17 presumed to be in effect. It is for this reason I believe proceeds from the sale of
18 receivables is best reflected in the development of the AFUDC rate rather than as
19 a rate base reduction or in the development of capital structure ratios employed to
20 determine an overall rate of return. The basis of my opinion is 1) the amount of

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1 receivable financing may vary considerably from time to time, 2) may not be
2 representative of the future at any moment in time, and 3) most importantly, short-
3 term capital is inappropriate to employ on an on-going basis to finance long-lived
4 assets such as rate base.

5 **Q. When were PECO's present base rates last established?**

6 A. PECO's base rates were last established in 1990. Accordingly, all plant additions
7 since 1990 have not been reflected in the price charged customers. Thus, to date,
8 customers have not paid a price for service more than otherwise as a result of the
9 sale of accounts receivable or the development of an AFUDC rate not reflective
10 of such sale.

11 **Q. What is your recommendation?**

12 A. I recommend that prospectively, PECO reflect sales of accounts receivable in the
13 calculation of its AFUDC rate.

14 **B. Peter A. Bradford**

15 **Q. Mr. Bradford asserts that your testimony strengthens his contention that utility**
16 **investors have already been compensated for the risk of stranded cost**

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1 **disallowances. Do you agree?**

2 A. *No. Mr. Bradford ignores the fact that the Foley-Thompson study, upon which he*
3 *apparently relies, develops an internal rate of return by adding dividends paid to*
4 *the appreciation in the market value of stock between different points in time. The*
5 *difference or gain reflected in the market value of stock between two different*
6 *moments in time are not dollars paid by consumers reflected in the regulatory*
7 *authorized price of service charged consumers during the same period. Indeed,*
8 *there is no evidence that the internal rates of return developed in the study are*
9 *anything more than the accident of the history of investing. Such implied rates of*
10 *return were neither necessarily investor-expected nor investor-required. Further,*
11 *the Foley-Thompson study ignores financial risk differences between utilities and*
12 *between utilities and industrial companies. Moreover, the authors offer no*
13 *explanation whatsoever of the virtue of, the benefit of, or the justification for*
14 *performing such computations on 171 distinct hypothetical holding periods.*

15 I might add that Mr. Bradford's reference to the inadequate response by
16 control room operators at Peach Bottom in the late 1980s is, at best, misleading.
17 As shown on Schedule 21 of Exhibit JFBr-1 (Updated), PECO's common equity
18 return, computed without regard to AFUDC, for each and every year from 1972
19 through 1992 was less than the return on common equity found reasonable by this
20 Commission. The aggregate shortfall, for the years 1972-1992, is in excess of \$4.5

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1 billion.

2 Q. **Is the presence of a so-called "regulatory compact" critical to your analysis?**

3 A. No. Nowhere in my direct testimony did I assert that the basis for recovery of
4 stranded investment is a regulatory compact. In fact, my testimony does not even
5 refer to a regulatory compact. Rather, my studies simply show that PECO did not
6 come close to earning anything near a reasonable rate of return over the past
7 twenty-five years. Moreover, it bears noting that Mr. Bradford previously admitted
8 that he did not hear of the term "stranded investment" until the 1992-1993
9 timeframe (page 1387 of the March 18, 1997 Transcript at Docket No. R-00973277).
10 If investors were unaware of the risk of stranded investment until very recently, it
11 necessarily follows that this risk was not taken into account by investors or
12 regulatory commissions who established the authorized price of service.
13 Significantly, PECO's current rates were essentially set in 1990, well prior to Mr.
14 Bradford's familiarity with the term "stranded investment".

15 C. David Schoengold

16 Q. **Mr. Schoengold asserts that PECO's shareholders have already achieved a "decent**

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1 **return" on their investment in generating facilities. Please comment.**

2 A. Contrary to Mr. Schoengold's suggestion, utility stockholders do not obtain any
3 money as a result of depreciating assets financed by shareholder investments.
4 Depreciation is an expense deducted in determining net income. At best,
5 depreciation expense and funds related thereto have been used by PECO to reduce
6 the amount of additional investment investors have been called upon to make.

7 Q. **Do you agree with Mr. Schoengold's assertion that PECO's stockholders have**
8 **earned a return on their investment in generating assets of 8.1%?**

9 A. No. Implicit in this statement is the assumption that the money collected from
10 consumers for depreciation was paid to shareholders. That simply is not true. As
11 I mentioned previously, funds derived from depreciation are used to either replace
12 facilities in kind and/or reduce the amount of money investors are required to
13 provide for additional investment in facilities.

14 Q. **During the period 1972 through 1996, did PECO consumers pay a price for service**
15 **which resulted in rates of return more than intended by regulatory authorities?**

16 A. No. The Company experienced a shortfall in excess of \$4.5 billion (see Schedule
17 21 of Exhibit JFBr-1). Mr. Schoengold's testimony and calculations appear to
18 erroneously consider depreciation as earnings paid to stockholders. As a result, the

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1 so-called implied stockholder 8.1% rate of return developed by Mr. Schoengold is
2 grossly overstated and, in and of itself is an absolutely meaningless statistic having
3 no probative value for purposes of this proceeding.

4 IV. COMMENTS PERTAINING TO THE TESTIMONY 5 OF DR. JOHN B. LEGLER

6 Q. Are you familiar with Dr. Legler's testimony regarding the appropriateness of the
7 employment of the annual version of the DCF model?

8 A. Yes. Dr. Legler contends that the annual version of the DCF model is adequate
9 for measuring a utility's cost of equity. However, the Linke-Zumwalt article on
10 which Dr. Legler relies has been rejected by regulatory commissions and, to some
11 extent, called into question by the authors themselves.

12 Q. Dr. Legler asserts that the appropriate risk premium for CAPM application
13 purposes is 7.0%. Do you agree?

14 A. No. On page 15 of the 1996 Yearbook relied upon by Dr. Legler, Ibbotson
15 Associates indicate that large company stocks earned a 12.5% return for the years
16 1926-1995 and that the income return on long-term government bonds
17 approximated 5.2%. The difference is 7.3%, not the 7.0% figure supported by
18 Legler (see Schedule 1 of Exhibit JFBr-2).

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1 Q. **Has the historical market premium increased beyond 7.3% since the time you**
2 **prepared your pre-filed direct testimony in this case?**

3 A. Yes. The 1997 Ibbotson Yearbook covering the years 1926-1996 is now available
4 and indicates that the historic market premium approximates 7.5%.

5 Q. **Do you have any other comments regarding Dr. Legler's CAPM calculations?**

6 A. Yes. As part of Dr. Legler's CAPM computations, he employed both a historical
7 as well as a forecasted market premium. Dr. Legler derived his forecasted market
8 premium from information published by Value Line. However, on page 15 of the
9 June 13, 1997 Value Line Investment Survey Summary & Index on which Dr.
10 Legler apparently relied, PECO's beta is shown as .90, not .85 as employed by Dr.
11 Legler. I have reproduced the cover page and page 15 of the June 13, 1997 Value
12 Line Summary & Index as Schedule 2 of Exhibit JFBr-2.

13 I have incorporated into my updated CAPM computation pertaining to
14 PECO both the most recently published Value Line beta of .90 as well as the most
15 recently published Ibbotson historical market premium of 7.5%.

16 Q. **If Dr. Legler's computation was recalculated to reflect the proper current PECO**
17 **Value Line published beta of .90 and the proper current Ibbotson Associates'**
18 **market premium of 7.50%, what would be the end result?**

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1 A. The use of a .90 beta and a 7.5% historical market premium results in a PECO
2 market premium of 6.75% which, when added to Dr. Legler's 6.8% riskless rate
3 derived from long-term government T-Bonds, yields 13.55%, or 0.80% greater than
4 Dr. Legler's 12.75% calculation.

5 Q. **Does Dr. Legler also show on page 41 of his pre-filed direct testimony a CAPM**
6 **computation pertaining to his comparable electric companies?**

7 A. Yes. With respect to the computation employing the Value Line beta and the
8 Ibbotson Associates' historical market premium of 7.0%, the end result, as shown,
9 is 12.26%. *As corrected to reflect current data, Dr. Legler's CAPM computation*
10 for the comparable electric companies produces a common equity cost rate of
11 12.65% ($6.8\% + .78 (7.5\%) = 12.65\%$), or an increase of 0.39%.

12 Q. **Are there other areas of Dr. Legler's testimony that would need to be changed to**
13 **reflect the proper beta and the proper market premium?**

14 A. Yes. One of the methods employed by Dr. Legler to estimate the risk premium is
15 to derive a common equity cost rate using CAPM for PECO, among others. For
16 example, on page 3 of Schedule 10, Dr. Legler reveals his computations regarding
17 a CAPM-derived cost rate for PECO Energy for each of the years 1978 through
18 1997. For the year 1997, the required return calculation indicates 12.50%. In

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1 deriving the 12.50% figure, Dr. Legler employed a 1997 .85 beta and a 1997 market
2 premium of 7.0%. We now know those numbers should be .90 and 7.50%. If a .90
3 beta were substituted for .85 and if a 7.50% market premium were substituted for
4 7.0%, the indicated required return for the year 1997 would be 13.30%, not 12.50%.

5 Dr. Legler then carries over to page 3 of Schedule 11 the expected return
6 on stock for PECO of 12.50% to develop his risk premium based on Treasury
7 Bonds and utility bonds. For the year 1997 for PECO, if 13.30% were substituted
8 for the 12.50%, the risk premium based on utility bonds would be 5.32%, not
9 4.52%, or a difference of 80 basis points.

10 Further, please observe on page 3 of Schedule 11 of Dr. Legler's exhibit that
11 he shows the PECO average for the entire timeframe of 1978 through 1997, as well
12 as the average risk premium for the five years ended 1997. For the five years
13 ended 1997, the average would move from 3.84% to 4.00% on the strength of the
14 1997 change just described.

15 **Q. What would be the risk premium-derived common equity cost rate for PECO if a**
16 **risk premium of 4.00% were employed in the computation?**

17 **A.** As of June 19, 1997, Baa rated public utility bonds were priced to yield 8.06%. If
18 4% were the proper risk premium, the indicated cost rate for common equity
19 capital would be 12.06%.

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1 Q. Are you aware of the fact that Dr. Legler did not rely upon just risk premiums
2 derived from a five-year period for public utility bonds, but rather risk premiums
3 derived from a 20-year period for utility bonds as well as long-term Treasury
4 Bonds?

5 A. Yes.

6 Q. Do you have any comments regarding the use of risk premiums derived over a 20-
7 year period in developing a risk premium-derived common equity cost rate?

8 A. Yes. My observation is that when interest rates are relatively high, all else equal,
9 risk premiums tend to be lower than average, and vice-versa. For example, based
10 on the information shown on page 3 of Schedule 11 of Dr. Legler's exhibit, if one
11 were to average the risk premiums derived from public utility bond yields for those
12 years during the period 1978 through 1997 when interest rates were above 10%, the
13 average risk premium would be 2.66% compared with the 20-year average of 3.22%
14 as developed by Dr. Legler. Similarly, if one averaged the risk premiums derived
15 from yields on public utility bonds for those years during the period 1978 through
16 1997 when interest rates were under 10%, the risk premium climbs to 3.78%.

17 It seems to me that the risk premium derived from a period of time when
18 interest rates are similar to what they are today, or are expected to be, is a much
19 better indication of what the premium should be when used to develop the common

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1 equity cost rate. During the last five-year period 1993 through 1997, the average
2 interest rate was 8.24% which is significantly closer to what the interest rates are
3 at the moment for public utility bonds rated Baa, the PECO rating. As shown by
4 Dr. Legler, for that five-year period, the average risk premium was 3.84% which I
5 have corrected to 4.00% for reasons previously discussed. As I stated earlier, the
6 current yield on public utility bonds rated Baa is 8.06%. Thus, it seems to me the
7 most appropriate risk premium to use in a current calculation of the derived cost
8 rate for common equity capital is in the 4.00% area. And, as I said earlier, if the
9 risk premium is appropriately determined at 4.00% and the current yield on Baa
10 rated public utility bonds is 8.06%, the indicated cost rate is therefore 12.06%.

11 **Q. Is there any other comment you care to offer regarding Dr. Legler's testimony?**

12 **A.** Yes. On page 56 of Dr. Legler's pre-filed direct testimony, he discusses my
13 development of the before-income tax interest coverage that relates to my
14 recommended overall rate of return including my recommended opportunity return
15 on common equity. At lines 15 through 20, Dr. Legler states: "As I understand
16 them, S&P devised the major rating categories into AAA, AA, A, and BBB into
17 "business position" categories: above average, average, and below average. It
18 would appear, that Mr. Brennan is equating the + (plus) and - (minus) designations
19 into above average and below average categories."

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1 Q. Is Dr. Legler correct with respect to his description of how S&P designates
2 business position for the various ratings?

3 A. No. Apparently Dr. Legler believes that S&P designates just three different
4 business positions, namely, above average, average, and below average. S&P
5 designates seven different business positions as follows:

- 6 1 - Above Average
- 7 2 - Somewhat Above Average
- 8 3 - High Average
- 9 4 - Average
- 10 5 - Low Average
- 11 6 - Somewhat Below Average
- 12 7 - Below Average

13 Q. In what category has S&P placed PECO?

14 A. PECO is business position 6 - Somewhat Below Average, one notch above the floor.

15 Q. Did Dr. Legler give weight to a derived estimated market-required cost rate for
16 common equity capital related to Moody's 24 public utilities in arriving at his
17 judgment with respect to an 11.40% cost rate appropriate for PECO in regard to
18 common equity?

19 A. Yes.

20 Q. On page 36 of his testimony, Dr. Legler opines that the overall investment risk of
21 PECO is comparable to that of the Moody's 24 public utilities. Do you agree?

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1 A. No. The average business position for the Moody's 24 is 3.9, or more than two
2 notches above the number 6 business position for PECO assigned by S&P. The
3 average Moody's 24 long-term debt rating is A by S&P and A3 by Moody's, or
4 numerically 6.6% and 6.9%, respectively compared to 8.0% for PECO. The details
5 of those computations are shown on pages 1-3, Schedule 3, of Exhibit JFBr-2.

6 Q. **What is the yield difference between bonds rated A and BBB?**

7 A. On June 19, 1997, long-term debt was priced to yield 8.06% for public utilities rated
8 Baa and 7.65% for those companies whose bonds are rated A. Accordingly, the
9 difference is 41 basis points.

10 Q. **Did Dr. Legler, in arriving at his recommendation of 11.40%, take into account the**
11 **obvious investment risk difference between PECO and the 24 Moody's electrics he**
12 **employed in his study?**

13 A. Apparently not. The basis of my opinion is the fact that, as previously stated, Dr.
14 Legler indicated that he considers the Moody's 24 to be similar in risk to PECO.
15 All else equal, it would seem that Dr. Legler's recommendation for PECO should
16 be about 40 or so basis points higher than whatever is the indicated derived
17 estimated market-required cost rate for common equity capital for the Moody's 24.

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1 Q. What factors does the S&P business position rating take into account?

2 A. S&P publishes a corporate rating criteria which states on page 29: "The utility's
3 rating methodology encompasses two basic components: business risk analysis and
4 financial analysis. Evaluation of industry characteristics, the utility's position within
5 the industry, its regulation, and its management provides the context for assessing
6 a firm's financial condition." S&P goes on to explain that utility credit analysis
7 factors include under business risk characteristics the following:

8 market and service area economy
9 competitive position
10 operations
11 regulation
12 management
13 fuel, power and water supply
14 asset concentration

15 Under financial risk characteristics, S&P includes the following:

16 earnings protection
17 capital structure
18 cash flow adequacy
19 financial flexibility/capital attraction

20 Clearly, the S&P bond rating and business position is an all-encompassing
21 investment risk evaluation. Thus, it is clear that if the average Moody's 24 utilities
22 have a business position of 4 and PECO has a business position of 6, the Moody's
23 24 are less risky than PECO. Consequently, if the Moody's 24 are to be used in
24 arriving at a judgment as to what is the proper market-required opportunity cost
25 rate for common equity capital for PECO, an adjustment upward would have to be

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1 made. It is not possible to determine whether Dr. Legler made such an adjustment,
2 although it appears he did not, given his statement, as previously referenced, that
3 he considers the Moody's 24 to be of similar risk to PECO. If that is the case, all
4 else equal, Dr. Legler's 11.40% might well be 11.80% for the reasons previously
5 given.

6 **Q. What is the stated S&P before-income tax interest coverage relative to business**
7 **position 6 for long-term public utility debt rated A and BBB?**

8 A. For A rated category public utility long-term debt, it is 4.15 times and for the BBB
9 rated category it is 3.15 times, or precisely as I stated in my direct testimony. Both
10 the 4.15 and the 3.15 times before-income tax interest coverage standard I
11 employed is related to business position 6 and not, as suggested by Dr. Legler,
12 related to above average and below average categories. Schedule 4 of Exhibit
13 JFBr-2 is a copy of S&P's utility rating service financial benchmarks. The business
14 position and coverage statistics I cited are shown thereon.

15 **Q. Has Dr. Legler taken issue with your position that your original recommendation**
16 **with regard to an overall rate of return appropriate for PECO produced an**
17 **opportunity to experience a 3.64 times long-term debt interest coverage?**

18 A. Yes. On page 56 of Dr. Legler's pre-filed direct testimony, he states, "He states

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1 that S&P requires a coverage ratio of 4.15 times for an A rating and 3.15 times for
2 a BBB rating. The midpoint of these required coverages, 4.15 times and 3.15 times,
3 is 3.65 times. Mr. Brennan is suggesting that the midpoint is indicative of the
4 coverage ratio required for a B+ + rating. Using this logic, it seems to me that it
5 could just as well be indicative of the coverage required for an A- rating. There
6 are two rating classes between A and BBB, A- and B+ +. Therefore, it would seem
7 that a coverage of slightly less than 3.5 times would support a B+ + rating."

8 Q. Do you agree with Dr. Legler's opinion in this regard?

9 A. No. First, it would appear that when Dr. Legler refers to B+ +, it is an inadvertent
10 typographical error and he meant to say BBB. S&P does not have any bond rating
11 designation of B+ +.

12 Second, in my pre-filed direct testimony, on page 49 at lines 5 through 11,
13 I stated, "The last time I checked, the average electric company in the country did
14 maintain an A bond rating. A is one notch above the bottom and two notches from
15 the top of investment grades, and I believe a worthy initial goal for any public
16 utility. To provide an opportunity of less than the industry average clearly makes
17 a second-class financial citizen out of the utility in question and puts it at a
18 competitive disadvantage in the money market."

19 The point I am trying to make is that even if PECO experienced an overall

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1 rate of return which resulted in a level of coverage of 3.60 times and/or 3.64 times
2 and/or as derived from my updated recommendation, 3.77 times, it would still be
3 at a competitive disadvantage, notwithstanding the fact that such levels of coverage
4 may result in a BBB+ or an A- rating. I believe a level of coverage of only 3.60
5 times as implicitly recommended by Dr. Legler, given PECO's business position,
6 just 6 on a scale of 7, with 7 at the bottom, would not result in a BBB+ rating. I
7 believe the minimum necessary would be something above the midpoint of 3.65 for
8 the A and the BBB standards stated by S&P, given PECO's business position of 6.

9 **Q. Given your comments regarding Dr. Legler's CAPM and risk premium**
10 **computations, are you able to make an arithmetic calculation to adjust Dr. Legler's**
11 **11.40% recommended PECO common equity cost rate?**

12 **A.** No. It appears Dr. Legler's recommendation of 11.40% is not the product of a
13 precise weighting of the various methodologies and techniques, nor of a precise
14 weighting of PECO and his comparable company group estimate. In the final
15 analysis, Dr. Legler's recommendation is the product of a subjective judgment. For
16 clarification, I do not mean to suggest that just because I happen to employ
17 precisely equal weighting to two methodologies pertaining to PECO and use a
18 comparable group only as a check that, of necessity, Dr. Legler's end result is wrong
19 because of his exercise of subjective judgment. However, I do believe it is fair to

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1 say that, all else equal, his recommendation should be adjusted upward.

2 Q. Are you aware that in May 1997, S&P refined its methodology to reflect global
3 differences in levels of government support for and in ownership structures of
4 electric utilities in different countries, the potential disaggregation of vertically
5 integrated utilities, minor changes in the business position criteria and rating
6 scale, and formalized the emphasis on certain aspects of the ratio analysis
7 procedure used to arrive at ratings?

8 A. Yes. These changes do not impact the results of my analysis presented in this
9 testimony.

10 V. COMMENTS PERTAINING TO THE TESTIMONY 11 OF KEVAN L. DEARDORFF

12 Q. Have you analyzed Mr. Deardorff's testimony and recommendation?

13 A. Yes.

14 Q. Do you agree with Mr. Deardorff's recommendation that the proper opportunity
15 cost rate for common equity capital at this time is 10.50%?

16 A. No. In my opinion, Mr. Deardorff's recommendation is far below the zone of
17 reasonableness.

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1 **Q. Has your analysis enabled you to identify factors which explain Mr. Deardorff's**
2 **unreasonably low recommendation?**

3 **A. Yes. Mr. Deardorff's recommendation is the product of several fatal flaws,**
4 **including:**

- 5 1) exclusive reliance upon DCF;
- 6 2) reliance upon and giving equal weight to data for a barometer group which
7 is less investment risky than PECO; and
- 8 3) the selection of DCF inputs for PECO which are internally inconsistent and
9 violate underlying implicit DCF assumptions.

10 **Q. In your pre-filed direct testimony, did you enumerate why you believe it is**
11 **inappropriate to exclusively rely upon the DCF model for the purpose of estimating**
12 **the market-required cost rate for common equity capital in the utility ratemaking**
13 **situation?**

14 **A. Yes. I will not repeat here what I have already said, other than to reiterate that**
15 the most recent publication (a bi-annual publication) by the National Association
16 of Regulatory Utility Commissioners (NARUC) for 1995-1996 indicates that an
17 overwhelming majority (about 80%) of the commissions, including the Pennsylvania
18 Public Utility Commission, do not employ just DCF in arriving at the regulatory-
19 determined opportunity cost rate for common equity capital, but instead most often

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1 employ a variety of methods. I want to supplement that statement by observing
2 that the NARUC publication at Footnote 2 applicable to the Pennsylvania PUC
3 states: "The Commission favors no single method, but rather that which produces
4 the most reliable results." Attached as Schedule 5 of Exhibit JFBr-2 is the most
5 recently available NARUC survey I have referenced.

6 Q. **Is Mr. Deardorff critical of your use of the CAPM model to estimate the cost rate
7 for common equity capital?**

8 A. Yes. Mr. Deardorff offers two basic criticisms.

9 Q. **What is the first criticism?**

10 A. On page 35 of Mr. Deardorff's pre-filed direct testimony, he states, "An implicit
11 assumption when using these methods is that the variables determining the equity
12 debt cost rate are the same, which allows the analyst to apply a constant risk
13 premium." Mr. Deardorff goes on to say, "Actually, the variables determining the
14 cost rates in the two markets are different. Changing economic conditions cause
15 these variables in the two models to change resulting in changing risk premiums
16 over time. Therefore, the use of a constant risk premium fails to capture the effect
17 of changing economic conditions over time."

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1 Q. Do you agree with Mr. Deardorff's comments in this regard?

2 A. No. The CAPM model does not postulate an unchanging over time, constant risk
3 premium. Every time a CAPM computation is performed, it is likely the risk
4 premium employed may be different from a preceding CAPM computation. This
5 is no different than Mr. Deardorff's DCF computation. When the computation is
6 performed, the growth rate employed is presumed to be for an infinite period. Mr.
7 Deardorff used analysts' estimates of the growth rate. There is little doubt that at
8 some point in the future, these very same analysts will publish different growth rate
9 projections.

10 In arriving at a judgment as to what is the appropriate risk premium to
11 employ in a CAPM computation, I took into account, as do many others, that the
12 premium is the product of historical differences in returns on equity and risk-free
13 debt and estimated returns on equity and risk-free debt. Rarely is the historical
14 return on equity and the estimated return on equity one and the same. Thus, the
15 CAPM hardly allows an analyst to apply the same risk premium every time a
16 CAPM computation is performed. Moreover, the risk-free rate and the beta
17 employed are not constant. In short, every element or factor employed in a CAPM
18 computation can and does change, the same as DCF.

19 Q. Did Mr. Deardorff offer any other criticisms of the CAPM?

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1 A. Yes. On page 36 of Mr. Deardorff's pre-filed direct testimony, he cites a February
2 18, 1992 New York Times article regarding the comments of Professor Eugene F.
3 Fama and Kenneth R. French and their criticism of CAPM. Mr. Deardorff then
4 goes on to state: "They found that the model did not do well in predicting actual
5 returns. As a result of this new information, I believe that rational investors will
6 give less credibility to expected equity returns that are calculated using the simple
7 CAPM model."

8 Q. **Were you aware of this article when you prepared your direct testimony?**

9 A. Yes. On page 41 of my pre-filed direct testimony, I commented upon the same
10 study referred to in the New York Times article. However, I also noted that
11 Professor William F. Sharpe of Stanford University, who won the 1990 Nobel
12 Memorial Prize in Economic Science with theories based on beta, has stated that:
13 "I am not willing to make investment decisions based on the theory that there is no
14 relationship between beta properly measured, and expected returns."

15 Q. **Even though Mr. Deardorff believes rational investors will give less credibility to**
16 **using the CAPM model, does Mr. Deardorff rely upon beta, a critical element in**
17 **a CAPM computation?**

18 A. Yes. On OTS Exhibit No. 2, Schedule 3, Mr. Deardorff compares the beta of his

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1 barometer group companies and PECO as one of the yardsticks he employed to
2 determine whether PECO and his barometer group were of similar investment risk.

3 **Q. Do you have any other comments regarding this portion of Mr. Deardorff's exhibit?**

4 A. Yes. Mr. Deardorff lists PECO's beta as 0.85. As indicated in my comments
5 concerning Dr. Legler's testimony and as is shown in the Value Line June 13, 1997
6 Summary & Index which appears as Schedule 2 of Exhibit JFBr-2, the current
7 PECO beta is 0.90.

8 **Q. Using beta as a means to establish relative investment comparability, how
9 comparable is PECO to Mr. Deardorff's barometer group?**

10 A. As shown on OTS Exhibit No. 2, Schedule 3, the average beta for Mr. Deardorff's
11 barometer group is 0.75, or 0.15 beneath the 0.90 PECO beta.

12 **Q. Can you quantify the risk difference in terms of rate of return on common equity?**

13 A. Yes. As is shown on Exhibit JFBr-1 (Updated), Schedule 18, I estimate that the
14 current market premium for stocks over risk-free long-term debt is 6.7%. A 0.15
15 beta difference suggests a 100 basis point difference in cost rate. In short, all else
16 equal, Mr. Deardorff's barometer group is 100 basis points, or 1 percentage point
17 less investment risky than PECO using one of Mr. Deardorff's chosen methods to

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1 determine comparability.

2 **Q. Did Mr. Deardorff offer any other comments regarding your use of CAPM rather**
3 **than the exclusive use of DCF to estimate the market-required cost rate for**
4 **common equity capital?**

5 A. Yes. Mr. Deardorff states on page 36 and page 37 of his pre-filed direct testimony,
6 "Risk premiums, including Mr. Brennan's CAPM, all rely upon some form of DCF
7 calculation to determine common equity returns from which bond returns are
8 subtracted to determine the equity risk premium. Therefore, it follows that the
9 DCF method is clearly superior and is sufficient to stand alone provided good
10 judgment is used in the determination of his components."

11 **Q. Did you employ a DCF calculation to estimate the risk premium in your CAPM**
12 **calculation?**

13 A. No. I employed an average of the actual historical difference in returns between
14 stocks and long-term debt over the period 1926-96 as reported by Ibbotson &
15 Associates and an estimate of the total return for stocks (current dividend yield plus
16 estimated market price appreciation, presumably including changes in earnings
17 multiples, general market trends, etc.) derived from Value Line published
18 information. No DCF computation of the sum of dividend yield and expected EPS

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1 and DPS growth rate was performed to obtain the CAPM risk premium.

2 Q. Did Mr. Deardorff offer any other criticism of the CAPM method?

3 A. Yes. On page 34 of his pre-filed direct testimony, Mr. Deardorff states, "The
4 CAPM and related risk premium (RP) methods give results that indicate to an
5 investor what the equity cost rate should be if current economic and regulatory
6 conditions are the same as those present during the historical period the risk
7 premiums were determined."

8 Q. Did you rely exclusively upon the historical data to determine the risk premium for
9 CAPM computation purposes?

10 A. No. I also relied upon an estimate of future risk premiums as I just discussed and
11 as explained in Footnote 2, Schedule 18, page 2 of 2 of Exhibit JFBr-1 (Updated).

12 Q. Given Mr. Deardorff's reliance on the New York Times article, has he produced
13 any proof that the DCF model does well in predicting actual returns?

14 A. No. Mr. Deardorff was asked this question in Interrogatory No. 10-C. Mr.
15 Deardorff was unable to provide any study he performed, or anyone else
16 performed, that tested the accuracy of predicting actual returns using the DCF
17 model. The point is that one of Mr. Deardorff's criticisms of the CAPM model is

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1 equally applicable to the DCF model.

2 **Q. Have you performed an illustrative calculation to indicate whether the DCF model**
3 **has been an accurate predictor of actual returns for PECO and Mr. Deardorff's**
4 **barometer group?**

5 **A. Yes.** The DCF theory holds that the dividend return received, together with the
6 appreciation in the value of the stock, which is supposed to be proportionate to
7 growth in dividends or earnings, provide the investor his or her total return.
8 Accordingly, a comparison of share price movement and earnings and dividend
9 movement expressed as a percent will indicate whether the DCF model is good at
10 predicting actual returns.

11 I have prepared Schedule 6 of Exhibit JFBr-2 to demonstrate that with
12 respect to PECO and Mr. Deardorff's barometer group of companies, the percent
13 change in share price growth during the period 1992 through 1996 is significantly
14 different, namely significantly less, than earnings or dividend growth for PECO and
15 earnings growth for Mr. Deardorff's barometer group. Dividend growth for Mr.
16 Deardorff's barometer group was significantly under share price growth. The point
17 here is that neither dividends nor earnings grew proportionate to share price, as
18 required as an underlying assumption of the DCF model. The further point is that
19 the criticism leveled by Mr. Deardorff at me for the use of CAPM because

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1 allegedly, the model is not good at predicting actual returns, is equally applicable
2 with regard to the use of the DCF model. I believe the lesson to be learned is that
3 one should not rely upon a single model in forming an estimate of what is the
4 investor-required return for common equity capital, given that no single model is
5 perfect.

6 **Q. What factors did Mr. Deardorff employ to measure relative risk difference between**
7 **PECO and his barometer group?**

8 A. As shown on OTS Exhibit No. 2, Schedule 3, Mr. Deardorff compared total capital,
9 common equity ratio, beta (as I previously indicated), Value Line safety rank and
10 financial strength, as well as percent of nuclear generation. The common equity
11 ratios of the barometer group and PECO are similar. Accordingly, it is not
12 surprising to learn that the Value Line determined financial strength of PECO and
13 the barometer group were also similar. Please note, however, that the safety rank
14 for PECO was less than the barometer group. And of course, as Mr. Deardorff has
15 observed, PECO's nuclear generation is significantly greater than the average for
16 his barometer group companies.

17 **Q. What factors does Mr. Deardorff believe constitute investment risk?**

18 A. As stated on page 11 of Mr. Deardorff's pre-filed direct testimony, he believes

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1 overall investment risk can be measured by beta, safety rank, and financial strength.
2 Beta is a measure of relative investment risk. Safety rank and financial strength do
3 not capture all elements of investment risk.

4 **Q. Is there a yardstick that can be employed that captures both business and financial**
5 **risk or investment risk?**

6 A. Yes. Bond ratings, in the final analysis, are a rating agency's judgment of the
7 relative investment risk difference between the long-term debt issued by, among
8 others, utility companies. Indeed, the DCF model requires the assumption of the
9 EMH (Efficient Market Hypothesis) which, in short, states that investors are all-
10 knowing about every element of risk affecting a particular company, including both
11 business and financial risk. S&P publishes corporate rating criteria which I
12 previously mentioned in my discussion of Dr. Legler's testimony. Those criteria
13 include both business and financial risk. I believe the use of bond ratings is an
14 excellent indication of relative investment risk difference between companies not
15 just for bondholders but also shareholders.

16 **Q. Was Mr. Deardorff critical of you for your failure to consider generation mix as**
17 **a selection criteria in regard to your barometer group?**

18 A. Yes. Mr. Deardorff so states on page 32 of his pre-filed direct testimony.

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1 Q. **Is this a valid criticism?**

2 A. No. Since I employed beta as well as bond ratings as selection criteria, I have
3 implicitly captured not just the risk difference occasioned by nuclear generation
4 differences between companies or groups of companies, but every element of risk,
5 both business and financial. Apparently, Dr. Legler shares my view.

6 Q. **Did Mr. Deardorff comment upon the use of bond ratings with respect to selection
7 of barometer companies?**

8 A. Yes. On page 31 of Mr. Deardorff's pre-filed direct testimony, he states, "I find Mr.
9 Brennan's selection criteria to be flawed in two respects. First, Mr. Brennan
10 incorrectly focuses on similarities between PECO's and the barometer group's debt
11 ratings. Because the cost of equity is at issue, it is more appropriate to focus on
12 similarities between PECO's and the barometer group's equity ratings."

13 Q. **Is this a valid criticism?**

14 A. No. As I previously indicated, bond rating agencies provide ratings on the basis of
15 investment risk which, as I also previously indicated, is the sum of both business
16 and financial risk. When the common equity ratios of two companies, or a group
17 of companies is similar, the financial risk is similar, but the investment risk
18 difference between such companies may be quite different. Accordingly, bond

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1 ratings offer an excellent independent third-party market-accepted assessment of
2 relative investment risk difference.

3 **Q. Have you prepared a schedule comparing the bond ratings and business risk**
4 **position of PECO to Mr. Deardorff's barometer group of electric companies?**

5 **A. Yes. That information is shown on Exhibit JFBr-2, Schedule 7.**

6 **Q. What does the information on Schedule 7 reveal?**

7 **A. The information reveals that PECO is more investment risky than Mr. Deardorff's**
8 **barometer group. The basis of my opinion is the fact that PECO's bonds are rated**
9 **Baa1 by Moody's which on a numerical basis is 8.0. S&P rates PECO's bonds**
10 **BBB+, which is also, on a numerical basis, 8.0. Further, the business position**
11 **established by S&P for PECO numerically is 6.0.**

12 **Mr. Deardorff's barometer group's average numerical weighting for bonds**
13 **is 7.0, or one full notch below PECO at 8.0. The S&P numerical rating is 6.9, or**
14 **slightly more than one full notch below PECO at 8.0. With respect to business**
15 **position, the average for Mr. Deardorff's barometer group is 4.3, or significantly**
16 **more impressive than the 6.0 for PECO.**

17 **Q. What does this information suggest?**

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1 A. What this information suggests is that Mr. Deardorff's reliance on barometer group
2 data understates the cost of equity for PECO.

3 Q. **What information did Mr. Deardorff rely upon to estimate the growth rate**
4 **appropriate for PECO and his barometer group?**

5 A. Data published by Value Line and S&P. Mr. Deardorff comments on page 21 of
6 his pre-filed direct testimony, "As a source of growth rates, Value Line provides an
7 abundance of information including projected and historical growth rates. In
8 addition, Value Line has a very wide circulation and is easily available to individual
9 investors. Individual investors comprise the bulk of electric utility ownership.
10 Standard & Poor's (S&P), on the other hand has more limited data availability.
11 S&P reports a consensus of projected growth rates, but not projections of dividend
12 growth rates. However, S&P does have the advantage of surveying more than one
13 analyst for each company."

14 Q. **With respect to the S&P earnings growth employed by Mr. Deardorff, did he**
15 **employ a long-term growth rate?**

16 A. Yes. As shown on OTS Exhibit No. 2, Schedule 5, page 3, with regard to PECO,
17 Mr. Deardorff shows an S&P earnings growth of 3% and cited as a source Standard
18 & Poor's Earnings Guide, May 1997. Reference to that Guide with regard to

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1 PECO reveals that 3% is the S&P five-year projected EPS growth rate.

2 Q. You previously indicated that Mr. Deardorff stated that S&P does have the
3 advantage of surveying more than one analyst for each company. How many
4 analysts are reflected in the S&P earnings growth rate of 3% employed by Mr.
5 Deardorff?

6 A. It is unknown. S&P does not report how many analysts are reflected in their
7 growth rate for a five-year period. S&P does reflect the number of analysts'
8 estimates that are reflected in their next quarter EPS and next year EPS growth
9 rate, but not the five-year growth rate. Attached as page 3 of Schedule 9 of Exhibit
10 JFBr-2 is a copy of the page containing information for PECO from the May 1997
11 Standard & Poor's Earnings Guide.

12 Q. Will S&P reveal, if asked, how many analysts' forecasts are reflected in their EPS
13 estimates for five years as employed by Mr. Deardorff?

14 A. No.

15 Q. Then how valid is Mr. Deardorff's statement "However, S&P does have the
16 advantage of surveying more than one analyst for each company."?

17 A. It is an invalid statement with respect to the five-year S&P growth rate he actually

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1 employed in his DCF computation. It is possible the S&P growth rate may reflect
2 one analyst's estimate. Thus, the S&P growth rates have no necessary advantage
3 over Value Line. I might add that is why I prefer using the I/B/E/S consensus
4 forecasts instead of the S&P projections. As indicated on page 1 of Schedule 16
5 of Exhibit JFBr-1 (Updated), the I/B/E/S consensus projection for PECO is the
6 product of fifteen different analysts.

7 **Q. Earlier you mentioned that one of the fatal flaws that contributes to Mr.**
8 **Deardorff's 10.50% cost rate is an internal inconsistency with respect to his DCF**
9 **calculations. Would you please explain the basis for your opinion in this regard?**

10 **A.** The DCF model requires the assumption that the rate of return reflected in the
11 price of stock is the sum of the dividend yield one can obtain plus the appreciation
12 in the value of stock over time. The appreciation is considered to be proportionate
13 to the investor-expected growth rate in earnings or dividends, given that the model
14 further requires the assumption of a constant payout ratio and price-earnings
15 multiples.

16 Reference to page 2 of Schedule 5 of OTS Exhibit No. 2 reveals that the
17 dividend yield difference for a 52-week average period ending May 30, 1997 and a
18 spot price at May 30, 1997 is relatively minor for Mr. Deardorff's barometer group.
19 Please note that in both instances, Mr. Deardorff believes the growth rate is 3.50%.

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1 However, reference to page 1 of Schedule 5 of OTS Exhibit No. 2 pertaining to
2 PECO reveals a vastly different story. The dividend yield for the 52-week period
3 is significantly lower than the dividend yield derived from a spot price at May 30,
4 1997. Under such circumstances, given DCF theory, one would expect to see a
5 different growth rate for the 52-week period compared with the spot price. In other
6 words, if there is a significant change in dividend yield, one would expect to see a
7 significant difference in growth rate. However, reference to page 1 of Schedule 5
8 of OTS Exhibit No. 2 reveals that Mr. Deardorff assumed the growth rate for each
9 period was identical. That defies DCF theory unless there was a very significant
10 change in the cost of capital generally, which there was not during the period
11 employed by Mr. Deardorff. Thus, for PECO, if the dividend yield is significantly
12 different, the growth rate must have been significantly different.

13 With respect to Mr. Deardorff's barometer group, we do not see a significant
14 change in the expected rate of return as Mr. Deardorff indicates on page 2 of
15 Schedule 5, wherein for the 52-week period, the DCF-derived cost rate is 10.35%
16 and at the spot point in time it is 10.54%. With respect to PECO as shown on page
17 1 of Schedule 5 of OTS Exhibit No. 2, we see a huge difference, namely, at the spot
18 point in time in May, we see 12.22%, but for the 52-week period, we see 10.55%.

19 **Q. Have you prepared a schedule to indicate the stock price movement for PECO and**

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1 **Mr. Deardorff's barometer group of electric companies for the period June 1996**
2 **through May 1997?**

3 A. Yes. That information is shown on Exhibit JFBr-2, Schedule 8.

4 As can be seen, the stock price movement of PECO and Mr. Deardorff's
5 barometer group tracked fairly well until about December 1996, which is when
6 Governor Ridge signed the Competition Act. But as I will discuss in a moment,
7 there are other factors that also caused the stock price to subsequently decline.

8 Q. **Since DCF theory proceeds from the premise that stock price change is**
9 **proportionate to change in dividends or earnings, assuming a constant payout**
10 **ratio, and it is almost universally believed that analysts' forecasts form the best**
11 **basis for estimating change in dividends and earnings, did the growth rate**
12 **projections for PECO in fact change during the 52-week period ended May 30,**
13 **1997?**

14 A. Yes. As can be seen by referring to Exhibit JFBr-2, Schedule 9, page 1, the S&P
15 forecasts started out at 4% in May 1996, but declined to 3% in July 1996 and
16 stayed at 3.0% through May 1997.

17 As can be seen by referring to page 4 of Schedule 9 of Exhibit JFBr-2, with
18 regard to the Value Line Investment Survey, the five-year growth in EPS for PECO
19 started out at 6%, but fell to 5-1/2% and then to 2-1/2%.

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1 The average Value Line growth rate for the period was 4.9%, as shown on
2 page 4. The average S&P growth rate was 3.2% as shown on page 1. The average
3 of these two growth rates for the 12-month period was 4%.

4 Thus, I believe it is reasonable to conclude that the stock price for PECO
5 for the 52-week period ended May 30, 1997, which gave rise to the average
6 dividend yield of 7.8% as shown on page 1 of Schedule 5 of OTS Exhibit No. 2, was
7 the product of an investor-expected 4% growth rate, not a 2.75% growth rate
8 employed by Mr. Deardorff. The sum of the 52-week derived PECO 7.8% dividend
9 yield ending May 31, 1997 and a 4.0% investor-expected PECO growth rate for the
10 same period is not 10.55% as calculated by Mr. Deardorff, but is 11.8%.

11 **Q. What do these comments suggest?**

12 **A.** As shown on page 1 of Schedule 5 of OTS Exhibit No. 2, for the 52-week period,
13 the proper DCF-derived cost rate is a 7.8% dividend yield and a 4% growth rate,
14 or 11.8%. For the spot point in time, or May 30, 1997, the dividend yield is as in
15 Mr. Deardorff's calculation, namely 9.47%, and the proper growth rate may well be
16 2.75%. The sum of those numbers is 12.22%.

17 If one averaged the 52-week properly determined DCF-derived cost rate for
18 PECO, or 11.8%, and the 12.2% DCF-derived cost rate for PECO using a spot
19 price at May 31, 1997, the end result is 12.0%.

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1 **Q. Does Mr. Deardorff believe that PECO's risk has increased, but will recede in the**
2 **future?**

3 A. Yes. Mr. Deardorff states on page 32 of his pre-filed direct testimony: "The
4 average data should not be considered in any analysis of long-term capital cost
5 rates. As the current filing progress, many of the uncertainties will be eliminated
6 with a subsequent decrease in investment risk."

7 A. **Do you share Mr. Deardorff's view in this regard?**

8 A. If investors perceive a decrease in investment risk, the stock price should rise,
9 leading to a lower dividend yield. However, what would drive the higher stock
10 price would be an investor-anticipated higher growth rate. If it is assumed the
11 ultimate decision is that PECO should recover substantially all of its stranded
12 investment claim, the end result should be a higher stock price and a lower
13 dividend yield, but a growth rate not unlike analysts' forecasts such as 5.0%, or not
14 unlike the growth rates forecast prior to the Legislature's initiative to restructure
15 the electric industry in Pennsylvania. The sum of yield and growth, as I previously
16 indicated in this regard would be not less than 11.8%.

17 Since Mr. Deardorff's conclusion is 10.50%, it is quite evident that Mr.
18 Deardorff gave great weight to an improperly calculated 10.55% 52-week cost rate
19 for PECO (which should be 11.80% using Mr. Deardorff's sources of estimated

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1 growth rates) and the 10.44% barometer group DCF-derived cost rate which
2 understates the cost rate to PECO because the barometer group is less risky than
3 PECO.

4 **Q. You indicated earlier in your testimony that Mr. Deardorff's 10.50% common**
5 **equity cost rate is below the zone of reasonableness. Can you offer evidence in**
6 **support of your opinion?**

7 **A. Yes. I have performed a DCF calculation for West Penn Power Company, which**
8 **is substantially less investment risky than PECO, using the same methodology**
9 **employed by Mr. Deardorff in arriving at his 10.50% PECO recommendation. One**
10 **would expect to find a DCF-derived cost rate below Mr. Deardorff's PECO**
11 **recommendation.**

12 West Penn is a wholly-owned operating subsidiary of the Allegheny Power
13 System (APS). The common stock of West Penn Power is not actively traded since
14 it is all held by APS, its parent. Accordingly, for the purpose of this calculation, I
15 have employed information pertaining to APS as a proxy for West Penn Power.
16 APS's other two operating subsidiaries are Potomac Edison Company and
17 Monongahela Power Company.

18 The results of my efforts are shown on Schedule 10 of Exhibit JFBr-2. As
19 can be seen by referring to Schedule 10, the 52-week average dividend yield ended

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1 May 1997 for APS is 5.89%. For the spot point in time at the end of May 1997,
2 it is 6.62%. In arriving at those dividend yields, my calculation reflects the reported
3 dividends projected for the year ahead by Value Line. This is the same procedure
4 employed by Mr. Deardorff. For clarification, it should be stated that I did not
5 have readily available the 52-week average price of stock for APS, so instead I
6 employed what I did have readily available, namely, 12 month-end prices in arriving
7 at the yearly average.

8 With respect to the growth rate, I employed the same methodology employed
9 by Mr. Deardorff, namely, I gave equal weight to the most recent S&P five-year
10 forecasted earnings per share and the Value Line five-year forecasted earnings per
11 share. The end result is a growth rate of 5%.

12 Adding together the dividend yield and the growth rate indicates that for the
13 12 months ended May 1997, the APS Deardorff method DCF-derived cost rate is
14 10.89%. Based on a spot price, it is 11.62%. The average of the two which is
15 exactly the method employed by Mr. Deardorff, is 11.25%. In short, this calculation
16 based upon a company whose investment risk is significantly lower than PECO's
17 produces a Deardorff method DCF-derived cost rate significantly above Mr.
18 Deardorff's recommendation for PECO of 10.50%.

19 Q. Can you be more specific with respect to the investment risk difference between

REBUTTAL TESTIMONY OF JOSEPH F. BRENNAN

1 **APS and PECO?**

2 A. Yes. As seen on Schedule 10, APS, including West Penn Power, has zero nuclear
3 generation, whereas PECO's nuclear generation is 69%. In addition, APS's average
4 bond rating for its operating subsidiaries, including West Penn Power, is A+, or a
5 numerical value of 5.0 compared to BBB+, or a numerical value of 8.0 for PECO.
6 The S&P business position for the average for the three operating subsidiaries of
7 APS is high average, or a numerical value of 3.3, whereas PECO's is below average,
8 or a numerical value of 6.0. The Value Line reported common equity ratio for
9 APS is 44% compared with 47% for PECO. The S&P beta for APS is .75
10 compared with .90 for PECO. The APS S&P common stock ranking, as well as the
11 Value Line financial strength for APS is superior to PECO's. The only element
12 where the two are equal is the Value Line safety ranking which, as I indicated
13 earlier in my testimony, does not encompass all elements of investment risk.

14 These data reveal beyond a shadow of a doubt that APS, including West
15 Penn Power, is significantly less investment risky than PECO, but employing the
16 Deardorff method and DCF exclusively, the indicated cost rate for common equity
17 capital is 11.25% compared to Mr. Deardorff's recommendation of 10.50% for
18 PECO.

19 Q. **Are you suggesting that the PECO market-required cost rate for common equity**

REBUTTAL TESTIMONY OF JOSEPH F. BRENNAN

1 **capital should be 11.25%?**

2 A. No. These data simply suggest that Mr. Deardorff's recommendation of 10.50% for
3 PECO is obviously far below the zone of reasonableness. As I have indicated
4 elsewhere in my direct testimony and this rebuttal testimony, I do not believe an
5 estimate of the market-required cost rate for common equity capital should be
6 derived solely and exclusively from DCF computations and as I have also stated,
7 the growth rate used in any computation needs to be related to the price used to
8 develop the dividend yield in the same computation, or an internal inconsistency
9 exists and a violation of DCF theory takes place.

10 Q. **Since Mr. Deardorff relies upon beta as one factor comparing relative risk, can you**
11 **quantify the investment risk difference between the Allegheny Power System and**
12 **PECO based upon beta difference?**

13 A. Yes. If it is assumed that the market premium is 6.7% at the moment, and I
14 believe that is a fair estimate, and the beta difference between APS and PECO is
15 .15 (.90 - .75), then multiplying the .15 by the 6.7% market premium indicates a
16 common equity cost rate difference of approximately 100 basis points, or one
17 percentage point. Adding the one percentage point to the Deardorff method DCF-
18 derived cost rate for APS of 11.25% indicates the appropriate cost rate for PECO
19 is approximately 12.25%, or very close to my updated recommendation of 12.20%.

REBUTTAL TESTIMONY OF JOSEPH F. BRENNAN

1 Q. Does the information presented on Schedule 10 address certain criticisms of your
2 testimony offered by Mr. Deardorff?

3 A. Yes. On page 32 of Mr. Deardorff's pre-filed direct testimony, he faults me for
4 failing to consider generation mix as a selection criteria. I addressed that issue
5 earlier in my testimony, but based on the information presented on Schedule 10,
6 it is perfectly obvious that even when a company has no nuclear generation,
7 employing the Deardorff method to develop a DCF-derived cost rate for common
8 equity capital, the cost rate is higher than he recommends for PECO.

9 Q. Is there another method that can be employed to determine if Mr. Deardorff's
10 10.50% PECO common equity cost rate recommendation is below the zone of
11 reasonableness?

12 A. Yes. On page 30 of Mr. Deardorff's pre-filed direct testimony, he states that the
13 Company's pretax coverage would be 3.40 times if PECO experienced a 10.50%
14 return rate on common equity. Mr. Deardorff goes on to state that: "The 3.40
15 times interest coverage is fairly consistent with the S&P's standard of 3.50 times
16 required for a company with a bond rating of BBB+. PECO's long-term debt is
17 rated BBB+."

18 Q. Do you agree with Mr. Deardorff's analysis?

REBUTTAL TESTIMONY OF JOSEPH F. BRENNAN

1 A. No. As previously discussed in regard to my comments concerning Dr. Legler's
2 testimony, and as is shown on page 2 of Schedule 4 of Exhibit JFBr-2, S&P's
3 criteria for the midpoint between long-term debt rated BBB and A of 3.15 and 4.15,
4 respectively, is before-income tax interest coverage of 3.65 times. Since PECO is
5 an above average investment risk utility in a very low business position according
6 to S&P (a numerical rating of 6 out of 7 as the floor), clearly something more than
7 3.65 times would be required to maintain the existing bond rating. More important,
8 however, is the fact that the average electric utility's bond rating is A. Thus, any
9 rate of return on common equity, even if earned, which results in a coverage level
10 of only 3.40 times, dooms the Company to a competitive disadvantage in the money
11 market to attract debt capital.

12 Q. Does that conclude your rebuttal testimony?

13 A. Yes.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**APPLICATION OF PECO ENERGY COMPANY
FOR APPROVAL OF ITS RESTRUCTURING PLAN
UNDER SECTION 2806 OF THE PUBLIC UTILITY CODE**

EXHIBIT

**TO ACCOMPANY THE
REBUTTAL TESTIMONY**

OF

JOSEPH F. BRENNAN

**Regarding the Development of
the Cost Rate for Common Equity,
Overall Rate of Return
and an Overall After-Tax Discount Rate
Employed to Compute Stranded Investment**

PECO Energy Company
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to the Financial Supporting Exhibit
of Joseph F. Brennan

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PECO Energy Company
Overall Cost of Capital and
After-Income Tax Discount Rate
at December 31, 1996

Line No.	Type of Capital	Ratio (1)	Cost Rate	Weighted Cost Rate	Tax Savings on Long-Term Debt	After - Income Tax Weighted Cost Rate
1.	Long-Term Debt	43.1 %	8.47 % (2)	3.65 %	1.51 % (3)	2.14 % (3)
2.	MIPS Debt	3.3	9.21 (2)	0.30	0.13	0.17
3.	Total Debt	46.4		3.95	1.64	2.31
4.	Preferred Stock	3.0	7.70 (2)	0.23		0.23
5.	Common Equity	50.6	12.20 (4)	6.17		6.17
6.	Total Capital	100.0 %		10.35 %		8.71 %

Before-Income Tax Coverage of Long-Term Debt Interest

3.77 x (5)

Notes: (1) Company provided December 31, 1996 capital structure and related ratios reflective of ratemaking deductions for unamortized costs related to tenders and calls.

Description	Amount (\$ bill)	Deduction	Ratemaking Capitalization (\$ bill)	Ratio
Long-Term Debt *	\$4.218	(\$0.265)	\$3.953	43.1 %
Monthly Income Preferred Shares (MIPS)	0.302	--	0.302	3.3
Total Debt	4.520	(0.265)	4.255	46.4
Preferred Stock	0.292	(0.020)	0.272	3.0
Common Equity	4.646	--	4.646	50.6
Total Capital	\$9.458	(\$0.285)	\$9.173	100.0 %

* Including debt due within one year.

- (2) Long-term debt, MIPS debt and preferred stock cost rates provided by the Company reflective of issuance and selling expenses as well call and tender costs.
- (3) Company-provided combined federal and state effective income tax rate of 41.493%. Thus, 3.65% weighted cost rate of long-term debt x 58.507% (100.000% - 41.493%) = 2.14% and 3.65% - 2.14% = 1.51% and the 0.30% weighted cost rate of MIPS debt x 58.507% = 0.17% and 0.30% - 0.17% = 0.13%.
- (4) As developed on Schedule 2.
- (5) Overall rate of return of 10.35% - 3.95% total debt component = 6.40% total equity component / 58.507% (100.000% - 41.493%) = 10.94% + 3.95% total debt component = 14.89% before-income tax overall rate of return / 3.95% long-term debt component = 3.77x.

PECO Energy Company
Summary of Common Equity Cost Rate Recommendation

		<u>PECO Energy Company</u>	<u>Check Barometer Group of Nine Electric Companies (1)</u>
I.	Discounted Cash Flow Model (2)		
	(A) Adjusted Dividend Yield	8.9 %	6.4 %
	(B) Growth Rate	<u>2.6</u>	<u>4.3</u>
	(C) DCF Conclusion	<u>11.5 %</u>	<u>10.7 %</u>
II.	Capital Asset Pricing Model (3)		
	(A) Risk Free Rate	6.8 %	6.8 %
	(B) Risk Premium	<u>6.0</u>	<u>5.0</u>
	(C) CAPM Cost Rate	<u>12.8 %</u>	<u>11.8 %</u>
III.	Average of DCF (I) and CAPM (II)	<u>12.2 %</u>	<u>11.3 %</u>
IV.	Recommendation	<u>12.2%</u>	

Notes: (1) The barometer group is comprised of the following nine electric companies:

American Electric Power Co., Inc.
 Boston Edison Company
 CINergy Corporation
 DQE, Inc.
 DTE Energy Company
 Entergy Corp.
 GPU, Inc.
 Illinova Corporation
 PP&L Resources, Inc.

(2) As supported by the information shown on Schedule 17 (updated).

(3) As supported by the information shown on Schedule 18 (updated).

Moody's
Comparison of Interest Rates for Investment Grade Long-Term Debt
for Investor-Owned Public Utility and Industrial Companies for 1955,
the Ten Years Ending 1996 and 1997 to date

Years	Aaa Rated			Aa Rated			A Rated			Baa Rated		
	Public Utilities	Industrials	Spread	Public Utilities	Industrials	Spread	Public Utilities	Industrials	Spread	Public Utilities	Industrials	Spread
1955	3.09 %	3.00 %	0.09 %	3.13 %	3.11 %	0.02 %	3.22 %	3.16 %	0.06 %	3.43 %	3.47 %	(0.04) %
1987	9.52	9.22	0.30	9.77	9.59	0.18	10.10	9.88	0.22	10.53	10.62	(0.09)
1988	10.05	9.36	0.69	10.26	9.62	0.64	10.49	9.99	0.50	11.00	10.66	0.34
1989	9.32	9.19	0.13	9.56	9.36	0.20	9.77	9.71	0.06	9.98	10.38	(0.40)
1990	9.45	9.19	0.26	9.65	9.45	0.20	9.86	9.77	0.09	10.06	10.64	(0.58)
1991	8.85	8.69	0.16	9.09	9.00	0.09	9.36	9.25	0.11	9.55	10.05	(0.50)
1992	8.19	8.09	0.10	8.55	8.37	0.18	8.69	8.53	0.16	8.86	9.08	(0.22)
1993	7.29	7.14	0.15	7.44	7.37	0.07	7.59	7.57	0.02	7.91	7.95	(0.04)
1994	8.06	7.86	0.20	8.21	8.09	0.12	8.30	8.25	0.05	8.63	8.62	0.01
Avg.	8.84 %	8.59 %	0.25 %	9.07 %	8.86 %	0.21 %	9.27 %	9.12 %	0.15 %	9.57 %	9.75 %	(0.19) %
Jan.1995	8.50 %	8.38 %	0.12 %	8.66 %	8.53 %	0.13 %	8.73 %	8.67 %	0.06 %	9.15 %	9.01 %	0.14 %
Feb.1995	8.33	8.19	0.14	8.45	8.32	0.13	8.52	8.44	0.08	8.93	8.77	0.16
Mar.1995	8.18	8.06	0.12	8.29	8.18	0.11	8.37	8.29	0.08	8.78	8.62	0.16
Apr.1995	8.08	7.98	0.10	8.17	8.06	0.11	8.27	8.19	0.08	8.67	8.52	0.15
May 1995	7.71	7.58	0.13	7.80	7.68	0.12	7.91	7.80	0.11	8.30	8.10	0.20
Jun.1995	7.39	7.21	0.18	7.49	7.36	0.13	7.60	7.46	0.14	8.01	7.79	0.22
Jul.1995	7.51	7.31	0.20	7.60	7.48	0.12	7.70	7.60	0.10	8.11	7.97	0.14
Aug.1995	7.66	7.47	0.19	7.71	7.65	0.06	7.83	7.75	0.08	8.24	8.15	0.09
Sep.1995	7.42	7.21	0.21	7.48	7.41	0.07	7.62	7.50	0.12	7.98	7.88	0.10
Oct.1995	7.23	7.02	0.21	7.30	7.24	0.06	7.46	7.32	0.14	7.82	7.68	0.14
Nov.1995	7.13	6.90	0.23	7.22	7.13	0.09	7.43	7.20	0.23	7.81	7.55	0.26
Dec.1995	6.94	6.70	0.24	7.03	6.95	0.08	7.23	7.02	0.21	7.63	7.35	0.28
Avg.	7.87 %	7.50 %	0.17 %	7.77 %	7.67 %	0.10 %	7.89 %	7.77 %	0.12 %	8.29 %	8.12 %	0.17 %
Jan.1996	6.92 %	6.69 %	0.23 %	7.02 %	6.95 %	0.07 %	7.22 %	7.03 %	0.19 %	7.64 %	7.29 %	0.35 %
Feb.1996	7.11	6.86	0.25	7.20	7.12	0.08	7.37	7.24	0.13	7.78	7.47	0.31
Mar.1996	7.45	7.25	0.20	7.55	7.49	0.06	7.73	7.63	0.10	8.15	7.91	0.24
Apr.1996	7.60	7.40	0.20	7.70	7.65	0.05	7.89	7.76	0.13	8.32	8.06	0.26
May 1996	7.73	7.52	0.21	7.79	7.75	0.04	7.98	7.90	0.08	8.45	8.14	0.31
Jun.1996	7.83	7.59	0.24	7.87	7.86	0.01	8.06	7.98	0.08	8.51	8.28	0.23
Jul.1996	7.78	7.51	0.27	7.83	7.81	0.02	8.02	7.91	0.11	8.44	8.23	0.21
Aug.1996	7.59	7.33	0.26	7.66	7.63	0.03	7.84	7.69	0.15	8.25	8.09	0.16
Sep.1996	7.78	7.55	0.21	7.84	7.80	0.04	8.01	7.89	0.12	8.41	8.28	0.13
Oct.1996	7.50	7.28	0.22	7.60	7.55	0.05	7.77	7.62	0.15	8.15	7.98	0.17
Nov.1996	7.21	6.99	0.22	7.32	7.29	0.03	7.49	7.34	0.15	7.87	7.70	0.17
Dec.1996	7.33	7.07	0.26	7.44	7.38	0.06	7.59	7.43	0.16	7.98	7.80	0.18
Avg.	7.48 %	7.25 %	0.23 %	7.57 %	7.52 %	0.04 %	7.75 %	7.62 %	0.13 %	8.16 %	7.94 %	0.23 %
Jan. 1997	7.53 %	7.30 %	0.23 %	7.68 %	7.58 %	0.10 %	7.77 %	7.64 %	0.13 %	8.18 %	8.00 %	0.18 %
Feb. 1997	7.47	7.14	0.33	7.60	7.47	0.13	7.64	7.52	0.12	8.02	7.86	0.16
Mar. 1997	7.70	7.40	0.30	7.84	7.70	0.14	7.87	7.76	0.11	8.26	8.09	0.17
Apr. 1997	7.87	7.58	0.29	8.00	7.85	0.15	8.03	7.93	0.10	8.42	8.25	0.17
May 1997	7.72	7.45	0.27	7.85	7.74	0.11	7.89	7.83	0.06	8.28	8.12	0.16
Jun. 1997 (2)	7.66	7.38	0.28	7.80	7.68	0.12	7.82	7.77	0.05	8.21	8.06	0.15
Avg.	7.66 %	7.38 %	0.28 %	7.80 %	7.67 %	0.13 %	7.84 %	7.74 %	0.09 %	8.23 %	8.08 %	0.17 %

Notes: (1) All Yields are distributed yields.
(2) Closing yields on June 3, 1997.

Moody's
 Comparison of Interest Rates for Investment Grade Long-Term Debt
 for Investor-Owned Public Utility and Industrial Companies for 1955,
 the Ten Years Ending 1996 and 1997 to date

	Yield Spread Aa vs. Aaa		Yield Spread A vs. Aa		Yield Spread Baa vs. A	
	Public Utility	Industrial	Public Utility	Industrial	Public Utility	Industrial
1955	0.04 %	0.11 %	0.09 %	0.05 %	0.21 %	0.31 %
1987	0.25	0.37	0.33	0.29	0.43	0.74
1988	0.21	0.26	0.23	0.37	0.51	0.67
1989	0.24	0.17	0.21	0.35	0.21	0.67
1990	0.20	0.26	0.21	0.32	0.20	0.87
1991	0.24	0.31	0.27	0.25	0.19	0.80
1992	0.36	0.28	0.14	0.16	0.17	0.55
1993	0.15	0.23	0.15	0.20	0.32	0.38
1994	<u>0.15</u>	<u>0.23</u>	<u>0.09</u>	<u>0.16</u>	<u>0.33</u>	<u>0.37</u>
Avg.	<u>0.23 %</u>	<u>0.27 %</u>	<u>0.20 %</u>	<u>0.26 %</u>	<u>0.30 %</u>	<u>0.63 %</u>
Jan. 1995	0.16 %	0.15 %	0.07 %	0.14 %	0.42 %	0.34 %
Feb. 1995	0.12	0.13	0.07	0.12	0.41	0.33
Mar. 1995	0.11	0.12	0.08	0.11	0.41	0.33
Apr. 1995	0.09	0.08	0.10	0.13	0.40	0.33
May 1995	0.09	0.10	0.11	0.12	0.39	0.30
Jun. 1995	0.10	0.15	0.11	0.10	0.41	0.33
Jul. 1995	0.09	0.17	0.10	0.12	0.41	0.37
Aug. 1995	0.05	0.18	0.12	0.10	0.41	0.40
Sep. 1995	0.06	0.20	0.14	0.09	0.36	0.38
Oct. 1995	0.07	0.22	0.16	0.08	0.36	0.36
Nov. 1995	0.09	0.23	0.21	0.07	0.38	0.35
Dec. 1995	<u>0.09</u>	<u>0.25</u>	<u>0.20</u>	<u>0.07</u>	<u>0.40</u>	<u>0.33</u>
Avg.	<u>0.10 %</u>	<u>0.17 %</u>	<u>0.12 %</u>	<u>0.10 %</u>	<u>0.40 %</u>	<u>0.35 %</u>
Jan. 1996	0.10 %	0.26 %	0.20 %	0.08 %	0.42 %	0.26 %
Feb. 1996	0.09	0.26	0.17	0.12	0.41	0.23
Mar. 1996	0.10	0.24	0.18	0.14	0.42	0.28
Apr. 1996	0.10	0.25	0.19	0.11	0.43	0.30
May 1996	0.06	0.23	0.19	0.15	0.47	0.24
Jun. 1996	0.04	0.27	0.19	0.12	0.45	0.30
Jul. 1996	0.05	0.30	0.19	0.10	0.42	0.32
Aug. 1996	0.07	0.30	0.18	0.06	0.41	0.40
Sep. 1996	0.08	0.25	0.17	0.09	0.40	0.39
Oct. 1996	0.10	0.27	0.17	0.07	0.38	0.36
Nov. 1996	0.11	0.30	0.17	0.05	0.38	0.36
Dec. 1996	<u>0.11</u>	<u>0.31</u>	<u>0.15</u>	<u>0.05</u>	<u>0.39</u>	<u>0.37</u>
Avg.	<u>0.09 %</u>	<u>0.27 %</u>	<u>0.18 %</u>	<u>0.10 %</u>	<u>0.41 %</u>	<u>0.32 %</u>
Jan. 1997	0.15 %	0.28 %	0.09 %	0.06 %	0.41 %	0.36 %
Feb. 1997	0.13	0.33	0.04	0.05	0.38	0.34
Mar. 1997	0.14	0.30	0.03	0.06	0.39	0.33
Apr. 1997	0.13	0.27	0.03	0.08	0.39	0.32
May 1997	0.13	0.29	0.04	0.09	0.39	0.29
Jun. 1997 (2)	<u>0.14</u>	<u>0.30</u>	<u>0.02</u>	<u>0.09</u>	<u>0.39</u>	<u>0.29</u>
Avg.	<u>0.14 %</u>	<u>0.29 %</u>	<u>0.04 %</u>	<u>0.07 %</u>	<u>0.39 %</u>	<u>0.32 %</u>

Notes: (1) All Yields are distributed yields.
 (2) Closing yields on June 3, 1997.

Interest Rate Trends - Historical and Projected
Estimates of the Consumer Price Index,
GDP Implicit Price Deflator(1) and Interest Rates for 1997

	Estimated Average 1997					
	Consumer Price Index(2)	GDP Implicit Price Deflator (2)	Prime Rate(2)	A Rated Public Utility Bonds(3)	Treasury Bonds(2)	Treasury Bills(2)
The Value Line						
Investment Survey	2.5%	2.3%	8.6%	N/A	6.9%	5.4%
Standard & Poor's Corp.	2.6	2.1	N/A	N/A	7.0	5.5
Blue Chip Financial Forecasts(4)	2.7	3.2	8.6	8.0%	6.9	5.4

Notes:

- (1) Based upon an annual rate of increase or percent change.
- (2) Based on estimated data for the year 1997.
- (3) The average spread in yield during the five years ended 1996 between public utility bonds rated AAA and AA is about 0.17%; between AA and A is about 0.14%; and between A and BBB is about 0.33%. A rated public utility bonds are estimated by Blue Chip Financial Forecasts to yield 8.0% for the four-quarter period ending December 31, 1997. These forecasts suggest that the BBB rated public utility bonds average yield will be about 8.3%, A rated about 8.0% and AA rated about 7.9%. Actual June 3, 1997 distributed yields on public utility bonds for AAA, AA, A, and BBB ratings are 7.66%, 7.80%, 7.82%, and 8.21%, respectively (page 1 of this Schedule).
- (4) Average for the four-quarter period ending December 31, 1997 based upon first quarter 1997 actual information and estimated information for the second, third, and fourth quarters 1997.

Source of Information: Value Line Investment Survey - Selection & Opinion,
 May 30, 1997
 Standard & Poor's Trends & Projections, May 15, 1997
 Blue Chip Financial Forecasts, June 1, 1997
 Moody's Investors Service

PECO Energy Company
 Rate of Return on Average Book Common Equity (1)
 Historic Comparison of PECO Energy Company
 and the Barometer Group of Nine Electric Companies
for the Years 1987 - 1996, Inclusive and 1997 Spot

<u>Year</u>	<u>PECO Energy Company</u>	<u>Barometer Group of Nine Electric Companies (2)</u>
1997 Spot (3)	9.9 %	11.3 %
1996 (P)	10.9	11.3
1995	13.3	12.0
1994	9.1	10.0
1993	13.1	11.3 (4)
1992	10.6	11.7
1991	12.5	11.9
1990	7.2 (5)	11.9 (6)
1989	13.5	12.1 (7)
1988	13.4	12.4 (8)
1987	13.0	13.4 (9)
5 Year Average 1992 - 1996	11.4 %	11.2 %
5 Year Average 1987 - 1991	11.9 %	12.3 %

See page 2 of this schedule for Notes.

PECO Energy Company
Rate of Return on Average Book Common Equity (1)
Historic Comparison of PECO Energy Company
and the Barometer Group of Nine Electric Companies
for the Years 1987 - 1996, Inclusive and 1997 Spot

- (P) Preliminary. 1996 data are final for Entergy Corp., Ilinova Corp. and PP&L Resources, Inc. and preliminary for PECO Energy Co. and the remaining companies in the barometer group.

Notes:

- (1) Rate of Return on Average Book Common Equity = income available for common equity divided by average of beginning and ending year's balance of book common equity.
- (2) Arithmetic average of achieved results for all individual companies in the group.
- (3) Spot 1997 rate of return on average book common equity = latest 12 months reported earnings per share divided by 1996 year-end book value per share.
- (4) Excludes \$200.400 million in disallowed Clinton Station after-tax post-construction costs for Ilinova Corporation and \$222.759 after-tax non-recurring write-off of a portion of the Zimmer Generating Station for CINergy Corporation. If these costs were included, the 1993 average rate of return for the Barometer Group would have been 8.1%.
- (5) Excludes \$250.000 million, after-tax, of Limerick Unit No. 2 disallowances. If these costs were included, the 1990 average rate of return for PECO Energy Company would have been 0.4%.
- (6) Excludes \$135.618 million in disallowed Clinton Station after-tax post-construction costs for Ilinova Corporation. If these costs were included, the 1990 average rate of return for the Barometer Group would have been 10.9%.
- (7) Excludes \$106.280 million non-recurring after-tax charge relative to Department of Public Utilities and Wholesale Settlement Agreements for Boston Edison Company, \$345.762 in disallowed Clinton Station after-tax post-construction costs for Ilinova Corporation and an aggregate \$862.485 in after-tax write-offs due to the Project Olive Branch Settlements for Entergy Corporation. If these costs were included, the 1989 average rate of return for the Barometer Group would have been 6.1%.
- (8) Excludes \$624.335 million in after-tax value of non-recurring disallowed plant costs for DTE Energy Company. If these costs were included, the 1988 average rate of return for the Barometer Group would have been 9.7%.
- (9) Excludes \$91.311 million in after-tax non-recurring write-off of a portion of the Zimmer Generating Station for CINergy Corporation and \$72.900 million after-tax write-off of previously deferred Grand Gulf 1 Costs for Entergy Corporation. If these costs were included, the 1987 average rate of return for the Barometer Group would have been 12.2%.

Source of Information: Standard & Poor's Compustat Services, Inc.,
Utility Compustat II
Moody's Public Utility Manuals
Annual Reports to Shareholders

PECO Energy Company
Market / Book Ratio (1)
Historic Comparison of PECO Energy Company
and the Barometer Group of Nine Electric Companies
for the Years 1987 - 1996, Inclusive and 1997 Spot

<u>Year</u>	<u>PECO Energy Company</u>		<u>Barometer Group of Nine Electric Companies (2)</u>
	<u>Average Book Value</u>	<u>Market/ Book Ratio</u>	
1997 Spot (3)	\$20.87	96.4 %	133.7 %
1996 (P)	20.63	134.5	143.6
1995	19.90	136.9	135.8
1994	19.33	138.7	128.3
1993	18.74	157.4	149.8
1992	17.96	137.5	138.1
1991	17.19	126.5	131.2
1990	17.18	110.6	118.3
1989	17.52	124.5	113.3
1988	17.29	110.3	96.4
1987	17.83	119.9	101.0
5 Year Average 1992 - 1996		141.0 %	139.1 %
5 Year Average 1987 - 1991		118.3 %	112.0 %

(P) Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for PECO Energy Co. and the remaining companies in the barometer group.

- Notes:
- (1) Market / Book Ratio = average of yearly high-low market price divided by average beginning and ending year's book value per share.
 - (2) Arithmetic average of achieved results for all individual companies in the group.
 - (3) Spot 1997 Market / Book Ratio = spot market price on 06/17/97 divided by 1996 year-end book value per share. The market price of a share of PECO Energy Company on 06/17/97 was \$20.125.

Source of Information: Standard & Poor's Compustat Services, Inc.,
Utility Compustat II

PECO Energy Company
Stock Price and Interest Rates at Peaks
and Troughs of Last Several Business Cycles

Official Turning Points in Business Cycle	Dow Jones Industrial (2)		Dow Jones Utility (2)		Average Yield on 'A' Public Util. Bonds
	Avg. Index	% Chng.	Avg. Index	% Chng.	
Jan. 1962 (Trough)	707.5		125.7		4.65%
Dec. 1969 (Peak)	787.5	11.3%	108.2	(13.9%)	8.59
Nov. 1970 (Trough)	774.2	(2.0)	111.3	2.9	8.79
Nov. 1973 (Peak)	883.3	14.1	93.4	(16.1)	8.15
Mar. 1975 (Trough)	765.0	(13.4)	78.0	(16.5)	9.72
Jan. 1980 (Peak)	851.1	11.3	108.6	39.2	12.27
July 1980 (Trough)	904.2	6.2	113.6	4.6	12.26
July 1981 (Peak)	946.1	4.6	107.8	(5.1)	16.21
Nov. 1982 (Trough)	1025.7	8.4	119.3	10.7	14.46
Jan. 22, 1987	-	-	227.8(1)	90.9	8.86
Aug. 25, 1987	2722.4(1)	165.4	-	-	10.47
Oct. 19, 1987	1738.4	(36.1)	161.0	(29.3)	11.75
July 1990 (Peak)	2905.2	67.1	210.0	30.4	9.75
Mar. 1991 (Trough)	2914.4	0.3	214.3	2.0	9.55
June 11, 1997	7575.83	159.9	220.56	2.8	7.82 (3)

Notes: (1) Peak of market values prior to October 19, 1987.
 (2) Average of high and low for the month.
 (3) Latest available information at June 3, 1997.

Source of Information: Business Conditions Digest
 Moody's Public Utility Manual 1985
 Moody's Municipal and Government Manual, 1984
 Standard and Poor's Statistical Service
 Security Price Index and Current Statistics
 Moody's Investors Service
 Wall Street Journal, June 12, 1997

PECO Energy Company
Average Investment Horizon (1) and Current Institutional Holdings (2) for
PECO Energy Company and the
Barometer Group of Nine Electric Companies
for the years 1992 - 1996

	Common Stock Turnover Rate in Years					Five-Year Average 1992-1996	June 1997 Percentage of Institutional Holdings (2)
	<u>1996 (P)</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>		
<u>PECO Energy Company</u>	<u>1.5</u>	<u>2.1</u>	<u>2.1</u>	<u>2.3</u>	<u>2.1</u>	<u>2.0</u>	<u>46.4</u> %
<u>Barometer Group of Nine Electric Companies</u>							
American Electric Power Co., Inc.	2.0	2.3	2.1	2.7	2.8	2.4	35.0 %
Boston Edison Company	1.2	2.0	1.8	2.4	1.6	1.8	36.9
CINergy Corporation	1.8	2.2	2.4	2.0	2.2	2.1	50.2
DQE, Inc.	2.3	2.5	2.7	2.8	2.4	2.5	34.6
DTE Energy Company	1.4	2.1	1.7	2.2	2.5	2.0	35.8
Entergy Corp.	1.5	1.7	1.5	1.5	1.8	1.6	66.8
GPU, Inc.	1.4	1.7	1.5	1.6	1.5	1.5	66.5
Illinova Corporation	1.4	1.6	1.3	2.1	1.8	1.6	65.3
PP&L Resources, Inc.	<u>3.0</u>	<u>2.0</u>	<u>2.5</u>	<u>4.2</u>	<u>4.2</u>	<u>3.2</u>	<u>27.5</u>
Average	<u>1.8</u>	<u>2.0</u>	<u>1.9</u>	<u>2.4</u>	<u>2.3</u>	<u>2.1</u>	<u>46.5</u> %

(P) Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for PECO Energy Co. and the remaining companies in the barometer group.

Notes: (1) The average investment horizon is calculated by dividing average common shares outstanding by common shares traded.

(2) The percentage of institutional holdings is calculated by dividing the number of shares held by institutions by the number of shares outstanding.

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II
Standard & Poor's Stock Guide

PECO Energy Company
Earnings / Price Ratio (1)
 Historic Comparison of PECO Energy Company
 and the Barometer Group of Nine Electric Companies
for the Years 1987 - 1996, Inclusive and 1997 Spot

<u>Year</u>	<u>PECO Energy Company</u>		<u>Barometer Group of Nine Electric Companies (2)</u>
	<u>Earnings Per Share</u>	<u>Earnings/ Price Ratio</u>	
1997 Spot (3)	\$2.07	10.3 %	8.4 %
1996 (P)	2.24	8.1	7.9
1995	2.64	9.7	8.9
1994	1.76	6.6	7.7
1993	2.45	8.3	7.7 (4)
1992	1.90	7.7	8.4
1991	2.15	9.9	8.9
1990	0.07	6.5 (5)	9.8 (6)
1989	2.36	10.8	10.3 (7)
1988	2.33	12.2	13.0 (8)
1987	2.33	10.9	14.0 (9)
5 Year Average 1992 - 1996		8.1 %	8.1 %
5 Year Average 1987 - 1991		10.1 %	11.2 %

See page 2 of this schedule for Notes.

PECO Energy Company
Earnings / Price Ratio (1)
Historic Comparison of PECO Energy Company
and the Barometer Group of Nine Electric Companies
for the Years 1987 - 1996, Inclusive and 1997 Spot

(P) Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for PECO Energy Co. and the remaining companies in the barometer group.

Notes:

- (1) Earnings / Price Ratio = latest reported earnings per share divided by average yearly high-low market price.
- (2) Arithmetic average of achieved results for all individual companies in the group.
- (3) Spot 1997 Earnings / Price Ratio = latest 12 months earnings per share divided by spot market price on 06/17/97. The market price of PECO Energy Company common stock on 06/17/97 was \$20.125.
- (4) Excludes \$200.400 million in disallowed Clinton Station after-tax post-construction costs for Illinova Corporation and \$222.759 after-tax non-recurring write-off of a portion of the Zimmer Generating Station for CINergy Corporation. If these costs were included, the 1993 earnings/price ratio for the Barometer Group would have been 5.3%.
- (5) Excludes \$250.000 million, after-tax, of Limerick Unit No. 2 disallowances. If these costs were included, the 1990 earnings/price ratio for PECO Energy Company would have been 0.4%.
- (6) Excludes \$135.618 million in disallowed Clinton Station after-tax post-construction costs for Illinova Corporation. If these costs were included, the 1990 earnings/price ratio for the Barometer Group would have been 8.5%.
- (7) Excludes \$106.280 million non-recurring after-tax charge relative to Department of Public Utilities and Wholesale Settlement Agreements for Boston Edison Company, \$345.762 in disallowed Clinton Station after-tax post-construction costs for Illinova Corporation and an aggregate \$862.485 in after-tax write-offs due to the Project Olive Branch Settlements for Entergy Corporation. If these costs were included, the 1989 earnings/price ratio for the Barometer Group would have been 3.3%.
- (8) Excludes \$624.335 million in after-tax value of non-recurring disallowed plant costs for DTE Energy Company. If these costs were included, the 1988 earnings/price ratio for the Barometer Group would have been 9.8%.
- (9) Excludes \$91.311 million in after-tax non-recurring write-off of a portion of the Zimmer Generating Station for CINergy Corporation and \$72.900 million after-tax write-off of previously deferred Grand Gulf 1 Costs for Entergy Corporation. If these costs were included, the 1987 earnings/price ratio for the Barometer Group would have been 12.8%.

Source of Information: Standard & Poor's Compustat Services, Inc.,
Utility Compustat II
Moody's Public Utility Manuals
Annual Reports to Shareholders

PECO Energy Company
Common Dividend Yield (1) and Dividend Payout Ratio (2)
Historic Comparison of PECO Energy Company
and the Barometer Group of Nine Electric Companies
for the Years 1987 - 1996, Inclusive and 1997 Spot

<u>Year</u>	<u>PECO Energy Company</u>			<u>Barometer Group of Nine Electric Companies (3)</u>	
	<u>Dividends Per Share</u>	<u>Dividend Payout Ratio</u>	<u>Dividend Yield</u>	<u>Dividend Payout Ratio</u>	<u>Dividend Yield</u>
1997 Spot (4)	\$ 1.80	87.0 %	8.9 %	75.7 %	6.2 %
1996 (P)	1.76	78.2	6.3	76.4	5.9
1995	1.65	62.4	6.1	71.9	6.3
1994	1.55	87.9	5.8	89.9	6.5
1993	1.43	58.4	4.8	73.1 (5)	5.4
1992	1.33	69.8	5.4	70.8	5.8
1991	1.23	57.1	5.6	66.1	5.8
1990	1.45	116.9 (6)	7.6	59.0 (7)	6.1
1989	2.20	93.1	10.1	84.4 (8)	7.1
1988	2.20	94.7	11.5	70.2 (9)	8.2
1987	2.20	94.8	10.3	57.3 (10)	7.2
5 Year Average 1992 - 1996		71.3 %	5.7 %	76.4 %	6.0 %
5 Year Average 1987 - 1991		91.3 %	9.0 %	67.4 %	6.9 %

See page 2 of this schedule for Notes.

PECO Energy Company
Common Dividend Yield (1) and Dividend Payout Ratio (2)
Historic Comparison of PECO Energy Company
and the Barometer Group of Nine Electric Companies
for the Years 1987 - 1996, Inclusive and 1997 Spot

- (P) Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for PECO Energy Co. and the remaining companies in the barometer group.

Notes:

- (1) Dividend Yield = yearly dividends per share divided by average yearly high-low market price.
- (2) Dividend Payout Ratio = dividends divided by income available for common equity.
- (3) Arithmetic average of achieved results for all individual companies in the group.
- (4) The 1997 spot dividend payout ratio = the current annualized dividend per share divided by latest reported 12 months earnings per share. The 1997 spot dividend yield = current annualized dividend per share divided by the spot market price on 06/17/97. The market price of PECO Energy Company common stock on 06/17/97 was \$20.125.
- (5) Excludes \$200.400 million in disallowed Clinton Station after-tax post-construction costs for Illinova Corporation and \$222.759 after-tax non-recurring write-off of a portion of the Zimmer Generating Station for CINergy Corporation. If these costs were included, the 1993 dividend payout ratio for the Barometer Group would have been 2.8%.
- (6) Excludes \$250.000 million of Limerick Unit No. 2 disallowances. If these costs were included, the 1990 dividend payout ratio for PECO Energy Company would have been 2007.2%.
- (7) Excludes \$135.618 million, after-tax, in disallowed Clinton Station after-tax post-construction costs for Illinova Corporation. Because Illinova Corporation paid no common dividends in 1990, even if these costs were included, the 1990 dividend payout ratio for the Barometer Group would have been 59.0%.
- (8) Excludes \$106.280 million non-recurring after-tax charge relative to Department of Public Utilities and Wholesale Settlement Agreements for Boston Edison Company, \$345.762 in disallowed Clinton Station after-tax post-construction costs for Illinova Corporation and an aggregate \$862.485 in after-tax write-offs due to the Project Olive Branch Settlements for Entergy Corporation. If these costs were included, the 1989 dividend payout ratio for the Barometer Group would have been 13.6%.
- (9) Excludes \$624.335 million in after-tax value of non-recurring disallowed plant costs for DTE Energy Company. If these costs were included, the 1988 dividend payout ratio for the Barometer Group would have been 52.5%.
- (10) Excludes \$91.311 million in after-tax non-recurring write-off of a portion of the Zimmer Generating Station for CINergy Corporation and \$72.900 million after-tax write-off of previously deferred Grand Gulf 1 Costs for Entergy Corporation. If these costs were included, the 1987 dividend payout ratio for the Barometer Group would have been 63.1%.

Source of Information: Standard & Poor's Compustat Services, Inc.,
Utility Compustat II
Moody's Public Utility Manuals
Annual Reports to Shareholders

PECO ENERGY COMPANY
CAPITALIZATION AND FINANCIAL STATISTICS
1992 - 1996, INCLUSIVE

	<u>1996(P)</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	
<u>AMOUNT OF CAPITAL EMPLOYED</u>						
TOTAL PERMANENT CAPITAL	\$9,641,130	\$9,905,400	\$10,055,330	\$10,203,690	\$10,188,720	
SHORT-TERM DEBT	287,500	0.	11,500	119,350	110,500	
TOTAL CAPITAL EMPLOYED	\$9,928,630	\$9,905,400	\$10,066,830	\$10,323,040	\$10,299,220	
	=====	=====	=====	=====	=====	
<u>INDICATED AVERAGE CAPITAL COST RATES</u>						
LONG TERM DEBT	NA	NA	NA	7.5%	8.3%	
PREFERRED STOCK	7.5	7.4	7.6	7.8	8.7	
<u>FINANCIAL RATIOS-MARKET BASED</u>						<u>5 YEAR AVERAGE</u>
EARNINGS/PRICE RATIO	8.1%	9.7%	6.6%	8.3%	7.7%	8.1%
MARKET/AVERAGE BOOK RATIO	134.5	136.9	138.7	157.4	137.5	141.0
DIVIDEND YIELD	6.3	6.1	5.8	4.8	5.4	5.7
DIVIDEND PAYOUT RATIO	78.2	62.4	87.9	58.4	69.8	71.3
<u>CAPITAL STRUCTURE RATIOS</u>						
<u>BASED ON TOTAL PERMANENT CAPITAL:</u>						
LONG-TERM DEBT	45.6%	48.3%	51.3%	52.2%	54.1%	50.3%
PREFERRED STOCK	6.2	6.0	5.9	6.0	6.4	6.1
COMMON EQUITY	48.2	45.7	42.8	41.8	39.5	43.6
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<u>BASED ON TOTAL CAPITAL:</u>						
TOTAL DEBT, INCLUDING SHORT TERM	47.2%	48.3%	51.4%	52.8%	54.6%	50.9%
PREFERRED STOCK	6.0	6.0	5.9	5.9	6.4	6.0
COMMON EQUITY	46.8	45.7	42.7	41.3	39.0	43.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<u>COVERAGES-INCLUDING ALL AFUDC (2)</u>						
BEFORE INCOME TAXES: ALL INTEREST CHARGES	3.3x	3.5x	2.6x	3.0x	2.4x	3.0x
AFTER INCOME TAXES: ALL INTEREST CHARGES	2.4	2.5	2.0	2.3	1.9	2.2
OVERALL COVERAGE: ALL INTEREST + PFD. DIV.	2.2	2.3	1.8	2.0	1.7	2.0
<u>COVERAGES-EXCLUDING ALL AFUDC (3)</u>						
BEFORE INCOME TAXES: ALL INTEREST CHARGES	3.3x	3.4x	2.6x	3.0x	2.3x	2.9x
AFTER INCOME TAXES: ALL INTEREST CHARGES	2.4	2.4	2.0	2.2	1.9	2.2
OVERALL COVERAGE: ALL INTEREST + PFD. DIV.	2.1	2.2	1.8	2.0	1.7	2.0
<u>QUALITY OF EARNINGS</u>						
OTHER INC./PRE-TAX GROSS INC. INCL. AFUDC (4)	1.4%	5.7%	4.1%	2.5%	(6.5%)	1.4%
AFUDC/INCOME AVAILABLE FOR COMMON EQUITY	4.0	4.6	5.7	4.4	4.9	4.7
EFFECTIVE INCOME TAX RATE	38.5	40.6	36.4	38.3	31.9	37.1
NET CASH FLOW/CAPITAL EXPENDITURES (5)	164.1	182.0	104.6	164.5	159.7	155.0
FUNDS FROM OPERATIONS/PERMANENT CAPITAL (6)	13.3	13.8	9.4	12.2	12.3	12.2
FUNDS FROM OPERATIONS/TOTAL DEBT (7)	27.3	28.6	18.2	22.8	22.2	23.8
FUNDS FROM OPERATIONS INTEREST COVERAGE (8)	4.3x	4.2x	3.2x	3.6x	3.4x	3.7x
COMMON DIVIDEND COVERAGE (9)	3.1	3.7	2.6	3.8	4.1	3.5

SEE PAGE 2 FOR NOTES.

PECO Energy Company
Capitalization and Financial Statistics
1992-1996, Inclusive

P Preliminary

Notes:

- (1) Computed by relating actual long-term debt interest or preferred stock dividends booked to average of beginning and ending long-term debt or preferred stock reported to be outstanding.
- (2) Coverages - including all AFUDC represent the number of times available earnings, including all AFUDC (allowance for funds used during construction), as reported in its entirety included as income, cover fixed charges. AFUDC includes allowance for borrowed and other funds used during construction.
- (3) Coverages - excluding all AFUDC represent the number of times available earnings, excluding all AFUDC, cover fixed charges.
- (4) Other Income / before-income tax gross income including AFUDC is non-operating income (net of expenses and non-income taxes) including all AFUDC as reported in its entirety, as a percentage of income available for fixed charges, including all AFUDC, before income taxes.
- (5) Net cash flow / capital expenditures is the percentage of capital expenditures, excluding all AFUDC, provided by funds from operations, excluding all AFUDC, and after payment of all cash dividends.
- (6) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC), as a percentage of permanent capital (long-term debt, current maturities and preferred and preference stock and common equity).
- (7) Funds from operations (as defined in Note 6), as a percentage of ending total debt.
- (8) Funds from operations (as defined in Note 6) plus interest charges divided by interest charges.
- (9) Common dividend coverage is the relationship of internally generated funds from operations excluding all AFUDC, and after payments of preferred stock dividends to common dividends.

Bond Ratings
June 1997

	<u>Moody's</u>	<u>S&P</u>
PECO Energy Company	Baa1	BBB+

Source of Information: PECO Energy Company 1994 and 1995 Annual Reports to Shareholders
Standard & Poor's Compustat Services, Inc., Utility Compustat II
Moody's Investors Service
Standard & Poor's Utility Rating Service

BAROMETER GROUP OF NINE ELECTRIC COMPANIES
CAPITALIZATION AND FINANCIAL STATISTICS (1)
1992 - 1996, INCLUSIVE

	1996(P)	1995	1994	1993	1992	
	(THOUSANDS OF DOLLARS)					
<u>AMOUNT OF CAPITAL EMPLOYED</u>						
TOTAL PERMANENT CAPITAL	\$6,899,530	\$6,754,050	\$6,674,490	\$6,453,020	\$5,907,410	
SHORT-TERM DEBT	229,190	149,750	188,060	138,100	103,630	
TOTAL CAPITAL EMPLOYED	\$7,128,720	\$6,903,800	\$6,862,550	\$6,591,120	\$6,011,040	
	=====	=====	=====	=====	=====	
<u>INDICATED AVERAGE CAPITAL COST RATES (2)</u>						
LONG TERM DEBT	7.0%	7.0%	7.2%	7.5%	8.3%	
PREFERRED STOCK	7.3	7.5	6.8	7.2	7.7	
<u>FINANCIAL RATIOS-MARKET BASED</u>						
EARNINGS/PRICE RATIO	7.9%	8.9%	7.7%	5.3%	8.4%	<u>5 YEAR AVERAGE</u> 7.6%
MARKET/AVERAGE BOOK RATIO	143.6	135.8	128.3	149.8	138.1	139.1
DIVIDEND YIELD	5.9	6.3	6.5	5.4	5.8	6.0
DIVIDEND PAYOUT RATIO	76.4	71.9	89.9	2.8	70.8	62.4
<u>CAPITAL STRUCTURE RATIOS</u>						
<u>BASED ON TOTAL PERMANENT CAPITAL:</u>						
LONG-TERM DEBT	49.8%	50.3%	51.1%	51.7%	51.7%	50.9%
PREFERRED STOCK	6.2	6.4	7.4	7.4	7.8	7.0
COMMON EQUITY	44.0	43.3	41.5	40.9	40.5	42.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<u>BASED ON TOTAL CAPITAL:</u>						
TOTAL DEBT, INCLUDING SHORT TERM	52.0%	51.7%	52.8%	53.0%	52.9%	52.5%
PREFERRED STOCK	5.9	6.2	7.1	7.2	7.6	6.8
COMMON EQUITY	42.1	42.1	40.1	39.8	39.5	40.7
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<u>COVERAGES-INCLUDING ALL AFUDC (3)</u>						
BEFORE INCOME TAXES: ALL INTEREST CHARGES	3.3x	3.3x	2.7x	2.6x	2.7x	2.9x
AFTER INCOME TAXES: ALL INTEREST CHARGES	2.4	2.4	2.1	1.9	2.2	2.2
OVERALL COVERAGE: ALL INTEREST + PFD. DIV.	2.2	2.2	1.9	1.7	1.9	2.0
<u>COVERAGES-EXCLUDING ALL AFUDC (4)</u>						
BEFORE INCOME TAXES: ALL INTEREST CHARGES	3.3x	3.3x	2.6x	2.5x	2.7x	2.9x
AFTER INCOME TAXES: ALL INTEREST CHARGES	2.4	2.4	2.1	1.9	2.1	2.2
OVERALL COVERAGE: ALL INTEREST + PFD. DIV.	2.2	2.1	1.9	1.7	1.9	2.0
<u>QUALITY OF EARNINGS</u>						
OTHER INC./PRE-TAX GROSS INC. INCL. AFUDC (5)	2.3%	4.7%	(4.9%)	(30.6%)	7.2%	(4.3%)
AFUDC/INCOME AVAILABLE FOR COMMON EQUITY	2.0	2.9	5.2	(0.7)	4.8	2.8
EFFECTIVE INCOME TAX RATE	37.6	37.5	30.8	31.5	32.0	33.9
NET CASH FLOW/CAPITAL EXPENDITURES (6)	165.8	153.4	128.1	134.2	125.9	141.5
FUNDS FROM OPERATIONS/PERMANENT CAPITAL (7)	12.5	11.9	11.4	11.2	10.8	11.6
FUNDS FROM OPERATIONS/TOTAL DEBT (8)	23.0	22.3	20.9	20.6	20.0	21.4
FUNDS FROM OPERATIONS INTEREST COVERAGE (9)	4.3x	4.0x	3.9x	3.7x	3.4x	3.9x
COMMON DIVIDEND COVERAGE (10)	3.5	3.5	3.5	3.6	3.4	3.5

SEE PAGE 2 FOR NOTES.

Barometer Group of Nine Electric Companies
Capitalization and Financial Statistics
1992-1996, Inclusive

P Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for the remaining companies in the barometer group.

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual long-term debt interest or preferred stock dividends booked to average of beginning and ending long-term debt or preferred stock reported to be outstanding.
- (3) Coverages - including all AFUDC represent the number of times available earnings, including all AFUDC (allowance for funds used during construction), as reported in its entirety included as income, cover fixed charges. AFUDC includes allowance for borrowed and other funds used during construction.
- (4) Coverages - excluding all AFUDC represent the number of times available earnings, excluding all AFUDC, cover fixed charges.
- (5) Other Income / before-income tax gross income including AFUDC is non-operating income (net of expenses and non-income taxes) including all AFUDC as reported in its entirety, as a percentage of income available for fixed charges, including all AFUDC, before income taxes.
- (6) Net cash flow / capital expenditures is the percentage of capital expenditures, excluding all AFUDC, provided by funds from operations, excluding all AFUDC, and after payment of all cash dividends.
- (7) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC), as a percentage of permanent capital (long-term debt, current maturities and preferred and preference stock and common equity).
- (8) Funds from operations (as defined in Note 6), as a percentage of ending total debt.
- (9) Funds from operations (as defined in Note 6) plus interest charges divided by interest charges.
- (10) Common dividend coverage is the relationship of internally generated funds from operations excluding all AFUDC, and after payments of preferred stock dividends to common dividends.

Selection Criteria:

The criteria used in the selection of this barometer group were to include those companies: 1) with an S.I.C. Code of 4911 (Electric Services) or 4931 (Electric and Other Services Combined); 2) with common stock which is actively traded; 3) which operate in the Northeastern, Great Lakes, North Central, South Central or Southeastern region of the continental United States (in conformance with the most recent regional groupings made by the Federal Energy Regulatory Commission's Bureau of Power); 4) with 1995 permanent capital of at least \$2 billion; 5) with at least 70% of 1995 operating revenues derived from electric operations; 6) with a Moody's bond rating of A3, Baa1 or Baa2 or a Standard & Poor's bond rating of A-, BBB+ or BBB; and 7) which have paid common dividends and have not cut their common dividends since 1992.

Barometer Group of Nine Electric Companies
Capitalization and Financial Statistics
1992-1996, Inclusive

	Bond Ratings June 1997	
	<u>Moody's</u>	<u>S&P</u>
American Electric Power Co., Inc. (1)	A3	A-
Boston Edison Company	Baa2	BBB
CINergy Corporation (2)	A3	A-
DQE, Inc. (3)	Baa1	BBB+
DTE Energy Company (4)	Baa2	BBB+
Entergy Corp. (5)	Baa2	BBB
GPU, Inc. (6)	Baa1	BBB+
Illinova Corporation (7)	Baa3	BBB
PP&L Resources, Inc. (8)	<u>A3</u>	<u>A-</u>
Average (9)	<u>Baa1</u>	<u>BBB+</u>

The names of the companies are:

American Electric Power Co., Inc. (1)	A3	A-
Boston Edison Company	Baa2	BBB
CINergy Corporation (2)	A3	A-
DQE, Inc. (3)	Baa1	BBB+
DTE Energy Company (4)	Baa2	BBB+
Entergy Corp. (5)	Baa2	BBB
GPU, Inc. (6)	Baa1	BBB+
Illinova Corporation (7)	Baa3	BBB
PP&L Resources, Inc. (8)	<u>A3</u>	<u>A-</u>
Average (9)	<u>Baa1</u>	<u>BBB+</u>

- Notes: (1) Ratings are a composite of those of American Electric Power WV, Columbus Southern Power Corp., Indiana Michigan Power Co., Kentucky Power, Kingsport Power Co., Ohio Power, and Wheeling Power Co..
- (2) Ratings are a composite of those of Cincinnati Gas & Electric, PSI Energy Inc. and Union Light Heat & Power Co.
- (3) Ratings are those of Duquesne Light Co.
- (4) Ratings are those of Detroit Edison Co.
- (5) Ratings are a composite of those of Entergy Arkansas Inc., Entergy Gulf States Inc., Entergy Louisiana Inc., Entergy Mississippi Inc. and Entergy New Orleans Inc.
- (6) Ratings are a composite of those of Jersey Central Power & Light, Metropolitan Edison and Pennsylvania Electric Co.
- (7) Ratings are those of Illinois Power Co.
- (8) Ratings are those of Pennsylvania Power & Light Co.
- (9) From page 2 of Schedule 11 (updated).

Source of Information: Moody's Investors Service
 Standard & Poor's Utility Rating Service

PECO Energy Company
Comparison of Statistical Data for PECO Energy Company
and the Barometer Group of Nine Electric Companies
for the Year Ended December 31, 1996 (P)

	PECO Energy Company	Barometer Group of Nine Electric Companies (1)
(A) Total Capitalization (\$000s)	\$9,928,632	\$7,128,727
(B) Total Operating Revenues (\$000s)	4,283,648	3,478,798
(C) Percent of Total Revenues Derived from Electric Operations	90.0%	94.1%
(D) Total Electric Sales (MMKWH)	54,123	49,258
(E) Number of Electric Customers	1,471,229	1,532,628
(F) Common Equity Ratio Based Upon Total Capital	46.8%	42.1%
(G) <u>Electric Generation Mix (2)</u>		
Steam:		
Nuclear	68.7 %	26.3 %
Coal (Some Wood)	21.7	60.8
Gas, Oil and other	7.4	12.2
Total	97.8 %	99.3 %
Hydro	3.8	0.5
Pumped Storage	4.7	0.5
Gas Turbine	0.5	0.4
Other Sources	0.0	0.0
Energy Input from Pumped Storage	(6.8)	(0.7)
Total	100.0 %	100.0 %

P Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for PECO Energy Co. and the remaining companies in the barometer group.

Notes: (1) Supporting information on page 2. 1995 electric generation mix for PECO Energy Co.

(2) 1995 electric generation mix for PECO Energy Co. 1996 information for PECO Energy Co. is not available

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II Company Uniform Statistical Reports

PECO Energy Company
 Statistical Data for the Barometer Group of Nine Electric Companies
 for the Year Ended December 31, 1996 (P)

	American Electric Power Co., Inc.	Boston Edison Company	CINergy Corp.	DQE, Inc.	DTE Energy Company	Entergy Corp. (1)	GPU, Inc.	Illinova Corp. (2)	PP&L Resources Inc. (1)
(A) Total Capitalization (\$000s)	\$10,763,178	\$2,600,608	\$6,167,281	\$3,156,664	\$7,782,049	\$15,924,608	\$7,329,652	\$4,000,500	\$6,434,000
(B) Total Operating Revenues (\$000s)	5,849,230	1,666,303	3,242,740	1,225,195	3,645,400	7,163,523	3,918,089	1,688,700	2,910,000 (3)
(C) Percent of Total Revenues Derived from Electric Operations	100.0%	100.0%	85.4%	100.0%	99.2%	90.1%	100.0%	79.4%	92.7%
(D) Total Electric Sales (MMKWH)	132,573	16,378 (4)	57,520	15,736	48,453	106,909	44,448	23,918	46,648
(E) Number of Electric Customers	2,943,016	657,487	1,377,532	580,700	2,025,588	2,426,078	1,997,000	549,957	1,236,294
(F) Common Equity Ratio Based Upon Total Capital	42.2%	39.9%	41.9%	44.1%	44.2%	41.6%	40.9%	41.7%	42.7%
(G) <u>Electric Generation Mix</u>									
Steam:									
Nuclear	11.2 %	42.6 %	0.0 %	31.3 %	10.9 %	38.0 %	38.5 %	28.0 %	36.4 %
Coal (Some Wood)	87.9	0.0	98.6	68.8	88.4	17.3	58.1	70.9	56.9
Gas, Oil and other	0.1	57.2	0.0	(0.1)	1.5	44.5	0.9	1.1	4.6
Total	99.2 %	99.8 %	98.6 %	100.0 %	100.8 %	99.8 %	97.5 %	100.0 %	97.9 %
Hydro	0.8	0.0	0.7	0.0	0.0	0.2	0.6	0.0	2.0
Pumped Storage	0.4	0.0	0.0	0.0	1.9	0.0	2.6	0.0	0.0
Gas Turbine	0.0	0.2	0.7	0.0	0.0	0.0	2.8	0.0	0.1
Other Sources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Energy Input from Pumped Storage	(0.4)	0.0	0.0	0.0	(2.7)	0.0	(3.5)	0.0	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

P Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for the remaining companies in the barometer group.

- Notes: (1) 1994 information. 1995 and 1996 electric generation mix is unavailable.
 (2) 1993 information. 1994, 1995 and 1996 electric generation mix is unavailable.
 (3) 1995 information. 1996 percent of total revenues derived from electric operations is unavailable
 (4) 1995 information. 1996 total electric sales (MMKWH) are unavailable.

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II Company Uniform Statistical Reports

PECO Energy Company
Comparison of Statistical Data for PECO Energy Company
and the Barometer Group of Nine Electric Companies
for the Year Ended December 31, 1996 (P)

	<u>PECO Energy Company</u>	<u>Barometer Group of Nine Electric Companies (1)</u>
Customer Mix		
(A)	In Dollars of Revenue (\$):	
	35.6 %	34.4 %
	19.4	31.9
	28.5	21.5
	13.6	6.3
	1.5	4.0
	1.4	1.9
Total	<u>100.0 %</u>	<u>100.0 %</u>
(B)	In Sales of MMKWH:	
	19.7 %	25.0 %
	12.0	27.4
	28.1	27.6
	39.1	13.9
	1.1	6.1
Total	<u>100.0 %</u>	<u>100.0 %</u>
(C)	In Number of Customers:	
	90.0 %	88.6 %
	9.7	10.6
	0.2	0.5
	0.1	0.3
	0.0	0.0
Total	<u>100.0 %</u>	<u>100.0 %</u>

P Preliminary. 1996 data are final for Entergy Corp., Ilinova Corp. and PP&L Resources, Inc. and preliminary for PECO Energy Co. and the remaining companies in the barometer group.

Notes: (1) Represents the percent of total electric revenues, MMKWH or customers not classified as commercial, industrial, or residential. It includes such items as electric service supplied to public street and highway lighting, other sales to public authorities (not for resale) and sales to railroads and railways.

(2) Represents percent of electric operating revenue from sources other than actual sales of electricity, such as forfeited discounts, miscellaneous service revenues, rent from electric property and interdepartmental rents.

(3) Supporting information on page 4.

Source of Information: Standard & Poor's Compustat Services, Inc.
Utility Compustat II
Company Uniform Statistical Reports

PECO Energy Company
 Comparison of Statistical Data for PECO Energy Company
 and the Barometer Group of Nine Electric Companies
 for the Year Ended December 31, 1996 (P)

	American Electric Power Co., Inc. (1)	Boston Edison Company (2)	CINergy Corp.	DQE, Inc.	DTE Energy Company	Entergy Corp. (3)	GPU, Inc. (4)	Illinova Corp. (5)	PP&L Resources Inc. (6)
Customer Mix									
(A) In Dollars of Revenue (\$):									
Residential	33.5 %	27.3 %	36.0 %	33.1 %	33.2 %	35.3 %	40.8 %	36.0 %	34.2 %
Commercial	22.0	49.5	24.3	40.0	41.8	24.4	33.8	23.7	27.8
Industrial	27.7	9.1	23.8	15.6	20.2	30.8	20.5	28.9	19.3
Other (6)	13.5	10.8	10.7	4.7	0.0	5.8	0.0	10.6	0.9
Sales for Resale	1.1	1.5	4.0	(0.9)	5.0	2.6	3.3	2.8	16.3
Other (Non- Ultimate) (7)	2.2	1.8	1.2	7.6	0.0	1.1	1.6	0.0	1.5
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
(B) In Sales of MMKWH:									
Residential	23.3 %	21.8 %	25.6 %	21.1 %	26.7 %	26.5 %	34.4 %	20.0 %	25.4 %
Commercial	17.0	46.4	20.5	36.5	36.6	19.8	31.5	16.3	22.0
Industrial	34.2	9.4	29.2	20.9	29.0	41.5	27.2	35.5	21.5
Other (6)	24.5	21.8	21.6	21.0	0.0	9.9	0.0	26.7	0.0
Sales for Resale	1.0	0.8	3.1	0.5	7.7	2.3	6.9	1.5	31.1
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
(C) In Number of Customers:									
Residential	87.8 %	87.1 %	88.3 %	90.0 %	91.2 %	86.9 %	88.3 %	89.7 %	88.1 %
Commercial	11.0	12.1	10.8	9.3	8.7	11.0	11.1	10.1	11.4
Industrial	0.8	0.3	0.5	0.4	0.0	1.6	0.4	0.1	0.4
Other (6)	0.4	0.5	0.4	0.3	0.1	0.5	0.2	0.1	0.1
Sales for Resale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

P Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for the remaining companies in the barometer

- Notes: (1) Customer mix based upon number of customers is for 1995. 1996 data are not available.
- (2) Customer mix based upon operating revenues, sales of MMKWH and number of customers is for 1995. 1996 data are not available
- (3) Customer mix based upon operating revenues is for 1994. 1995 data are not available.
- (4) Customer mix based upon number of customers is for 1993. 1994, 1995 and 1996 data are not available.
- (5) Customer mix based upon operating revenues is for 1994. 1995 and 1996 are not available.
- (6) Represents the percent of total electric revenues, MMKWH or customers not classified as commercial, industrial, or residential. It includes such items as electric service supplied to public street and highway lighting, other sales to public authorities (not for resale) and sales to railroads
- (7) Represents percent of electric operating revenue from sources other than actual sales of electricity, such as forfeited discounts, miscellaneous service revenues, rent from electric property and interdepartmental rents.

Source of Information: Standard & Poor's Compustat Services, Inc.
 Utility Compustat II
 Company Uniform Statistical Reports

PECO Energy Company
Comparison of Sales in Millions of Kilowatt Hours by Customer Class for
PECO Energy Company and the Barometer Group of Nine Electric Companies

	<u>Sales in</u> <u>Millions of Kilowatt Hours</u>			<u>Percent Increase</u>	
	<u>1987</u>	<u>1992</u>	<u>1996 (P)</u>	<u>1996</u> <u>over 1992</u>	<u>1996</u> <u>over 1987</u>
<u>PECO Energy Company</u>					
Residential	9,441.281	9,894.007	10,671.000	7.9 %	13.0 %
Commercial	4,340.640	5,366.675	6,491.000	21.0	49.5
Industrial	15,789.402	15,770.199	15,208.000	(3.6)	(3.7)
<u>Barometer Group of Nine</u> <u>Electric Companies (1)</u>					
Residential	10,097.082	10,822.163	13,958.181	29.0 %	38.2 %
Commercial	8,116.739	9,270.524	12,760.093	37.6	57.2
Industrial	12,597.511	13,655.719	17,336.135	27.0	37.6

P Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for PECO Energy Co. and the remaining companies in the barometer group.

Notes: (1) Supporting information on page 6.

Source of Information: Standard & Poor's Compustat Services, Inc.
Utility Compustat II

PECO Energy Company
Comparison of Sales in Millions of Kilowatt Hours by Customer Class for
the Barometer Group of Nine Electric Companies

	Sales in Millions of Kilowatt Hours			Percent Increase	
	1987	1992	1996 (P)	1996 over 1992	1996 over 1987
<u>American Electric Power Co., Inc.</u>					
Residential	24,493.605	26,998.398	30,853.000	14.3 %	26.0 %
Commercial	16,845.804	19,660.699	22,558.000	14.7	33.9
Industrial	36,667.710	41,327.199	45,395.000	9.8	23.8
<u>Boston Edison Company (1)</u>					
Residential	3,188.747	3,424.275	3,563.626	4.1 %	11.8 %
Commercial	6,750.867	7,202.578	7,604.839	5.6	12.6
Industrial	1,853.018	1,678.242	1,538.218	(8.3)	(17.0)
<u>CInergy Corp. (2)</u>					
Residential	6,095.925	6,583.054	14,705.000	123.4 %	141.2 %
Commercial	4,395.750	5,189.425	11,802.000	127.4	168.5
Industrial	5,198.015	5,925.789	16,803.000	183.6	223.3
<u>DQE, Inc.</u>					
Residential	3,065.120	3,069.087	3,321.000	8.2 %	8.3 %
Commercial	4,898.937	5,358.488	5,737.000	7.1	17.1
Industrial	2,917.718	3,058.651	3,285.000	7.4	12.6
<u>DTE Energy Company</u>					
Residential	11,134.000	11,309.000	12,949.000	14.5 %	16.3 %
Commercial	7,872.722	8,668.324	17,706.000	104.3	124.9
Industrial	18,225.304	18,543.296	14,062.000	(24.2)	(22.8)
<u>Entergy Corp.</u>					
Residential	17,053.003	17,548.398	28,303.000	61.3 %	66.0 %
Commercial	11,693.000	12,927.898	21,234.000	64.2	81.6
Industrial	20,615.003	23,638.796	44,340.000	87.6	115.1
<u>GPU, Inc.</u>					
Residential	12,445.000	13,725.398	15,298.000	11.5 %	22.9 %
Commercial	10,275.203	12,333.097	14,017.000	13.7	36.4
Industrial	12,140.101	11,901.199	12,093.000	1.6	(0.4)
<u>Illinova Corp.</u>					
Residential	4,240.937	4,137.855	4,782.000	15.6 %	12.8 %
Commercial	2,861.725	3,055.345	3,894.000	27.4	36.1
Industrial	7,323.164	8,082.699	8,493.000	5.1	16.0
<u>PP&L Resources Inc.</u>					
Residential	9,157.398	10,604.000	11,849.000	11.7 %	29.4 %
Commercial	7,456.640	9,038.863	10,288.000	13.8	38.0
Industrial	8,437.566	8,745.597	10,016.000	14.5	18.7

P Preliminary. 1996 data are final for Entergy Corp., Illinova Corp. and PP&L Resources, Inc. and preliminary for the remaining companies in the barometer group.

Notes: (1) Based upon 1987, 1991 and 1995 information since 1996 information is unavailable.

(2) 1996 information reflects the acquisition of PSI Energy, Inc. in October 1994. 1987 and 1992 information does not reflect the acquisition.

Source of Information: Standard & Poor's Compustat Services, Inc.
Utility Compustat II

PECO Energy Company
Comparison of Bond Ratings and Business Position for
PECO Energy Company and the
Barometer Group of Nine Electric Companies

<u>Company</u>	<u>June 1997</u> <u>Moody's Bond Rating</u>			<u>June 1997</u> <u>Standard & Poor's Bond Rating</u>			<u>Standard & Poor's</u> <u>Business Position (2)</u>	
	<u>Bond</u> <u>Rating</u>	<u>Numerical</u> <u>Weighting</u> <u>(1)</u>	<u>Average</u> <u>Numerical</u> <u>Weighting</u>	<u>Bond</u> <u>Rating</u>	<u>Numerical</u> <u>Weighting</u> <u>(1)</u>	<u>Average</u> <u>Numerical</u> <u>Weighting</u>		
PECO Energy Company	<u>Baa1</u>		<u>8.0</u>	<u>BBB+</u>		<u>8.0</u>	<u>Somewhat Below Average</u>	<u>6.0</u>
Barometer Group of								
<u>Nine Electric Companies</u>								
American Electric Power Co., Inc.								
American Electric Power WV	A3	7.0		A-	7.0		Somewhat Above Average	2.0
Columbus Southern Power Corp.	A3	7.0		A-	7.0		Somewhat Above Average	2.0
Indiana Michigan Power Co.	Baa1	8.0		BBB+	8.0		Somewhat Above Average	2.0
Kentucky Power	Baa1	8.0		BBB+	8.0		Somewhat Above Average	2.0
Kingsport Power Co.	NR	--		NR	--		Not Rated	0.0
Ohio Power	A3	7.0		A-	7.0		Somewhat Above Average	2.0
Wheeling Power Co.	<u>NR</u>	<u>--</u>		<u>NR</u>	<u>--</u>		<u>Not Rated</u>	<u>0.0</u>
Average	A3	7.4	7.4	A-	7.4	7.4	Somewhat Above Average	2.0
Boston Edison Company	Baa2		9.0	BBB		9.0	Average	4.0
CINergy Corporation								
Cincinnati Gas & Electric	A3	7.0		A-	7.0		High Average	3.0
PSI Energy Inc.	Baa1	8.0		A-	7.0		High Average	3.0
Union Light, Heat & Power Co.	<u>A3</u>	<u>7.0</u>		<u>A-</u>	<u>7.0</u>		<u>Not Rated</u>	<u>0.0</u>
Average	A3	7.3	7.3	A-	7.0	7.0	High Average	3.0
DQE, Inc.								
Duquesne Light Co.	Baa1		8.0	BBB+		8.0	Low Average	5.0
DTE Energy Company								
Detroit Edison Company	Baa2		9.0	BBB+		8.0	Somewhat Below Average	6.0

PECO Energy Company
 Comparison of Bond Ratings and Business Position for
 PECO Energy Company and the
Barometer Group of Nine Electric Companies

<u>Company</u>	<u>June 1997</u> <u>Moody's Bond Rating</u>			<u>June 1997</u> <u>Standard & Poor's Bond Rating</u>			<u>Standard & Poor's</u> <u>Business Position (2)</u>	
	<u>Bond</u> <u>Rating</u>	<u>Numerical</u> <u>Weighting</u> <u>(1)</u>	<u>Average</u> <u>Numerical</u> <u>Weighting</u>	<u>Bond</u> <u>Rating</u>	<u>Numerical</u> <u>Weighting</u> <u>(1)</u>	<u>Average</u> <u>Numerical</u> <u>Weighting</u>		
Entergy Corp.								
Entergy Arkansas Inc.	Baa2	9.0		BBB	9.0		Low Average	5.0
Entergy Gulf States Inc.	Baa3	10.0		BBB-	10.0		Somewhat Below Average	6.0
Entergy Louisiana Inc.	Baa2	9.0		BBB	9.0		Low Average	5.0
Entergy Mississippi Inc.	Baa2	9.0		BBB	9.0		Low Average	5.0
Entergy New Orleans Inc.	<u>Baa2</u>	<u>9.0</u>		<u>BBB</u>	<u>9.0</u>		<u>Low Average</u>	<u>5.0</u>
Average	Baa2	9.2	9.2	BBB	9.2	9.2	Low Average	5.2
GPU, Inc.								
Jersey Central Power & Light	Baa1	8.0		BBB+	8.0		Low Average	5.0
Metropolitan Edison	Baa1	8.0		BBB+	8.0		Low Average	5.0
Pennsylvania Electric Co.	<u>A3</u>	<u>7.0</u>		<u>A-</u>	<u>7.0</u>		<u>Average</u>	<u>4.0</u>
Average	Baa1	7.7	7.7	BBB+	7.7	7.7	Low Average	4.7
Illinova Corporation								
Illinois Power Co.	Baa3		10.0	BBB		9.0	Low Average	5.0
PP&L Resources, Inc.								
Pennsylvania Power & Light Co.	<u>A3</u>		<u>7.0</u>	<u>A-</u>		<u>7.0</u>	<u>Average</u>	<u>4.0</u>
Average for Barometer Group of Nine Electric Companies	<u>Baa1</u>		<u>8.3</u>	<u>BBB+</u>		<u>8.0</u>	<u>Average</u>	<u>4.3</u>

Notes:

- (1) As developed on page 2 of this Schedule.
 (2) From Standard & Poor's Utility Rating Service, Financial Statistics for the 12 months ending September 30, 1996.

Source of Information:

Moody's Investors Service
 Standard & Poor's Utility Rating Service

PECO Energy Company
 Numerical Assignment for
 Moody's and Standard & Poor's Bond Ratings and
Standard & Poor's Business Position

<u>Moody's Bond Rating</u>	<u>Numerical Bond Weighting</u>	<u>Standard & Poor's Bond Rating</u>
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

<u>Numerical Weighting</u>	<u>Standard & Poor's Business Position</u>
1.0	Above Average
2.0	Somewhat Above Average
3.0	High Average
4.0	Average
5.0	Low Average
6.0	Somewhat Below Average
7.0	Below Average

PECO Energy Company
 Analysis of State Regulatory Evaluations for
 PECO Energy Company and the
Barometer Group of Nine Electric Companies

<u>Company</u>	<u>Jurisdiction</u>	<u>Rating</u>	<u>Numerical Weighting (1)</u>	<u>Average Numerical Weighting</u>
PECO Energy Company	PA	<u>Average 3</u>		<u>6.0</u>
<u>Barometer Group of Nine Electric Companies</u>				
American Electric Power Co., Inc.	WV	Below Average 1	7.0	
	OH	Average 2	5.0	
	MI	Average 3	6.0	
	KY	Average 1	4.0	
	TN	Average 1	<u>4.0</u>	
	Average		5.2	5.2
Boston Edison Company	MA	Average 2		5.0
CINergy Corporation	OH	Average 2	5.0	
	IN	Above Average 2	2.0	
	KY	Average 1	<u>4.0</u>	
	Average		3.7	3.7
DQE, Inc.	PA	Average 3		6.0
DTE Energy Company	MI	Average 3		6.0
Entergy Corp.	AR	Average 3	6.0	
	TX	Below Average 2	8.0	
	LA	Below Average 2	8.0	
	MS	Average 1	<u>4.0</u>	
	Average		6.5	6.5
GPU, Inc.	NJ	Average 1	4.0	
	PA	Average 3	<u>6.0</u>	
	Average		5.0	5.0
Illinova Corporation	IL	Average 3		6.0
PP&L Resources, Inc.	PA	Average 3		<u>6.0</u>
Average for Barometer Group of Nine Electric Companies		<u>Average 2 / Average 3</u>		<u>5.5</u>

Notes: (1) As developed on page 2 of this schedule.

Source of Information: Regulatory Research Associates Inc.
 Regulatory Focus - May 2, 1997

Numerical Assignment for Regulatory Research Associates, Inc.
State Regulatory Evaluations

<u>Rating</u>	<u>Numerical Weighting</u>
Above Average 1	1
Above Average 2	2
Above Average 3	3
Average 1	4
Average 2	5
Average 3	6
Below Average 1	7
Below Average 2	8
Below Average 3	9

PECO Energy Company
Latest Authorized Return Rate on Common Equity for
PECO Energy Company and the
Barometer Group of Nine Electric Companies

<u>Company</u>	<u>Jurisdiction</u>	<u>Date Authorized</u>	<u>Return on Equity Authorized</u>	<u>Average Return on Equity Authorized</u>
PECO Energy Company	PA (Elec)	4/19/90	12.75 %	
PECO Energy Company	PA (Gas)	1/15/88	<u>13.15</u>	
Average			<u>12.95 %</u>	<u>12.95 %</u>
 <u>Barometer Group of Nine Electric Companies</u>				
American Electric Power Co., Inc.				
American Electric Power WV (1)	WV	12/27/96	N/A	(2)
Columbus Southern Power Corp.	OH	5/12/92	12.46 %	
Indiana Michigan Power Co.	MI	2/12/91	13.00	
Kentucky Power	KY	12/4/84	16.50	
Kingsport Power Co.	TN	11/3/92	12.00	
Ohio Power	OH	3/23/95	12.81	
Wheeling Power Co.	WV	5/9/83	<u>N/A</u>	(2)
Average			13.35 %	13.35 %
Boston Edison Company	MA	10/30/92		11.75 %
CINergy Corporation				
Cincinnati Gas & Electric	OH (Elec)	8/26/93	12.05 %	(3)
Cincinnati Gas & Electric	OH (Gas)	12/12/96	11.96	
PSI Energy Inc.	IN	9/27/96	11.00	
Union Light, Heat & Power Co.	KY (Elec)	5/5/92	11.50	
Union Light, Heat & Power Co.	KY (Gas)	7/23/93	<u>11.50</u>	
Average			11.60 %	11.60 %
DQE, Inc.				
Duquesne Light Co.	PA	3/25/88		12.87 %
DTE Energy Company				
Detroit Edison Company	MI	1/21/94		11.00 %
Entergy Corp.				
Entergy Arkansas Inc.	AR	7/27/87	13.00 %	
Entergy Gulf States Inc.	TX	3/20/95	12.00	
Entergy Louisiana Inc.	LA	11/12/96	N/A	(2)
Entergy Mississippi Inc.	MS	3/1/96	10.78	
Entergy New Orleans Inc.	LA (Elec)	1/9/97	N/A	(4)
Entergy New Orleans Inc.	LA (Gas)	1/9/97	<u>N/A</u>	(4)
Average			11.93 %	11.93 %
GPU, Inc.				
Jersey Central Power & Light	NJ	2/26/93	12.20 %	
Metropolitan Edison	PA	1/21/93	11.25	
Pennsylvania Electric Co.	PA	11/25/86	<u>N/A</u>	(2)
Average			11.73 %	11.73 %
Illinova Corporation				
Illinois Power Co.	IL (Elec)	2/11/92	12.40 %	
Illinois Power Co.	IL (Gas)	4/6/94	<u>11.24</u>	
Average			11.82 %	11.82 %
PP&L Resources, Inc.				
Pennsylvania Power & Light Co.	PA	9/27/95		<u>11.50 %</u>
Average for Barometer Group of Nine Electric Companies				<u>11.95 %</u>

Notes:

- (1) Formerly known as Appalachian Power Company.
- (2) Stipulated, no Return on Equity specified.
- (3) Return on Equity range of 11.4% to 12.7%.
- (4) Rate reduction ordered, no Return on Equity specified.

Source of Information:

Regulatory Research Associates, Inc.
Regulatory Focus

PECO Energy Company
**Comparison of Standard & Poor's Common Stock Ranking and
 Value Line's Safety Ranking for PECO Energy Company
 and the Barometer Group of Nine Electric Companies**

<u>Company</u>	June 1997 Standard & Poor's <u>Common Stock Ranking</u>		Value Line Safety <u>Ranking (3)</u>
	<u>Common Stock Ranking (1)</u>	<u>Numerical Weighting (2)</u>	
PECO Energy Company	<u>B</u>	<u>5.0</u>	<u>2.0</u>
<u>Barometer Group of Nine Electric Companies</u>			
American Electric Power Co., Inc.	B+	4.0	3.0
Boston Edison Company	B+	4.0	3.0
CINergy Corporation	B	5.0	2.0
DQE, Inc.	A-	3.0	2.0
DTE Energy Company	A-	3.0	3.0
Entergy Corp.	B	5.0	4.0
GPU, Inc.	B+	4.0	3.0
Illinova Corporation	B	5.0	3.0
PP&L Resources, Inc.	<u>A-</u>	<u>3.0</u>	<u>3.0</u>
Average for Barometer Group of Nine Electric Companies	<u>B+</u>	<u>4.0</u>	<u>2.9</u>

See page 2 of this schedule for Notes.

PECO Energy Company
Comparison of Standard & Poor's Common Stock Ranking and
Value Line's Safety Ranking for PECO Energy Company
and the Barometer Group of Nine Electric Companies

Notes:

- (1) Standard & Poor's rankings are based upon an appraisal of past performance of earnings and dividends and relative current standing measured against a scoring matrix determined by analysis of scores of a large and representative sample of stocks.
- (2) Numerical assignment for Standard & Poor's stock rankings are as follows:

<u>Numerical Stock Weighting</u>	<u>Standard & Poor's Stock Ranking</u>
1	A+
2	A
3	A-
4	B+
5	B
6	B-
7	C
8	D

- (3) Value Line's safety ranking is based on the stability of a company's market price adjusted for trends and other factors including company size, the penetration of markets, product market volatility, degree of financial leverage, earnings quality and overall condition of the balance sheet.

Source of Information: Standard & Poor's Stock Guide, June 1997
Value Line Investment Survey,
April 11 and June 13, 1997

PECO Energy Company
 Derivation of Dividend Yield for Use in the
Discounted Cash Flow Model

	Dividend Yield			Average Dividend Yield (4)
	Spot (06-17-97) (1)	Average of Last 3 Months (2)	Average of Last 6 Months (3)	
PECO Energy Company	<u>8.9</u> %	<u>9.1</u> %	<u>8.4</u> %	<u>8.8</u> %
<u>Barometer Group of Nine Electric Companies</u>				
American Electric Power Co., Inc.	5.8 %	5.9 %	5.8 %	5.8 %
Boston Edison Company	7.2	7.3	7.1	7.2
CINergy Corporation	5.2	5.3	5.3	5.3
DQE, Inc.	4.9	4.9	4.8	4.9
DTE Energy Company	7.6	7.7	7.1	7.5
Entergy Corp.	6.6	7.3	7.0	7.0
GPU, Inc.	5.6	6.0	5.8	5.8
Illinova Corporation	5.8	5.5	5.1	5.5
PP&L Resources, Inc.	<u>8.2</u>	<u>8.4</u>	<u>7.8</u>	<u>8.1</u>
Average	<u>6.3</u> %	<u>6.5</u> %	<u>6.2</u> %	<u>6.3</u> %

- Notes: (1) The spot dividend yield is the current annualized dividend per share divided by the spot market price at 06-17-97.
- (2) The average 3-month dividend yield was computed by relating the indicated annualized dividend rate and market price on the last trading day of each of the three months ended May 31, 1997
- (3) The average 6-month dividend yield was computed by relating the indicated annualized dividend rate and market price on the last trading day of each of the six months ended May 31, 1997
- (4) Equal weight has been given to the 6-month average, 3-month average and spot dividend yield.

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II Security APL Quote Server, <http://qs.secapl.com/>

PECO Energy Company
 Closing Market Prices
Spot, 3-Month Average and 6-Month Average

	Closing Market Prices			
	Spot (06-17-97) (1)	Average of Last 3 Months (2)	Average of Last 6 Months (3)	Average Closing Market Price (4)
<u>PECO Energy Company</u>	<u>\$20.125</u>	<u>\$19.708</u>	<u>\$21.646</u>	<u>\$20.493</u>
<u>Barometer Group of Nine Electric Companies</u>				
American Electric Power Co., Inc.	\$41.625	\$40.792	\$41.104	\$41.174
Boston Edison Company	26.125	25.750	26.333	26.069
CINergy Corporation	34.750	34.125	34.125	34.333
DQE, Inc.	27.875	27.833	28.458	28.055
DTE Energy Company	27.125	26.750	29.042	27.639
Entergy Corp.	27.375	24.750	25.917	26.014
GPU, Inc.	35.875	33.083	33.563	34.174
Illinova Corporation	21.250	22.417	24.354	22.674
PP&L Resources, Inc.	<u>20.250</u>	<u>19.958</u>	<u>21.396</u>	<u>20.535</u>
Average	<u>\$29.139</u>	<u>\$28.384</u>	<u>\$29.366</u>	<u>\$28.963</u>

- Notes: (1) The spot closing market price is the spot market price at 06-17-97.
 (2) The average 3-month was computed by averaging the closing market prices on the last trading day of each of the three months ended May 31, 1997
 (3) The average 6-month was computed by averaging the closing market prices on the last trading day of each of the six months ended May 31, 1997
 (4) Equal weight has been given to the 6-month average, 3-month average and spot closing market prices.

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II Security APL Quote Server, <http://qs.secapl.com/>

PECO Energy Company
Indicated Annualized Dividends Per Share
Spot, 3-Month Average and 6-Month Average

	Indicated Annualized Dividends Per Share			
	Spot (06-17-97) (1)	Average of Last 3 Months (2)	Average of Last 6 Months (3)	Average Indicated Annualized Dividends Per Share (4)
<u>PECO Energy Company</u>	<u>\$1.800</u>	<u>\$1.800</u>	<u>\$1.800</u>	<u>\$1.800</u>
<u>Barometer Group of Nine Electric Companies</u>				
American Electric Power Co., Inc.	\$2.400	\$2.400	\$2.400	\$2.400
Boston Edison Company	1.880	1.880	1.880	1.880
CINergy Corporation	1.800	1.800	1.800	1.800
DQE, Inc.	1.360	1.360	1.360	1.360
DTE Energy Company	2.060	2.060	2.060	2.060
Energys Corp.	1.800	1.800	1.800	1.800
GPU, Inc.	2.000	1.980	1.960	1.980
Illinova Corporation	1.240	1.240	1.220	1.233
PP&L Resources, Inc.	<u>1.670</u>	<u>1.670</u>	<u>1.670</u>	<u>1.670</u>
Average	<u>\$1.801</u>	<u>\$1.799</u>	<u>\$1.794</u>	<u>\$1.798</u>

- Notes: (1) The spot dividends per share are the indicated annualized dividends per share at 06-17-97.
- (2) The average 3-month was computed by averaging the indicated annualized dividends per share on the last trading day of each of the three months ended May 31, 1997
- (3) The average 6-month was computed by averaging the indicated annualized dividends per share on the last trading day of each of the six months ended May 31, 1997
- (4) Equal weight has been given to the 6-month average, 3-month average and spot indicated annualized dividends per share.

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II Security APL Quote Server, <http://qs.secapl.com/>

PECO Energy Company
Historical and Projected Growth

	1		2		3		4		5		6		7		8		9		
	Value Line Historical Five Year Growth Rate (1)		Value Line Projected 1994-'96 to 2000-'02 Growth Rate (1)				I/B/E/S Projected Five-Year Growth Rate (3)		Average of I/B/E/S and Value Line Projected Five-Year Growth in EPS (4)		Conclusion of Growth Rate (5)								
	DPS	EPS	DPS	EPS	BR (2)	EPS	No. of Analysts												
<u>PECO Energy Company</u>	<u>0.5</u> %	<u>(1.0)</u> %	<u>2.0</u> %	<u>2.5</u> %	<u>3.1</u> %	<u>2.6</u> %	[15]		<u>2.6</u> %								<u>2.6</u> %		
<u>Barometer Group of Nine Electric Companies</u>																			
American Electric Power Co., Inc.	--	--	1.0	5.5	5.1	2.7	[9]		4.1								4.1		
Boston Edison Company	2.5	5.5	0.5	1.0	2.7	2.3	[10]		1.7								1.7		
CINergy Corporation	1.5	(6.0)	2.5	6.5	4.0	4.9	[16]		5.7								5.7		
DQE, Inc.	6.0	7.5	5.0	3.0	4.4	4.9	[14]		4.0								4.0		
DTE Energy Company	3.0	(2.5)	0.5	2.5	4.1	2.5	[13]		2.5								2.5		
Entergy Corp.	19.5	0.5	1.0	9.5	4.9	4.2	[10]		6.9								6.9		
GPU, Inc.	6.5	0.5	2.5	6.5	4.8	3.4	[11]		5.0								5.0		
Illinova Corporation	23.5	32.5	8.5	7.0	5.5	6.5	[11]		6.8								6.8		
PP&L Resources, Inc.	<u>2.5</u>	<u>(1.0)</u>	<u>Nil</u>	<u>2.0</u>	<u>2.3</u>	<u>2.4</u>	[12]		<u>2.2</u>								<u>2.2</u>		
Average	<u>7.2</u> %	<u>4.1</u> %	<u>2.4</u> %	<u>4.8</u> %	<u>4.2</u> %	<u>3.8</u> %			<u>4.3</u> %								<u>4.3</u> %		

Notes:

- (1) From Value Line Investment Survey, April 11 and June 13, 1997. Historical growth rates are five-year compound growth rates.
- (2) From page 2 of this Schedule.
- (3) Compound growth rates in earnings per share are the only projected growth rates available from the I/B/E/S monthly summary.
- (4) Average of columns 4 and 6.
- (5) Based upon the average of I/B/E/S and Value Line Projected Five-Year Growth in EPS as explained in Mr. Brennan's direct testimony.

Source of Information: Value Line Investment Survey, April 11 and June 13, 1997
I/B/E/S Custom Report, May 15, 1997

PECO Energy Company
Projected Internal Growth Rate

	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	1996		2000 - 2002				2000 - 2002							
	Common Equity (%) (1)	Total Capital (\$ mill) (1)	Common Equity (\$ mill) (1)	Common Equity (%) (1)	Total Capital (\$ mill) (1)	Common Equity (\$ mill) (1)	Annual Common Equity Growth Rate (4)	ROE Adjustment Factor (5)	Return on Common Equity (1)	Return on Average Common Equity (6)	EPS (1)	DPS (1)	Retention Ratio (7)	Projected Internal Growth (8)
<u>PECO Energy Company</u>	49.90 %	\$9,308.50 %	\$4,644.94	50.50 %	\$10,250.00	\$5,176.25	2.19 %	1.01	11.00 %	11.11 %	\$2.55	\$1.84	27.8 %	2.1 %
<u>Barometer Group of Nine Electric Companies</u>														
American Electric Power Co., Inc.	45.70 %	\$9,942.30	\$4,543.63	48.00 %	\$11,980.00	\$5,750.40	4.00 %	1.02	13.50 %	13.77 %	\$4.00	\$2.52	37.0 %	5.1 %
Boston Edison Company	44.50	2,296.50	1,021.94	54.00	2,200.00	1,188.00	3.06	1.02	10.50	10.71	2.50	1.88	24.8	2.7
CINergy Corporation	48.60	5,313.70	2,582.46	56.50	5,835.00	3,296.78	5.01	1.02	13.50	13.77	2.80	1.98	29.3	4.0
DQE, Inc.	45.60	3,054.70	1,392.94	53.50	3,320.00	1,776.20	4.13	1.02	11.50	11.73	2.60	1.62	37.7	4.4
DTE Energy Company	46.00	7,483.30	3,442.32	53.00	6,700.00	3,551.00	0.62	1.00	11.50	11.50	3.25	2.10	35.4	4.1
Entergy Corp.	42.20	15,753.00	6,647.77	44.50	18,375.00	8,176.88	4.23	1.02	10.50	10.71	3.50	1.90	45.7	4.9
GPU, Inc.	45.20	6,735.10	3,044.27	50.50	7,750.00	3,913.75	4.28	1.02	11.50	11.73	3.75	2.20	41.3	4.8
Illinova Corporation	45.90	3,565.80	1,636.70	57.00	3,525.00	2,009.25	4.19	1.02	11.00	11.22	3.25	1.65	49.2	5.5
PP&L Resources, Inc.	44.40	6,179.00	2,743.48	54.50	5,850.00	3,188.25	2.54	1.01	11.00	11.11	2.10	1.67	20.5	2.3
Average														4.2 %

- Notes: (1) From Value Line Investment Survey, April 11 and June 13, 1997.
(2) Column 1 * column 2.
(3) Column 4 * column 5.
(4) Five / six year compound growth rate in common equity from 1996 / 1995 to 2000-2002 or $\frac{((\text{column 6} / \text{column 3})^{1/5} - 1) \text{ or } (((\text{column 6} / \text{column 3})^{1/6} - 1))$.
(5) $2 * ((1 + \text{column 7}) / (2 + \text{column 7}))$.
(6) Column 8 * column 9.
(7) $1 - (\text{column 12} / \text{column 11})$.
(8) Column 10 * column 13.

Source of Information: Value Line Investment Survey, April 11 and June 13, 1997

PECO Energy Company
Discounted Cash Flow Model
Summary of Conclusion

	<u>PECO Energy Company</u>	<u>Barometer Group of Nine Electric Companies</u>
1. Dividend Yield (1)	8.8 %	6.3 %
2. Dividend Growth Component (2)	<u>0.1</u>	<u>0.1</u>
3. Yield	8.9	6.4
4. Growth Rate (3)	<u>2.6</u>	<u>4.3</u>
5. Indicated Return Rate	<u>11.5 %</u>	<u>10.7 %</u>

Notes: (1) From page 1 of Schedule 15 (updated).

(2) This reflects a growth rate component equal to one-half the conclusion of growth rate (from page 1 of Schedule 16 (updated)) x Line No. 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, $8.8\% \times (1/2 \times 2.6\%) = 0.11\%$, rounded down to 0.1% for PECO Energy Company and $6.3\% \times (1/2 \times 4.3\%) = 0.14\%$, rounded down to 0.1% for the Barometer Group.

(3) Conclusion of growth from page 1 of Schedule 16 (updated).

PECO Energy Company
Indicated Common Equity Cost Rate Through Use
of the Capital Asset Pricing Model (1)

	<u>Value Line Adjusted Beta</u>	<u>Company-Specific Risk Premium Based on Market Premium of 6.7% (2)</u>	<u>CAPM Result Including Risk-Free Rate of 6.8% (3)</u>
<u>PECO Energy Company</u>	<u>0.90</u>	<u>6.0 %</u>	<u>12.8 %</u>
<u>Barometer Group of Nine Electric Companies</u>			
American Electric Power Co., Inc.	0.70	4.7 %	11.5 %
Boston Edison Company	0.70	4.7	11.5
CINergy Corporation	0.90	6.0	12.8
DQE, Inc.	0.75	5.0	11.8
DTE Energy Company	0.80	5.4	12.2
Entergy Corp.	0.75	5.0	11.8
GPU, Inc.	0.85	5.7	12.5
Illinova Corporation	0.90	6.0	12.8
PP&L Resources, Inc.	<u>0.70</u>	<u>4.7</u>	<u>11.5</u>
Average	<u>0.78</u>	<u>5.2 %</u>	<u>12.0 %</u>

See page 2 for notes.

PECO Energy Company
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for PECO Energy Company and the
Barometer Group of Nine Electric Companies
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

- (1) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$$R_s = R_f + \beta (R_M - R_f)$$

where R_s = Return rate of common stock

R_f = Risk Free Rate

β = Value Line Adjusted Beta

R_M = Return on the market as a whole

- (2) From the six previous month-end (Dec. '96 - May '97), as well as a recently available (June 13, 1997), Value Line Summary & Index, a forecasted 3-5 year total annual market return of 12.7% can be derived by averaging the, 6-month, 3-month and spot forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.

The 3-5 year average total market appreciation of 50%, produces a four-year average annual return of 10.67% $((1.50^{25}) - 1)$. When the average annual forecasted dividend yield of 2.00% is added, a total average market return of 12.67%, rounded to 12.67%, (2.00% + 10.67%) is derived.

The 6-month, 3-month and spot forecasted total market return of 12.7% minus the risk-free rate of 6.8% (June 6, 1997 30-year Treasury Bond) is 5.9% (12.7% - 6.8%). The Ibbotson Associates calculated market premium of 7.5% for the period 1926-1996 results from a total market return of 12.7% less the average income return on long-term U.S. Government Securities of 5.2% (12.7% - 5.2% = 7.5%). The 7.5% is then averaged with the 5.9% Value Line derived market premium resulting in a 6.7% market premium. The 6.7% market premium is then multiplied by the beta in column 1 of page 1 of this Schedule.

- (3) The June 6, 1997 30-year Treasury Bond yield is assumed as the risk-free rate.

Source of Information: Value Line Summary & Index
Value Line Investment Survey, April 11, and June 13, 1997
Federal Reserve Statistical Release, June 9, 1997
Stocks, Bonds, Bills and Inflation - 1997 Yearbook Market
Results for 1926-1996 Ibbotson Associates, Inc., Chicago, IL

PECO ENERGY COMPANY
UPDATE OF "ELECTRIC AND TELEPHONE UTILITY STOCKHOLDER
RETURNS: 1972-1992" (NARUC - SEPTEMBER 13, 1993)

LINE NO.		NARUC (1)		NARUC - Update (2)		
		OVERALL AVERAGE RETURN	TWENTY- ONE YEAR HOLDING PERIOD	TWENTY- FIVE YEAR HOLDING PERIOD	FIVE YEAR HOLDING PERIOD	SIX YEAR HOLDING PERIOD
		1972 - 1992 (3)	1972 - 1992 (4)	1972 - 1996 (5)	1992 - 1996 (6)	1992 - 1997 (7)
1.	AVERAGE OF ALL UTILITIES	14.46 %	9.79 %	9.70 %	8.44 %	7.41 %
2.	AVERAGE OF ALL ELECTRIC UTILITIES	14.19 %	9.56 %	9.51 %	7.85 %	6.90 %
3.	AVERAGE OF ALL TELEPHONE UTILITIES	17.45 %	12.41 %	12.45 %	17.00 %	14.66 %
4.	PECO ENERGY CO.	13.87 %	8.31 %	8.38 %	9.18 %	5.38 %
5.	MAJOR NON-REGULATED U.S. INDUSTRIAL COMPANIES (8)	12.95 %	10.18 %	10.27 %	10.79 %	14.32 %
6.	PERCENT OF ALL ELECTRICAL AND TELEPHONE UTILITIES WHOSE RETURN IS GREATER THAN THAT OF MAJOR NON-REGULATED U.S. INDUSTRIAL CORPORATIONS (8)	72 %	43 %	33 %	32 %	5 %

See pages 2 and 3 of this Schedule for notes.

Source of Information: Electric and Telephone Utility Stockholder Returns: 1972-1992" (NARUC - September 13, 1993)
Standard & Poor's Compustat Services Inc., Utility and Telecommunications Compustat II
Standard & Poor's June 1997 Stock Guide
Standard & Poor's Statistical Service, Security Price Index Record, 1996 Edition
Standard & Poor's Statistical Service, Current Statistics, May 1997
Wall Street Journal, various issues

PECO Energy Company
Update of "Electric and Telephone Utility Stockholder
Returns: 1972 - 1992" (NARUC - September 13, 1993)

Notes:

- (1) From "Electric and Telephone Utility Stockholder Returns: 1972 - 1992" (NARUC - September 13, 1993), pp. 55-56, 85 and 100-101.
- (2) Updated using identical methodology to that used in "Electric and Telephone Utility Stockholder Returns: 1972 - 1992" (NARUC - September 13, 1993) as described on pages 6-8 of the NARUC Study.

Data for 1972-1976 for the electric and telephone utilities were taken from the NARUC Study, pp. 41-42, 45, 47-48 and 51. Data for 1977-1997 for the electric and telephone utilities are from Standard & Poor's (S&P) Compustat Services Inc., *Utility and Telecommunications Compustat II* and the February 1997 S&P Stock Guide. Data for 1972-1997 for the S&P 400 Industrial Composite are from S&P Statistical Service, Security Price Index Record, 1996 Edition, pp. 131-133, S&P's *Current Statistics*, February 1997, p. 29, and S&P's January and February 1997 Stock Guides, p. 257. Data for 1972-1992 for the Value Line Industrial Composite are from the NARUC Study, pp. 45-46 and 51-52. Data for 1993-1996 for the Value Line Industrial Composite are from Value Line Investment Survey, Selection & Opinion, August 23, 1996, p. 7285.

Gulf States Utilities Co., Iowa-Illinois Gas & Electric Co., PSI Holdings, Inc. and Centel Corp. have been excluded from the update: Gulf States Utilities Co. is now Entergy Gulf States, a subsidiary of Entergy Corp.; Iowa-Illinois Gas & Electric Co. merged into MidAmerican Energy Holdings; PSI Holdings, Inc. is now a subsidiary of CInergy Corp.; and Centel Corp. is now a subsidiary of Sprint Corp.

- (3) Average of 171 hypothetical holding periods.
- (4) Average return for a single twenty-one year holding period assuming that a stock is purchased in mid-1972 and sold in mid-1992.
- (5) Average return for a single twenty-five year holding period assuming that a stock is purchased in mid-1972 and sold in mid-1996.
- (6) Average return for a single five year holding period assuming that a stock is purchased in mid-1992 and sold in mid-1996.
- (7) Average return for a single six year holding period assuming that a stock is purchased in mid-1992 and sold in mid-1997.

PECO Energy Company
Update of "Electric and Telephone Utility Stockholder
Returns: 1972 - 1992" (NARUC - September 13, 1993)

- (8) The NARUC study included the Value Line Industrial Composite but the percent of all electric and telephone utilities whose return is greater than that of major non-regulated U.S. industrial companies was relative to S&P 400 Industrial Composite. Thus, percentages shown on Lines No. 5 and 6 are for the S&P 400 Industrial Composite.

PECO ENERGY COMPANY

**RETURN ON AVERAGE COMMON EQUITY FOR THE YEARS 1972-1992, 1972-1996, 1992-1996
AS REPORTED AND ADJUSTED TO EXCLUDE ALL AFUDC FOR ELECTRIC AND TELEPHONE UTILITIES
USED IN "ELECTRIC AND TELEPHONE STOCKHOLDER RETURNS: 1972-1992" (NARUC - SEPTEMBER 13, 1993)**

	<u>1972-1992</u>		<u>1972-1996</u>		<u>1992-1996</u>	
	<u>RETURN ON</u>		<u>RETURN ON</u>		<u>RETURN ON</u>	
	<u>AVERAGE</u>		<u>AVERAGE</u>		<u>AVERAGE</u>	
	<u>COMMON EQUITY</u>		<u>COMMON EQUITY</u>		<u>COMMON EQUITY</u>	
	<u>ADJUSTED</u>		<u>ADJUSTED</u>		<u>ADJUSTED</u>	
	<u>AS</u>	<u>TO EXCLUDE</u>	<u>AS</u>	<u>TO EXCLUDE</u>	<u>AS</u>	<u>TO EXCLUDE</u>
	<u>REPORTED (1)</u>	<u>ALL AFUDC (2)</u>	<u>REPORTED (1)</u>	<u>ALL AFUDC (2)</u>	<u>REPORTED (1)</u>	<u>ALL AFUDC (2)</u>
<u>AVERAGE OF ALL UTILITIES (3)</u>	12.44 %	9.03 %	12.27 %	9.33 %	11.39 %	10.87 %
<u>AVERAGE OF ALL ELECTRIC UTILITIES</u>	12.35 %	8.74 %	12.17 %	9.05 %	11.18 %	10.65 %
<u>AVERAGE OF ALL TELEPHONE UTILITIES</u>	13.86 %	12.96 %	13.99 %	13.18 %	14.66 %	14.36 %
<u>PECO Energy Co.</u>	11.11 %	4.25 %	11.19 %	5.34 %	11.38 %	10.85 %
<u>EARNINGS/BOOK RATIO FOR MAJOR NON-REGULATED U.S. INDUSTRIAL COMPANIES (4)</u>	14.33 %		15.43 %		19.58 %	

See page 2 of this Schedule for notes.

SOURCE OF INFORMATION: Standard & Poor's Compustat Services, Inc.
Utility Compustat II & Telecommunications Compustat II
S&P Security Price Index Record, 1996 Edition, pp. 2 and 128-133
S&P Statistical Service, Current Statistics, May 1997, p. 29

PECO Energy Company
Return on Average Book Common Equity for the Years
1972 - 1992, 1972 - 1996 and 1992 - 1996
as Reported and Adjusted to Exclude All AFUDC
for the Electric and Telephone Utilities Included in the
"Electric and Telephone Utility Stockholder
Returns: 1972 - 1992" (NARUC - September 13, 1993)

Notes:

- (1) Calculated as income available for common stock divided by the average of the beginning and ending year's total common equity.
- (2) Calculated as income available for common stock less total Allowance for Funds Used During Construction (AFUDC) divided by the average of the beginning and ending year's total common equity.
- (3) Gulf States Utilities Co., Iowa-Illinois Gas & Electric Co., PSI Holdings, Inc. and Centel Corp. have been excluded from the update: Gulf States Utilities Co. is now Entergy Gulf States, a subsidiary of Entergy Corp.; Iowa-Illinois Gas & Electric Co. merged into MidAmerican Energy Holdings; PSI Holdings, Inc. is now a subsidiary of CINergy Corp.; and Centel Corp. is now a subsidiary of Sprint Corp.
- (4) Calculated as earnings per share for the Standard & Poor's (S&P) 400 Industrial Composite divided by the average of the beginning and ending year's book value per share. 1995 and 1996 earnings / book for the S&P 400 Industrial Composite is based upon an estimated 1995 and 1996 book value per share for the Composite.

PECO Energy Company

Comparison of Income Available for Common Equity: Based Upon Authorized Return Rate on Common Equity Applicable to Electric Operations and as Reported - Including and Excluding all AFUDC

Year	1		2	3	4	5	6	7
	Income Available for Common Equity as Reported (1)		Income Available for Common Equity Excluding All AFUDC (2)	Authorized Return Rate on Common Equity Applicable to Electric Operations (3)	Average Common Equity (4)	Income Available for Common Based Upon Auth. Return on Common Equity (5)	Income Avail. for Common Equity as Reported less Income Avail. for Common Based Upon Auth. Return on Common Equity (6)	Income Avail. for Common Equity Excl. all AFUDC less Income Avail. for Common Based Upon Auth. Return on Common Equity (7)
	(\$ mill)	(\$ mill)	(%)	(\$ mill)	(\$ mill)	(\$ mill)	(\$ mill)	(\$ mill)
1972	\$85.928	\$43.478	10.00 %	\$838.211	\$83.821	\$2.107		(\$40.343)
1973	94.811	36.068	10.20	975.734	99.525	(4.714)		(63.457)
1974	94.825	23.984	10.20	1,067.329	108.868	(14.043)		(84.884)
1975	107.902	41.028	11.00	1,148.990	126.389	(18.487)		(85.361)
1976	125.204	47.563	11.00	1,272.637	139.99	(14.786)		(92.427)
1977	132.734	46.656	11.00	1,379.973	151.797	(19.063)		(105.141)
1978	141.349	50.352	13.50	1,455.025	196.428	(55.079)		(146.076)
1979	149.698	36.315	13.50	1,526.426	206.068	(56.370)		(169.753)
1980	174.950	27.400	14.00	1,655.595	231.783	(56.833)		(204.383)
1981	223.761	34.964	15.45	1,847.356	285.417	(61.656)		(250.453)
1982	278.623	65.363	17.02	2,107.767	358.742	(80.119)		(293.379)
1983	321.705	45.711	17.58	2,410.665	423.795	(102.090)		(378.084)
1984	409.707	54.852	16.15	2,728.935	440.723	(31.016)		(385.871)
1985	434.724	1.233	16.70	3,040.797	507.813	(73.089)		(506.580)
1986	474.693	296.255	15.75	3,342.250	526.404	(51.711)		(230.149)
1987	446.450	277.067	14.75	3,439.170	507.278	(60.828)		(230.211)
1988	468.765	247.694	14.75	3,488.513	514.556	(45.791)		(266.862)
1989	493.807	223.307	14.75	3,667.442	540.948	(47.141)		(317.641)
1990	15.458	(39.877)	13.42	3,683.425	494.316	(478.858)		(534.193)
1991	468.576	445.492	12.75	3,757.192	479.042	(10.466)		(33.550)
1992	418.210	397.547	12.75	3,956.010	504.391	(86.181)		(106.844)
1993	541.590	517.816	12.75	4,141.579	528.051	13.539		(10.235)
1994	389.415	367.246	12.75	4,281.719	545.919	(156.504)		(178.673)
1995	586.515	559.465	12.75	4,415.627	562.992	23.523		(3.527)
1996	499.169	479.222	12.75	4,587.337	584.885	(85.716)		(105.663)
Cumulative	\$7,578.569	\$4,326.201			\$9,149.941	(\$1,571.372)		(\$4,823.740)

- Notes: (1) Calculated as income available for common stock divided by the average of the beginning and ending year's total common equity.
(2) Calculated as income available for common stock less total Allowance for Funds Used During Construction (AFUDC) divided by the average of the beginning and ending year's total common equity.
(3) Company-provided.
(4) Average of beginning and ending year's total common equity.
(5) Column 3 x column 4.
(6) Column 1 - column 5.
(7) Column 2 - column 5.

Source of Information: Standard & Poor's Compustat Services, Inc., Utility Compustat II
Moody's Public Utility Manuals
PECO Energy Company 1996 Annual Report to Shareholders
Company-provided data

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**APPLICATION OF PECO ENERGY COMPANY
FOR APPROVAL OF ITS RESTRUCTURING PLAN
UNDER SECTION 2806 OF THE PUBLIC UTILITY CODE**

EXHIBIT

**TO ACCOMPANY THE
REBUTTAL TESTIMONY**

OF

JOSEPH F. BRENNAN

**Regarding the Development of
the Cost Rate for Common Equity,
Overall Rate of Return, and an
Overall After-Tax Discount Rate Employed
to Compute Stranded Investment and
and Comments Regarding the Direct Testimony
of John B. Legler, Kevan L. Deardorff,
David Schoengold, Peter A. Bradford, and
Ralph C. Smith**

PECO Energy Company
Table of Contents
to the Financial Supporting Exhibit
of Joseph F. Brennan

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STOCKS
BONDS
BILLS
AND
INFLATION

SBBI

1996
YEARBOOK

MARKET
RESULTS
FOR
1926-1995

IBBOTSON
ASSOCIATES



Table 6-7

**Total Returns,
 Income Returns, and
 Capital Appreciation of
 the Basic Asset Classes**

**Summary Statistics
 of Annual Returns**

From 1926 to 1995

Series	Geometric Mean	Arithmetic Mean	Standard Deviation	Serial Correlation
Large Company Stocks:				
Total Returns	10.5%	12.5%	20.4%	-0.02%
Income	4.6	4.6	1.3	0.81
Capital Appreciation	5.7	7.6	19.7	-0.02
Small Company Stocks:				
Total Returns	12.5	17.7	34.4	0.09
Long-Term Corporate Bonds:				
Total Returns	5.7	6.0	8.7	0.12
Long-Term Government Bonds:				
Total Returns	5.2	5.5	9.2	0.01
Income	5.1	5.2	2.9	0.96
Capital Appreciation	-0.1	0.2	8.0	-0.13
Intermediate-Term Government Bonds:				
Total Returns	5.3	5.4	5.8	0.20
Income	4.7	4.8	3.1	0.96
Capital Appreciation	0.4	0.5	4.4	-0.16
U.S. Treasury Bills:				
Total Returns	3.7	3.8	3.3	0.92
Inflation	3.1	3.2	4.6	0.64

Total return is equal to the sum of three component returns: income return, capital appreciation return, and reinvestment return. Annual reinvestment returns for select asset classes are provided in Table 2-6.

*Expected Equity
Risk Premium*

Unlike the yield on a bond, the expected equity risk premium is unobservable in the market and must be estimated, typically by using historical data.¹⁵ It can be calculated by subtracting the long-term average of the income return on the riskless asset from the long-term average stock market return (measured over the same period as for the riskless asset). The maturity (or duration) of the riskless asset from which r_f is taken must be the same as that used to estimate **ERP**. When calculating the equity risk premium, some analysts subtract a long-term Treasury bond's *total return*—rather than its income return—from the total return on the overall stock market. The income return is the better measure of return to be subtracted from the stock market total return for two reasons:

1. It is the completely riskless portion of the issues' returns (Treasury securities are subject to price risk).
2. Bond yields have risen historically, causing capital losses in fixed-income securities (including U.S. Treasury issues). These capital losses caused bonds' total returns to be lower than the returns that investors expected. In other words, had the investor held the bond to maturity, the investor would have realized the yield on the bond as the total return; but in a constant maturity portfolio such as those used to measure bond returns in this book, bonds are sold before maturity (at a capital loss if the market yield has risen since the time of purchase). There is no evidence that investors expect bond capital losses to be repeated in the future (otherwise bond prices would be adjusted accordingly), so that historical total returns are biased downward as indicators of future expectations. Historical income returns, in contrast, are unbiased estimators of the returns that investors expected.

Since the market provides a clear measure of what investors in Treasury obligations expected—the bonds' yields or income returns—this information should be used to estimate the riskless rate for the purpose of calculating the expected equity risk premium.

As with β_s , the expected equity risk premium is usually estimated using historical information. Implicit in using history to forecast the future is the assumption that

15

It should be noted that from a valuation specialist's point of view, the stock market returns presented in this book are after corporate taxes but before personal taxes, and should be applied to cash flows calculated on the same basis.

STOCKS
BONDS
BILLS
AND
INFLATION

SBBI

1997
YEARBOOK

MARKET
RESULTS
FOR
1926-1996

IBBOTSON
ASSOCIATES



Table 6-7 Total Returns, Income Returns, and Capital Appreciation of the Basic Asset Classes Summary Statistics of Annual Returns

From 1926 to 1996				
Series	Geometric Mean	Arithmetic Mean	Standard Deviation	Serial Correlation
Large Company Stocks:				
Total Returns	10.7%	12.7%	20.3%	-0.01%
Income	4.6	4.6	1.3	0.81
Capital Appreciation	5.9	7.8	19.6	-0.01
Small Company Stocks:				
Total Returns	12.6	17.7	34.1	0.09
Long-Term Corporate Bonds:				
Total Returns	5.6	6.0	8.7	0.10
Long-Term Government Bonds:				
Total Returns	5.1	5.4	9.2	-0.01
Income	5.1	5.2	2.9	0.96
Capital Appreciation	-0.3	0.1	8.0	-0.17
Intermediate-Term Government Bonds:				
Total Returns	5.2	5.4	5.8	0.18
Income	4.7	4.8	3.1	0.96
Capital Appreciation	0.3	0.4	4.4	-0.19
U.S. Treasury Bills:				
Total Returns	3.7	3.8	3.3	0.92
Inflation	3.1	3.2	4.5	0.64

Total return is equal to the sum of three component returns: income return, capital appreciation return, and reinvestment return. Annual reinvestment returns for select asset classes are provided in Table 2-6.

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2. Bond yields have risen historically, causing capital losses in fixed-income securities (including U.S. Treasury issues). These capital losses caused bonds' total returns to be lower than the returns that investors expected. In other words, had the investor held the bond to maturity, the investor would have realized the yield on the bond as the total return; but in a constant maturity portfolio such as those used to measure bond returns in this book, bonds are sold before maturity (at a capital loss if the market yield has risen since the time of purchase). There is no evidence that investors expect bond capital losses to be repeated in the future (otherwise bond prices would be adjusted accordingly), so that historical total returns are biased downward as indicators of future expectations. Historical income returns, in contrast, are unbiased estimators of the returns that investors expected.

Since the market provides a clear measure of what investors in Treasury obligations expected—the bonds' yields or income returns—this information should be used to estimate the riskless rate for the purpose of calculating the expected equity risk premium.

As with β_s , the expected equity risk premium is usually estimated using historical information. Implicit in using history to forecast the future is the assumption that

¹⁵

It should be noted that from a valuation specialist's point of view, the stock market returns presented in this book are after corporate taxes but before personal taxes, and should be applied to cash flows calculated on the same basis.

THE VALUE LINE

Investment Survey®

Part 1
**Summary
 &
 Index**

File at the front of the
 Ratings & Reports
 binder. Last week's
 Summary & Index
 should be removed.

June 13, 1997

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SCREENS

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The Median of Estimated
PRICE-EARNINGS RATIOS
 of all stocks with earnings

16.4

26 Weeks Ago*	Market Low	Market High
15.8	12-23-74* 4.8	9-4-87* 16.9

The Median of
ESTIMATED YIELDS
 (next 12 months) of all dividend
 paying stocks under review

1.9%

26 Weeks Ago*	Market Low	Market High
2.1%	12-23-74* 7.8%	9-4-87* 2.3%

The Estimated Median
APPRECIATION POTENTIAL
 of all 1700 stocks in the hypothesized
 economic environment 3 to 5 years hence

45%

26 Weeks Ago*	Market Low	Market High
45%	12-23-74* 234%	9-4-87* 40%

*Estimated medians as published in *The Value Line Investment Survey* on the dates shown.

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

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Air Transport (11) 251	Electrical Equipment (47) 1001	Investment Co.(Foreign) (48) 354	Retail (Special Lines) (23) 1675
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Apparel (6) 1611	*Electric Utility (East) (92) 160	Machinery (50) 1301	Securities Brokerage (24) 1410
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Auto Parts (OEM) (59) 815	Electronics (64) 1020	Maritime (55) 278	Semiconductor Cap Equip (21) ... 1070
*Auto Parts (Replacement) (78) 112	Entertainment (71) 1778	Medical Services (5) 649	Shoe (4) 1666
Bank (39) 2101	Environmental (81) 343	*Medical Supplies (61) 196	Steel (General) (83) 592
Bank (Canadian) (3) 1568	Financial Services (15) 2139	Metal Fabricating (44) 578	Steel (Integrated) (62) 1394
Bank (Midwest) (25) 631	Food Processing (42) 1461	Metals & Mining (Div.) (85) 1216	Telecom. Equipment (10) 774
Beverage (Alcoholic) (72) 1530	Food Wholesalers (54) 1520	Natural Gas (Distnb.) (94) 471	Telecom. Services (86) 985, 741
Beverage (Soft Drink) (19) 1538	Foreign Electron/Entertn (65) 1553	Natural Gas(Diversified) (74) 449	Textile (13) 1628
Building Materials (30) 851	Foreign Telecom. (33) 790	Newspaper (37) 1821	Thrift (14) 1151
Cable TV (76) 840	Furn./Home Furnishings (17) 901	Office Equip & Supplies (27) 1118	*Tire & Rubber (80) 122
Canadian Energy (45) 433	Gold/Silver Mining (88) 1202	Oilfield Services/Equip. (2) 1860	Tobacco (53) 1575
Cement & Aggregates (20) 892	Grocery (82) 1502	Packaging & Container (52) 941	Toiletries/Cosmetics (8) 832
Chemical (Basic) (73) 1230	Healthcare Information (68) 678	Paper & Forest Products (84) 912	Trucking/Transp. Leasing (57) 255
Chemical (Diversified) (89) 1887	*Home Appliance (75) 128	Petroleum (Integrated) (49) 401	Water Utility (90) 1403
Chemical (Specialty) (63) 497	Homebuilding (18) 873	Petroleum (Producing) (9) 1847	
Coal/Alternate Energy (1) 1881	Hotel/Gaming (69) 1788	*Precision Instrument (38) 135	
Computer & Peripherals (7) 1077	Household Products (43) 955	Publishing (77) 1804	
Computer Software & Svcs (34) 2193	Industrial Services (29) 2165	Railroad (32) 284	
Copper (70) 1217	Insurance (Diversified) (31) 2165	R.E.I.T. (56) 1169	
Diversified Co. (36) 1187	Insurance (Life) (12) 1187	Recreation (46) 1761	

*Reviewed in this week's edition.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LII, No. 40.

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June 13, 1997

SUMMARY AND INDEX • THE VALUE LINE INVESTMENT SURVEY

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NE-PA

PAGE NUMBERS

Bold type refers to Ratings and Reports; italics to Selection & Opinion

NAME OF STOCK	Ticker Symbol	Timeliness		Rank for Safety			Industry Rank			Technical Rank			Where Options Trade					
		Recent Price		Beta	Estimated Range of 3-5 yr. average prices 2000-2002	Current P/E Ratio	Est'd Yield next 12 mos.	Est'd Earnings 12-31-97	LATEST RESULTS									
		Qtr. Ended	Earnings Per sh.						Year Ago	Qtr. Ended	Latest Div'd	Year Ago						
878 Newhall Land & Farming	NHL	20	3 3	.80	25-40	(25-100%)	16.7	2.1%	1.20	.42	18	3/31	.30	.17	6/30	.10	.10	4
1585 1211 Newmont Mining	NEM	37	3 3	.45	50-80	(25-115%)	33.6	1.3%	1.10	.48	88	3/31	.21	.11	6/30	.12	.12	4
148 Newport Corp.	NEWP	12	2 3	.70	25-40	(110-235%)	17.1	0.3%	.70	.04	38	3/31	.14	.11	9/30	♦.02	.02	3
2238 1831 News Corp. Ltd. ADR	NWS	18	- 4	NMF	20-35	(10-35%)	18.2	0.5%	.99	.09	37	3/31	.27	.15	3/31	NIL	NIL	ASE
759 Nextel Communic. 'A'	NXTL	15	4 5	1.70	20-35	(35-135%)	NMF	NIL	63.15	NIL	86	3/31	d.93	d.56	3/31	NIL	NIL	5
375 184 Niagara Mohawk	NMK	8%	3 5	.75	9-17	(5-100%)	7.6	NIL	1.10	NIL	92	3/31	.65	.60	3/31	NIL	NIL	3
566 Nichols Research	NRES	20	3 3	1.10	25-40	(25-100%)	17.5	NIL	1.14	NIL	51	2/28	.23	.21	3/31	NIL	NIL	2
485 NICOR Inc.	GAS	35	5 1	.75	40-45	(15-30%)	14.2	4.0%	2.46	1.40	94	3/31	.82	.90	9/30	♦.35	.33	3
2236 1669 NIKE, Inc. 'B'	NKE	58	2 3	.95	95-145	(70-160%)	18.0	0.8%	3.11	.45	4	2/28	.80	.39	9/30	.10	.075	3
1586 1670 Nine West Group	NIN	38	3 3	1.00	65-100	(70-165%)	12.9	NIL	2.95	NIL	4	4/30	.48	.41	3/31	NIL	NIL	4
106 Nissan Motor ADR(g)	NSANY	14	3 3	.55	17-25	(20-80%)	27.5	1.6%	.51	.22	26	9/30	♦.11(p)	d.40(p)	3/31	NIL	NIL	5
1854 Noble Affiliates	NBL	43	2 3	.80	60-95	(40-120%)	18.7	0.4%	2.30	.16	9	3/31	.67	.45	6/30	.04	.04	3
463 NorAm Energy Corp.	NAE	15	- 3	.80	14-20	(4-35%)	20.0	1.9%	.75	.28	74	3/31	.50	.46	6/30	.07	.07	ASE
1227 Noranda Inc.	NOR.TO	31	(b) 4	.80	30-45	(4-45%)	22.1	3.2%	1.40	1.00	85	3/31	.22(b)	.43(b)	6/30	.25(b)	.25(b)	3
438 Norcan Energy Res.	NOR.TO	33	(b) 2	.60	35-50	(5-50%)	27.7	1.8%	1.19	.60	45	3/31	.39(b)	.34(b)	6/30	.15(b)	.15(b)	2
2237 1334 Nordson Corp.	NDSN	54	5 2	.85	75-100	(40-85%)	18.4	1.6%	2.93	.84	50	4/30	.50	.75	6/30	.20	.18	3
1658 Nordstrom, Inc.	NOBE	48	▲ 2	1.20	50-75	(5-55%)	20.4	1.1%	2.35	.54	22	4/30	.41	.34	6/30	.125	.125	3
★ 1901 Norfolk Southern	NSC	97	- 1	1.05	115-140	(20-45%)	14.9	2.5%	6.50	2.40	32	3/31	1.42	1.31	6/30	.60	.56	ASE
1901 Norsk Hydro ADR(g)	NHY	51	5 3	.80	65-100	(25-95%)	11.9	2.1%	4.30	1.05	89	3/31	1.01	1.29	6/30	.98	.94	3
1368 Nortek, Inc.	NTX	24	1 5	1.05	30-60	(25-150%)	9.4	NIL	2.55	NIL	36	3/31	.37	.20	3/31	NIL	NIL	1
687 185 Northeast Utilities	NU	9	3 5	.85	11-16	(20-80%)	NMF	NIL	NIL	NIL	92	3/31	.14	.51	6/30	♦NIL	.44	4
1913 724 Northern States Power	NSP	48	4 1	.75	45-60	(4-25%)	13.3	5.9%	3.60	2.82	93	3/31	.90	.94	6/30	.69	.675	3
798 Northern Telecom Ltd.	NT	77	2 3	1.25	80-120	(4-40%)	32.2	0.7%	2.70	.62	33	3/31	.41	.29	6/30	▲.15	.13	2
645 Northern Trust Corp.	NTRS	50	2 2	1.10	45-60	(4-20%)	19.8	1.5%	2.52	.74	25	3/31	.82	.52	9/30	.18	.155	2
1587 567 Northrop Grumman	NOC	83	4 3	1.05	80-120	(4-45%)	14.4	2.0%	5.75	1.65	51	3/31	1.30	1.23	6/30	.40	.40	3
261 Northwest Airlines 'A'	NWAC	41	3 4	1.45	60-90	(45-120%)	7.0	NIL	5.83	NIL	11	3/31	.58	.41	3/31	NIL	NIL	3
486 Northwest Nat. Gas	NWNG	25	4 2	.55	25-35	(0-40%)	13.2	5.0%	1.90	1.24	94	3/31	1.07	1.02	6/30	.30	.30	3
725 Northw. Pub. Serv.(*)	NPS	20	3 2	.55	20-30	(0-50%)	18.0	4.6%	1.25	.92	93	3/31	.55	.70	6/30	.23	.22	2
646 Norwest Corp.	NOB	54	3 3	1.30	50-75	(4-40%)	15.7	2.3%	3.45	1.26	25	3/31	.84	.74	6/30	.30	.27	2
439 NOVA Corp.	NVA	8½	3 3	1.00	14-20	(65-135%)	10.0	3.5%	.85	.30	45	3/31	.20	.15	9/30	.074	.065	3
1910 NovaCare, Inc.	NOV	13	2 4	1.15	15-25	(15-90%)	19.4	NIL	.67	NIL	41	3/31	.16	.11	3/31	NIL	NIL	2
2222 Novell, Inc.	NOVL	7%	5 3	1.25	20-30	(165-295%)	NMF	NIL	d.05	NIL	34	4/30	d.04	d.19	3/31	NIL	NIL	4
1587 1973 Novellus Sys.	NOVLS	77	3 4	1.70	155-255	(100-230%)	17.3	NIL	4.44	NIL	21	3/31	.91	1.55	3/31	NIL	NIL	1
1902 Novo-Nordisk ADR(g)	NVO	54	3 2	.55	50-65	(4-20%)	27.0	0.4%	2.00	.22	89	3/31	.41	.46	3/31	NIL	NIL	2
601 Nucor Corp.	NUE	57	3 3	1.00	90-130	(60-130%)	16.5	0.7%	3.45	.41	83	3/31	.74	.60	6/30	▲.10	.08	3
440 Numac Energy	NMC	4½	3 3	.85	6-9	(40-110%)	25.3	NIL	.17	NIL	45	3/31	.06	.02	3/31	NIL	NIL	3
881 Nuveen Muni Value Fund	NUV	9%	3 2	.45	12-16	(30-70%)	NMF	6.3%	NMF	.59	66	10/31	10.18(q)	10.29(q)	3/31	.098	.103	4
538 760 NYNEX Corp.	NYN	54	3 1	.90	60-70	(10-30%)	13.9	4.4%	3.92	2.36	86	3/31	.82	.83	6/30	.59	.59	3
826 OEA, Inc.	OEA	38	3 3	1.10	60-95	(60-150%)	17.3	0.8%	2.20	.30	99	4/30	♦.48	.32	3/31	NIL	NIL	3
726 OGE Energy	OGE	43	4 2	.70	35-45	(4-5%)	13.2	6.2%	3.25	2.66	93	3/31	d.02	NIL	6/30	.665	.665	3
347 OHM Corp.	OHM	8	3 4	1.10	14-25	(75-215%)	17.0	NIL	.47	NIL	81	3/31	.05	.05	3/31	NIL	NIL	3
281 OMI Corp.	OMI	9%	3 5	.90	10-18	(5-85%)	19.2	NIL	.50	NIL	55	3/31	.07	.01	3/31	NIL	NIL	3
1549 Oakwood Homes	OH	25	3 3	1.60	30-45	(20-80%)	14.0	0.2%	1.79	.04	79	3/31	.38	.35	6/30	.01	.01	5
416 Occidental Petroleum	OXY	24	3 3	.90	30-40	(25-65%)	14.0	4.2%	1.72	1.00	49	3/31	.47	.43	9/30	.25	.25	3
847 1130 Office Depot	ODP	17	- 3	1.50	15-30	(4-75%)	17.3	NIL	.98	NIL	27	3/31	.24	.20	3/31	NIL	NIL	ASE
377 1131 OfficeMax	OMX	14	2 3	1.55	25-40	(80-185%)	20.0	NIL	.70	NIL	27	4/30	.13	.10	3/31	NIL	NIL	4
1369 Ogden Corp.	OG	20	3 3	.80	35-50	(75-150%)	13.3	6.3%	1.50	1.25	38	3/31	.22	.19	9/30	.312	.312	3
821 Ohio Casualty	OCAS	41	3 3	.90	45-65	(10-60%)	10.8	4.1%	3.80	1.70	60	3/31	.94	.08	3/31	▲.42	.40	3
727 Ohio Edison	OEC	21	4 3	.80	20-35	(4-65%)	9.8	7.1%	2.15	1.50	83	3/31	.51	.49	6/30	.375	.375	3
647 Old Kent Financial	OKEN	55	3 2	.85	50-65	(4-20%)	14.7	2.5%	3.75	1.40	25	3/31	.89	.82	6/30	.34	.305	2
822 Old Republic	ORI	29	3 3	1.00	25-40	(4-40%)	10.8	1.8%	2.68	.52	60	3/31	.88	.58	6/30	▲.13	.11	3
1237 Olin Corp.	OLN	41	- 3	.90	55-80	(35-95%)	13.7	3.0%	3.00	1.25	73	3/31	.80	.96	6/30	.30	.30	ASE
333 Olin Corp.	OLS	19	3 3	1.10	35-50	(85-165%)	14.0	1.6%	1.36	.31	29	3/31	.24	.33	6/30	.07	.07	5
666 Omnicare, Inc.	OCR	29	3 3	1.50	30-40	(5-40%)	36.3	0.2%	.80	.07	5	3/31	.18	.14	6/30	.018	.015	3
1844 Omnicom Group	OMC	59	2 2	1.00	70-95	(20-60%)	22.3	1.4%	2.65	.80	16	3/31	.50	.41	9/30	.20	.175	3
1748 965 Oneida Ltd.	OCQ	25	1 3	.70	25-35	(0-40%)	12.4	2.1%	2.01	.52	43	4/30	.40	.23	6/30	.13	.13	3
487 ONEOK Inc.	OKE	30	4 3	.75	30-45	(0-50%)	14.0	4.1%	2.14	1.23	94	2/28	1.39	1.42	6/30	.30	.30	4
2223 Oracle Corp.	ORCL	47	2 3	1.30	60-95	(30-100%)	34.1	NIL	1.38	NIL	34	2/28	.29	.22	3/31	NIL	NIL	3
186 Orange & Rockland	ORU	33	5 2	.60	35-45	(5-35%)	10.6	7.9%	3.10	2.61	92	3/31	.46	1.01	6/30	.645	.645	4
587 Oregon Metallurgical	OREM	26	3 3	1.15	45-70	(75-170%)	12.0	NIL	2.17	NIL	44	3/31	.47	.30	3/31	NIL	NIL	4
602 Oregon Steel Mills	OS	20	3 3	.85	25-35	(25-75%)	20.0	2.8%	1.00	.56	83	3/31	.27	.33	6/30	.14	.14	3
623 Orion Capital	OC	69	3 3	.80	80-115	(15-65%)	11.7	1.9%	5.89	1.28	60	3/31	1.39	1.12	9/30	▲.32	.25	2
1855 Oryx Energy Co.	ORX	23	1 4	1.10	30-50	(30-115%)	13.9	NIL	1.65	NIL	9	3/31	.62	.31	3/31	NIL	NIL	3
1523 Oshawa Group 'A'	OJSHA	20	(b) 4	2.55	25-35	(25-75%)	13.3	2.8%	1.50	.56	54	4/30	.19(b)	.29(b)	6/30	▲.14(b)	.135(b)	4
1619 Oshkosh B'Gosh 'A'	GOSHA	17	3 3	.70	25-35	(45-105%)	13.1	1.8%	1.30	.30	6	3/31	.3					

PECO Energy Company
 Comparison of Bond Ratings and Business Position for
 PECO Energy Company and
Moody's Twenty-Four Electric Companies

Company	June 1997 Moody's Bond Rating			June 1997 Standard & Poor's Bond Rating			Standard & Poor's Electric Operations Business Position (2)	
	Bond Rating	Numerical Weighting (1)	Average Numerical Weighting	Bond Rating	Numerical Weighting (1)	Average Numerical Weighting	Numerical Weighting (1)	Average Numerical Weighting
PECO Energy Company	Baa1		8.0	BBB+		8.0	Somewhat Below Average	6.0
<u>Moody's Twenty-Four Electric Companies</u>								
Baltimore Gas & Electric Co.	A1		5.0	A+		5.0	High Average	3.0
Boston Edison Company	Baa2		9.0	BBB		9.0	Average	4.0
Carolina Power & Light Co.	A2		6.0	A		6.0	Average	4.0
Centerior Energy Corp.								
Cleveland Elec. Illum. Co.	Ba2	12.0		BB	12.0		Below Average	7.0
Toledo Edison Co.	Ba2	12.0		BB	12.0		Below Average	7.0
Average	Ba2	12.0	12.0	BB	12.0	12.0	Below Average	7.0
Central Hudson Gas & Elec. Co.	A3		7.0	A-		7.0	Average	4.0
Central Maine Power Co.	Baa3		10.0	BB+		11.0	Somewhat Below Average	6.0
CINenergy Coproration								
Cincinnati Gas & Electric Co.	A3	7.0		A-	7.0		High Average	3.0
PSI Energy Inc.	Baa1	8.0		A-	7.0		High Average	3.0
Union Light, Heat & Power Co.	A3	7.0		A-	7.0		Not Rated	--
Average	A3	7.3	7.3	A-	7.0	7.0	High Average	3.0
Consolidated Edison	A1		5.0	A+		5.0	Average	4.0
Delmarva Power & Light Co.	A2		6.0	A		6.0	Average	4.0
DTE Energy Company								
Detroit Edison Co.	Baa2		9.0	BBB+		8.0	Somewhat Below Average	6.0
DPL, Inc.								
Dayton Power & Light Inc.	Aa3		4.0	AA-		4.0	High Average	3.0
Edison International								
Southern California Edison Co.	A2		6.0	A+		5.0	High Average	3.0
Ftorka Progress Corp.								
Florida Power Corp.	Aa3		4.0	AA-		4.0	Above Average	1.0
Houston Industries Inc.								
Houston Lighting & Power Co.	A3		7.0	A		6.0	Average	4.0
Idaho Power Co.	A2		6.0	A+		5.0	Above Average	1.0

PECO Energy Company
Comparison of Bond Ratings and Business Position for
PECO Energy Company and
Moody's Twenty-Four Electric Companies

Company	June 1997 Moody's Bond Rating			June 1997 Standard & Poor's Bond Rating			Standard & Poor's Electric Operations Business Position (2)		
	Bond Rating	Numerical Weighting (1)	Average Numerical Weighting	Bond Rating	Numerical Weighting (1)	Average Numerical Weighting	Numerical Weighting (1)	Average Numerical Weighting	
Ipalco Enterprises Inc. Indianapolis Power & Light	Aa2		3.0	AA-		4.0	High Average		3.0
Northeast Utilities									
Connecticut Light & Power Co.	Ba1	11.0		BB+	11.0		Somewhat Below		
North Atlantic Energy Corp.	B1	14.0		B+	14.0		Average	6.0	
Holyoke Water Power Co.	NR	--		NR	--		Not Rated	--	
Public Service Co. of N.H.	Ba3	13.0		BB-	13.0		Below Average	7.0	
Western Mass. Elec. Co.	Ba1	11.0		BB+	11.0		Somewhat Below		
	Ba2	12.3	12.3	BB	12.3	12.3	Average	6.3	6.3
OGE Energy Corp. Oklahoma Gas & Electric Co.	A1		5.0	AA-		4.0	High Average		3.0
PG&E Corp. Pacific Gas Transmission	A2	6.0		A	6.0		Average	4.0	
	Baa1	8.0		AA-	4.0		Not Rated	--	
	A3	7.0	7.0	A+	5.0	5.0	Average	4.0	4.0
PECO Energy	Baa1		8.0	BBB+		8.0	Somewhat Below		6.0
							Average		
PP&L Resources, Inc. Pennsylvania Power & Light Co.	A3		7.0	A-		7.0	Average		4.0
Public Service Co. of Colo.	A3		7.0	A-		7.0	High Average		3.0
TECO Energy Inc. Tampa Electric Co.	Aa2		3.0	AA		3.0	Above Average		1.0
Unicom Corp. Commonwealth Edison	Baa3		10.0	BBB		9.0	Somewhat Below		6.0
							Average		
Moody's Twenty-Four Electric Com	A3		6.9	A-		6.6	Average		3.9

Notes: (1) As developed on page 3 of this Schedule.

(2) From Standard & Poor's Utility Rating Service, Financial Statistics for the 12 months ending September 30, 1996.

Source of Information: Moody's Investors Service
Standard & Poor's Utility Rating Service

PECO Energy Company
Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings and
Standard & Poor's Business Position

<u>Moody's Bond Rating</u>	<u>Numerical Bond Weighting</u>	<u>Standard & Poor's Bond Rating</u>
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

<u>Numerical Weighting</u>	<u>Standard & Poor's Business Position</u>
1.0	Above Average
2.0	Somewhat Above Average
3.0	High Average
4.0	Average
5.0	Low Average
6.0	Somewhat Below Average
7.0	Below Average

STANDARD
&POOR'S

Utilities Rating Service

Financial Statistics

12 Months Ended Sept. 30, 1996

Electric

Gas

Telephone

Water

Standard & Poor's Utilities Rating Service

FINANCIAL BENCHMARKS

ELECTRIC UTILITIES

Pretax Interest Coverage (x)

Total Debt/Total Capital (%)

Business Position	AA	A	BBB	BB	Business Position	AA	A	BBB	BB
1	3.50	2.75	1.75	1.25	1	47.0	52.0	59.0	65.0
2	3.65	3.00	2.00	1.40	2	45.5	50.5	57.5	63.5
3	3.80	3.25	2.25	1.55	3	44.0	49.0	56.0	62.0
4	4.00	3.50	2.50	1.75	4	42.0	47.0	54.0	60.0
5		3.80	2.80	2.00	5		45.0	52.0	58.0
6		4.15	3.15	2.25	6		43.0	50.0	56.0
7		4.50	3.50	2.50	7		41.0	48.0	54.0

Funds From Operations Interest Coverage (x)

Funds From Operations to Total Debt (%)

Business Position	AA	A	BBB	BB	Business Position	AA	A	BBB	BB
1	4.00	3.25	2.25	1.75	1	26.0	19.0	14.0	11.0
2	4.15	3.50	2.50	1.80	2	28.0	21.0	15.5	11.5
3	4.30	3.75	2.75	1.90	3	30.0	23.0	17.5	12.5
4	4.50	4.00	3.00	2.00	4	32.0	25.0	19.0	13.0
5		4.30	3.30	2.25	5		28.0	22.5	15.5
6		4.65	3.65	2.50	6		31.0	25.5	17.5
7		5.00	4.00	2.75	7		34.0	29.0	20.0

Net Cash Flow to Capital Spending (%)

Business Position	AA	A	BBB	BB
1	90.0	70.0	45.0	30.0
2	96.0	75.0	50.0	33.0
3	102.0	80.0	55.0	36.0
4	110.0	85.0	60.0	40.0
5		91.0	66.0	46.0
6		98.0	73.0	53.0
7		105.0	80.0	60.0

Business Positions: 1—Above average. 2—Somewhat above average. 3—High average. 4—Average. 5—Low average. 6—Somewhat below average. 7—Below average.



**UTILITY REGULATORY POLICY IN THE
UNITED STATES
AND CANADA**

COMPILATION 1995-1996

OF THE

**NATIONAL ASSOCIATION OF
REGULATORY UTILITY COMMISSIONERS**

Michael Foley
Acting Executive Director

Jessica O'Connor-Petts
Research Analyst

TABLE 249 - AGENCY AUTHORITY OVER RATE OF RETURN - ELECTRIC UTILITIES

AGENCY	Agency determines rate of return under its general authority	Capital structure is adjusted to exclude non-utility financing when it is traceable	Method Agency favors in determining rate of return								Duration of call protection provision influences judgment in determining rate of return
			No ONE method ALL are considered	** Dis-counted cash flow	** Com-parable earnings test	** Earn-ings/price ratio	** Mid-point approach	** Capital asset pricing model	** Risk premium	Other	
FERC	X	X	X	X							
ALABAMA PSC	X	X		X							Possible.
ALASKA PUC	X	X			X						
ARIZONA CC	X	X	X 2/	X 7/							
ARKANSAS PSC	X		X	X 11/							
CALIFORNIA PUC	X	X 1/	X 2/	X	X			X	X	X	Possible.
COLORADO PUC	X	X		X 9/	X						
CONNECTICUT DPUC	X	X		X							
DELAWARE PSC	X		X 2/	X	X					X	
D.C. PSC	X	X		X							
FLORIDA PSC	X	X 1/	X 2/								
GEORGIA PSC	X	X	X 2/	X					X	X 8/	
HAWAII PUC	X	X	X 2/							X	
IDAHO PUC	X	X		X 9/	X	X		X			
ILLINOIS CC	X	X	X 2/							X	
INDIANA URC	X		X								
IOWA UB	X	X 1/	X	X					X	X 6/	
KANSAS SCC	X	X		X							
KENTUCKY PSC	X	X	X 2/	X	X	X	X			X	
LOUISIANA PSC	X			X							
MAINE PUC	X	10/	X 9/	X							
MARYLAND PSC	X	X		X						X 6/	
MASSACHUSETTS DPU	X	X		X 5/						X 5/	
MICHIGAN PSC	X	X	2/	X	X		X	X	X	X	
MINNESOTA PUC	X	X		X							
MISSISSIPPI PSC	X	X		X	X						
MISSOURI PSC 13/	X	X		X							
MONTANA PSC	X	X		X	X						
NEBRASKA PSC 4/	X	X		X	X	X					
NEVADA PSC	X	X		X	X	X					
NEW HAMPSHIRE PUC	X	X		X							Yes
NEW JERSEY BPU 12/	X	X	X					X	X	X	
NEW MEXICO PUC	X	X	X 2/	X						X	
NEW YORK PSC	X	X	X	X 7/						X	
NORTH CAROLINA UC	X	X	X 2/	X	X			X	X	X	
NORTH DAKOTA PSC	X			X							
OHIO PUC	X	X	X	X 7/						X 7/	No decision.
OKLAHOMA CC	X	X		X	X			X	X		
OREGON PUC	X	X 1/		X				X	X		
PENNSYLVANIA PUC	X	X	X 2/	X	X	X	X			X	Maybe, if soon
RHODE ISLAND PUC	X	X	X	X	X					X 3/	
SOUTH CAROLINA PSC	X	X	X	X				X	X		
SOUTH DAKOTA PUC	X	X		X	X						
TEXAS PUC	X	X	X 2/	X	X				X	X	
UTAH PSC	X	X		X							
VERMONT PSB	X	X		X	X					X	
VIRGINIA SCC	X	X	X 2/								
WASHINGTON UTC	X	X		X							
WEST VIRGINIA PSC	X	X	X 2/	X	X			X	X	X	
WISCONSIN PSC	X	X	X 2/	X				X	X	X	
WYOMING PSC	X	X	X 2/	X	X			X	X	X	
PUERTO RICO PSC	Does not regulate electric utilities.										
VIRGIN ISLANDS PSC	X	10/	X 2/	X	X					X	
ALBERTA EUB	X	X	X 2/	X	X					X	
NOVA SCOTIA UARB	X	X	X 2/	X	X				X	X	
ONTARIO EB	X	X	X 2/	X	X					X	

** For definitions of terms, please consult the Glossary of Terms at the back of this book. ICB=Case-by-Case Basis

FOOTNOTES - TABLE 249
AGENCY AUTHORITY OVER RATE OF RETURN

- 1/ Non-utility investment dollars are always excluded from rate base. Where non-utility investment is comparatively small, capital ratios are not adjusted. When non-utility investment is large, we usually remove non-utility investment from equity.
- 2/ Commission favors no single method, but rather that which produces the most reasonable results.
- 3/ It may use any method it desires especially in the case of a small company.
- 4/ No Commission regulation of electric or gas utilities.
- 5/ DCF is preferred, but Department approves other methods which check DCF result; risk spread analysis preferred by a slight margin. Financial condition of utility also given serious consideration.
- 6/ DCF is preferred; other methods are considered.
- 7/ No single method, however, discounted cash flow is frequently used.
- 8/ Discounted cash flow most often used, but risk premium method used also. Determined case by case.
- 9/ DCF has been the preferred method, but its results should be checked with other methods.
- 10/ Never an issue before this agency.
- 11/ Agency favors DCF, but any method presented is considered.
- 12/ Commission did not respond to request for update information; this data may not be current.
- 13/ DCF has been the preferred method, but its results are generally checked with other methods such as risk premium and CAPM.

Comparison of Percent Change in Average Share Price, Earnings per Share and
Dividends per Share for PECO Energy Company and
Mr. Deardorff's Barometer Group of Electric Companies
for the years 1992-1996 (P)

	Average Annual % Change for the Years 1992 - 1996 (P)		
	Average Share Price (1)	EPS (2)	DPS (3)
PECO Energy Company	3.5 %	8.9 %	7.3 %
Mr. Deardorff's Barometer Group of Electric Companies	3.0 %	21.9 %	1.6 %

Notes:

- (1) See page 2 for supporting detail.
- (2) See page 3 for supporting detail.
- (3) See page 4 for supporting detail.

Percent Change in Average Share Price(1) for PECO Energy Company and
Mr. Deardorff's Barometer Group of Electric Companies
for the years 1992-1996 (P)

	Annual		Annual		Annual		Annual			Average
	1992	% Change	1993	% Change	1994	% Change	1995	% Change	1996 (P)	Annual % Change
<u>PECO Energy Company</u>	<u>\$24.69</u>	<u>19.5 %</u>	<u>\$29.50</u>	<u>(9.1)%</u>	<u>\$26.81</u>	<u>1.6 %</u>	<u>\$27.25</u>	<u>1.8 %</u>	<u>\$27.75</u>	<u>3.5 %</u>
<u>Mr. Deardorff's Barometer Group of Electric Companies</u>										
Atlantic Energy Inc.	\$22.06	3.7 %	\$22.88	(17.5)%	\$18.88	(0.4)%	\$18.81	(4.3)%	\$18.00	(4.6)%
Baltimore Gas & Electric	22.06	13.1	24.94	(7.8)	23.00	10.9	25.50	6.9	27.25	5.8
Boston Edison	25.19	17.1	29.50	(12.9)	25.69	2.4	26.31	(1.4)	25.94	1.3
Carolina Power & Light	26.31	17.1	30.81	(14.8)	26.25	15.7	30.38	19.3	36.25	9.3
DQE	19.75	15.4	22.79	(9.1)	20.71	21.5	25.17	13.7	28.63	10.4
Dominion Resources	37.56	16.8	43.88	(8.5)	40.13	(4.7)	38.25	6.2	40.63	2.5
Duke Power	34.44	16.5	40.13	(5.5)	37.94	12.4	42.63	13.0	48.19	9.1
GPU Inc.	26.06	16.1	30.25	(8.5)	27.69	8.8	30.13	8.5	32.69	6.2
IES Industries, Inc.	29.00	8.0	31.31	(10.4)	28.06	(12.9)	24.44	23.3	30.13	2.0
PP&L Resources	26.06	9.6	28.56	(19.7)	22.94	(3.3)	22.19	7.3	23.81	(1.5)
Public Service Enterprise Group	28.38	16.5	33.06	(15.5)	27.94	1.3	28.31	1.1	28.63	0.9
Rochester Gas & Electric	23.06	16.8	26.94	(14.4)	23.06	(4.3)	22.06	(5.7)	20.81	(1.9)
Unicom Corp.	<u>30.94</u>	<u>(11.9)</u>	<u>27.25</u>	<u>(9.4)</u>	<u>24.69</u>	<u>15.7</u>	<u>28.56</u>	<u>1.5</u>	<u>29.00</u>	<u>(1.0)</u>
Average	<u>\$26.99</u>	<u>11.9 %</u>	<u>\$30.18</u>	<u>(11.8)%</u>	<u>\$26.69</u>	<u>4.9 %</u>	<u>\$27.90</u>	<u>6.9 %</u>	<u>\$30.00</u>	<u>3.0 %</u>

See page 5 for notes.

Percent Change in Earnings Per Share(3) for PECO Energy Company and
Mr. Deardorff's Barometer Group of Electric Companies
for the years 1992-1996 (P)

	1992	Annual % Change	1993	Annual % Change	1994	Annual % Change	1995	Annual % Change	1996	(P)	Average Annual % Change
<u>PECO Energy Company</u>	<u>\$1,900</u>	<u>28.9</u> %	<u>\$2,450</u>	<u>(28.2)</u> %	<u>\$1,760</u>	<u>50.0</u> %	<u>\$2,640</u>	<u>(15.2)</u> %	<u>\$2,240</u>		<u>8.8</u> %
<u>Mr. Deardorff's Barometer Group of Electric Companies</u>											
Atlantic Energy Inc.	\$1,670	7.8 %	\$1,800	(21.7) %	\$1,410	9.9 %	\$1,550	(27.7) %	\$1,120		(7.9) %
Baltimore Gas & Electric	1,630	13.5	1,850	4.3	1,930	4.7	2,020	(8.4)	1,850		3.5
Boston Edison	2,100	8.6	2,280	5.7	2,410	(13.7)	2,080	25.5	2,610		6.5
Carolina Power & Light	2,380	(11.0)	2,100	(3.3)	2,030	22.2	2,480	7.3	2,660		3.8
DQE	1,780	0.0	1,780	11.6	1,987	10.7	2,200	5.5	2,320		7.0
DomInon Resources	2,660	17.3	3,120	(9.9)	2,810	(12.8)	2,450	8.2	2,650		0.7
Duke Power	2,210	26.7	2,800	2.9	2,880	12.8	3,250	3.7	3,370		11.5
GPU Inc.	2,270	16.7	2,650	(46.4)	1,420	166.9	3,790	(34.8)	2,470		25.6
IES Industries, Inc.	1,920	27.6	2,450	(4.5)	2,340	(6.0)	2,200	(7.3)	2,040		2.5
PP&L Resources	2,020	2.5	2,070	(31.9)	1,410	45.4	2,050	0.0	2,050		4.0
Public Service Enterprise Group	2,170	14.3	2,480	12.1	2,780	(2.5)	2,710	(10.7)	2,420		3.3
Rochester Gas & Electric	1,860	7.5	2,000	(10.5)	1,790	(5.6)	1,690	37.3	2,320		7.2
Unicom Corp.	<u>2,080</u>	<u>(91.8)</u>	<u>0,170</u>	<u>876.5</u>	<u>1,660</u>	<u>84.9</u>	<u>3,070</u>	<u>0.7</u>	<u>3,090</u>		<u>217.6</u>
Average	<u>\$2,056</u>	<u>3.1</u> %	<u>\$2,119</u>	<u>80.4</u> %	<u>\$2,066</u>	<u>24.4</u> %	<u>\$2,426</u>	<u>(0.1)</u> %	<u>\$2,382</u>		<u>21.8</u> %

See page 5 for notes.

**Percent Change in Dividends Per Share(4) for PECO Energy Company and
Mr. Deardorff's Barometer Group of Electric Companies
for the years 1992-1996 (P)**

	Annual		Annual		Annual		Annual		Average	
	1992	% Change	1993	% Change	1994	% Change	1995	% Change	1996 (P)	% Change
<u>PECO Energy Company</u>	<u>\$1.325</u>	<u>7.9 %</u>	<u>\$1.430</u>	<u>8.0 %</u>	<u>\$1.545</u>	<u>6.8 %</u>	<u>\$1.650</u>	<u>6.4 %</u>	<u>\$1.755</u>	<u>7.3 %</u>
<u>Mr. Deardorff's Barometer Group of Electric Companies</u>										
Atlantic Energy Inc.	\$1.510	1.3 %	\$1.530	0.7 %	\$1.540	0.0 %	\$1.540	0.0 %	\$1.540	0.5 %
Baltimore Gas & Electric	1.420	2.8	1.460	2.7	1.500	2.7	1.540	2.6	1.580	2.7
Boston Edison	1.640	3.7	1.700	3.5	1.760	3.4	1.820	3.3	1.880	3.5
Carolina Power & Light	1.580	3.8	1.640	3.7	1.700	3.5	1.760	3.4	1.820	3.6
DQE	1.013	5.3	1.067	5.0	1.120	6.0	1.187	7.8	1.280	6.0
DomInion Resources	2.400	3.3	2.480	2.8	2.550	1.2	2.580	0.0	2.580	1.8
Duke Power	1.760	4.5	1.840	4.3	1.920	4.2	2.000	4.0	2.080	4.3
GPU Inc.	1.575	4.8	1.650	7.6	1.775	4.8	1.860	3.5	1.925	5.2
IES Industries, Inc.	2.100	0.0	2.100	0.0	2.100	0.0	2.100	0.0	2.100	0.0
PP&L Resources	1.588	3.1	1.638	1.6	1.665	0.3	1.670	0.0	1.670	1.3
Public Service Enterprise Group	2.160	0.0	2.160	0.0	2.160	0.0	2.160	0.0	2.160	0.0
Rochester Gas & Electric	1.680	2.4	1.720	2.3	1.760	2.3	1.800	0.0	1.800	1.8
Unicom Corp.	<u>2.650</u>	<u>(39.6)</u>	<u>1.600</u>	<u>0.0</u>	<u>1.600</u>	<u>0.0</u>	<u>1.600</u>	<u>0.0</u>	<u>1.600</u>	<u>(9.9)</u>
Average	<u>\$1.775</u>	<u>(0.4) %</u>	<u>\$1.737</u>	<u>2.6 %</u>	<u>\$1.781</u>	<u>2.2 %</u>	<u>\$1.817</u>	<u>1.9 %</u>	<u>\$1.847</u>	<u>1.6 %</u>

See page 5 for notes.

Comparison of Percent Change in Average Share Price, Earnings per Share, and
Dividends per Share for PECO Energy Company and
Mr. Deardorff's Barometer Group of Electric Companies
for the Years 1921-1996(P)

- (P) Preliminary 1996 data are final for IES Industries Inc. and PP& L Resources and preliminary for PECO Energy Company and the remaining companies in the barometer groups.

Notes:

- (1) Average share price is the average of the yearly high-low market price for each year.
- (2) Originally reported 12 months EPS.
- (3) Yearly dividends per share.

Source of Information: Standard & Poor's Compustat Services, Inc.,
Utility Compustat II

PECO Energy Company
 Comparison of Bond Ratings and Business Position for
PECO Energy Company and
Mr. Deardorff's Barometer Group of Electric Companies

<u>Company</u>	<u>June 1997</u> <u>Moody's Bond Rating</u>			<u>June 1997</u> <u>Standard & Poor's Bond Rating</u>			<u>Standard & Poor's</u> <u>Electric Operations Business Position (2)</u>	
	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>	<u>Average Numerical Weighting</u>	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>	<u>Average Numerical Weighting</u>	<u>Numerical Weighting (1)</u>	<u>Average Numerical Weighting</u>
PECO Energy Company	<u>Baa1</u>		<u>8.0</u>	<u>BBB+</u>		<u>8.0</u>	<u>Somewhat Below Average</u>	<u>6.0</u>
<u>Mr. Deardorff's Barometer Group of Electric Companies</u>								
Atlantic Energy Inc. Atlantic City Electric Co.	Baa1		8.0	A-		7.0	Average	4.0
Baltimore Gas & Electric Co.	A1		5.0	A+		5.0	High Average	3.0
Boston Edison Company	Baa2		9.0	BBB		9.0	Average	4.0
Carolina Power & Light Co.	A2		6.0	A		6.0	Average	4.0
DQE, Inc. Duquesne Light Co.	Baa1		8.0	BBB+		8.0	Low Average	5.0
Dominion Resources, Inc. Virginia Elec. & Power Co.	A2		6.0	A		6.0	High Average	3.0
Duke Energy Corp.	Aa2		3.0	AA-		4.0	Average	4.0
GPU, Inc. Jersey Central Power & Light	Baa1	8.0		BBB+	8.0		Low Average	5.0
Metropolitan Edison	Baa1	8.0		BBB+	8.0		Low Average	5.0
Pennsylvania Electric Co.	A3	7.0		A-	7.0		Average	4.0
GPU, Inc. Average	Baa1	<u>7.7</u>	7.7	BBB+	<u>7.7</u>	7.7	Low Average	4.7

PECO Energy Company
 Comparison of Bond Ratings and Business Position for
 PECO Energy Company and
Mr. Deardorff's Barometer Group of Electric Companies

<u>Company</u>	<u>June 1997 Moody's Bond Rating</u>			<u>June 1997 Standard & Poor's Bond Rating</u>			<u>Standard & Poor's Electric Operations Business Position (2)</u>	
	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>	<u>Average Numerical Weighting</u>	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>	<u>Average Numerical Weighting</u>	<u>Numerical Weighting (1)</u>	<u>Average Numerical Weighting</u>
IES Industries Inc. IES Utilities Inc.	A2		6.0	A		6.0	Average	4.0
Pennsylvania Power & Light Co.	A3		7.0	A-		7.0	Average	4.0
Public Service Enterprise Group Public Service Elec. & Gas Co.	A3		7.0	A-		7.0	Somewhat Below Average	6.0
Rochester Gas & Electric Co.	Baa1		8.0	BBB+		8.0	Low Average	5.0
Unicom Corp.								4.0
Commonwealth Edison	<u>Baa3</u>		<u>10.0</u>	<u>BBB</u>		<u>9.0</u>	Somewhat Below Average	<u>6.0</u>
Mr. Deardorff's Barometer Group of Electric Companies	<u>A3</u>		<u>7.0</u>	<u>A-</u>		<u>6.9</u>	<u>Average</u>	<u>4.3</u>

Notes: (1) As developed on page 3 of this Schedule.
 (2) From Standard & Poor's Utility Rating Service, Financial Statistics for the 12 months ending September 30, 1996.

Source of Information: Moody's Investors Service
 Standard & Poor's Utility Rating Service

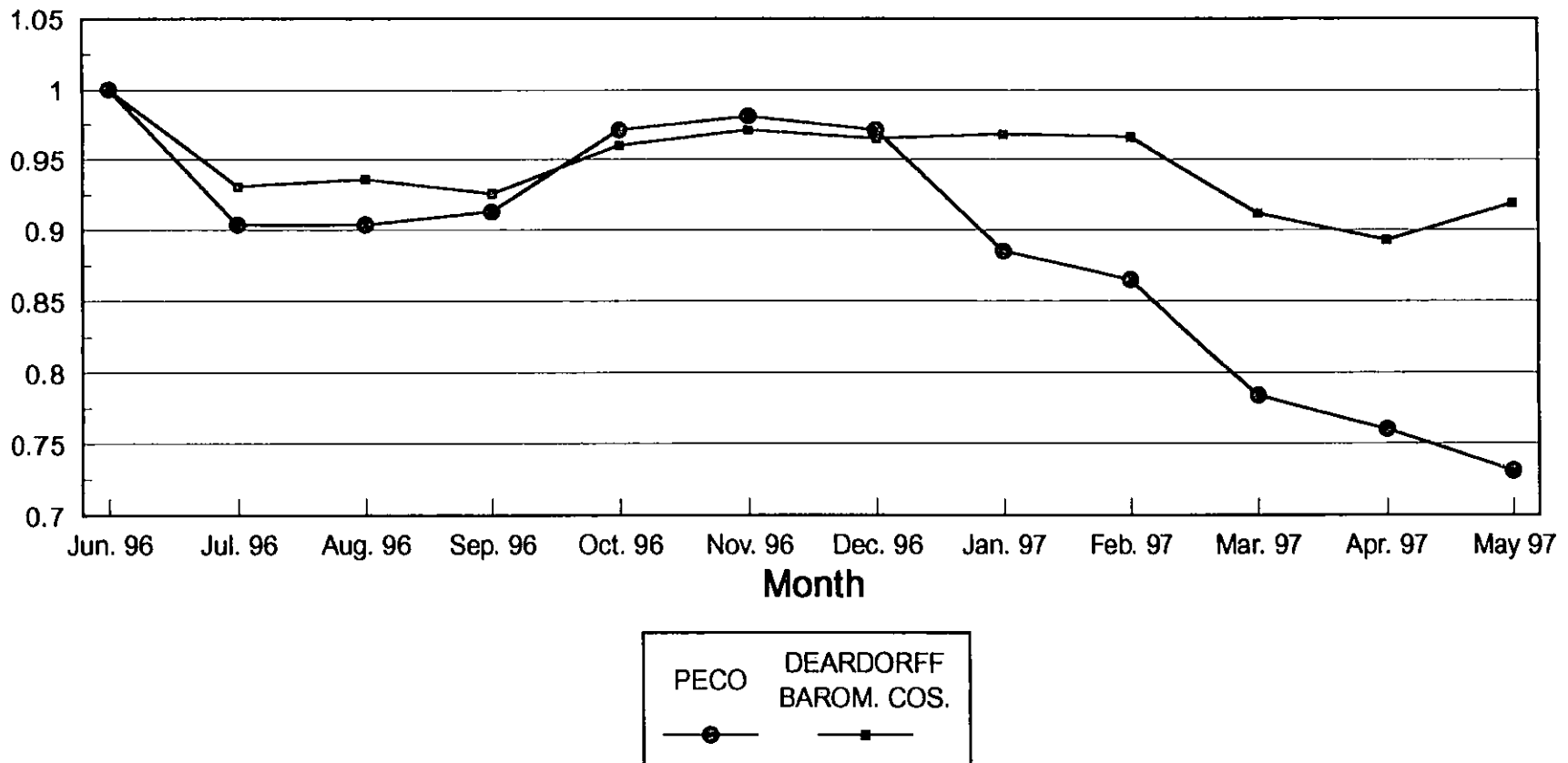
PECO Energy Company
 Numerical Assignment for
 Moody's and Standard & Poor's Bond Ratings and
Standard & Poor's Business Position

<u>Moody's Bond Rating</u>	<u>Numerical Bond Weighting</u>	<u>Standard & Poor's Bond Rating</u>
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-

<u>Numerical Weighting</u>	<u>Standard & Poor's Business Position</u>
1.0	Above Average
2.0	Somewhat Above Average
3.0	High Average
4.0	Average
5.0	Low Average
6.0	Somewhat Below Average
7.0	Below Average

PECO Energy Company
Comparison of Market Prices (June 1996 = 1.00) for
PECO Energy Company and
Mr. Deardorff's Barometer Group of Electric Companies

Index (June 1996 = 1.00)



Source of Information:
 Standard & Poor's Compustat Svcs. Inc., Utility Compustat II

PECO Energy Company
Standard & Poor's Five-Year
EPS Growth Rates
May 1996 - May 1997

<u>Date</u>	<u>Growth Rate</u>
May-96	4.0 %
Jun-96	4.0
Jul-96	3.0
Aug-96	3.0
Sep-96	3.0
Oct-96	3.0
Nov-96	3.0
Dec-96	3.0
Jan-97	3.0
Feb-97	3.0
Mar-97	4.0
Apr-97	3.0
May-97	<u>3.0</u>
Average	<u><u>3.2 %</u></u>

Source of Information:
Standard & Poor's Earnings Guide

STANDARD
& POOR'S

MAY 1997

EARNINGS
GUIDE

Earnings Guide

PAR-PEN 79

Name of Issue	Com. Stock Rank	Fiscal	Next Quarter				1996				1997				1998				5-Yr Proj EPS Growth Rate-%	Annual Revs. (\$ Mil.)	Net Tangible Book (\$/Shr)	Cash Flow (\$/Shr)	Month End Price Apr '97	1997 P/E	Next EPS Repl Date
			Street Estimates (\$/Shr)			# of Ests.	Actual EPS	Street Estimates (\$/Shr)			# of Ests.	Street Estimates (\$/Shr)			# of Ests.										
			Mean	High	Low			Mean	High	Low		Mean	High	Low											
Parker & Parsley Petrol	B-	Dc	Q1	0.70	0.90	0.57	5	3.92	1.73	2.21	1.25	12	2.05	2.41	1.79	8	14	535	15.12	7.06	33	19	7/29		
Parker Drilling	B+	Ar	Q3	0.03	0.05	0.01	4	0.07	0.12	0.16	0.10	10	0.43	0.55	0.35	7	73	157	3.14	0.47	33	65	6/25		
Parker-Hannin	B+	Je	Q3	1.00	1.06	0.96	4	3.23	3.37	3.50	3.25	13	3.80	4.30	3.45	9	73	3,586	14.36	5.15	49	95	8/01		
Parkway Financial	B+	Je	Q3	0.17	0.17	0.17	1	0.29	0.34	0.33	0.40	7	0.74	0.74	0.74	7	7	69.2	17.24	0.68	26	11	8/02		
Parlex Corp	B-	Je	Q4	0.17	0.17	0.17	1	0.21	0.54	0.54	0.54	7	0.74	0.74	0.74	7	7	47.1	4.34	0.68	12	23	8/22		
Party City	NR	Dc	Q2	0.07	0.07	0.07	1	0.56	0.78	0.79	0.78	2	1.10	1.10	1.10	1	35	48.5	3.39	.....	13	17	7/24	
Pathogenesis Corp	NR	Dc	Q1	d0.46	d0.44	d0.48	2	d1.66	d2.18	d2.04	d2.35	2	0.08	0.10	0.07	2	.....	2.80	.....	.....	28	d	5/15
Patent Introsystems	NR	Dc	Q1	0.02	0.03	0.03	1	Pd0.44	d0.07	d0.06	d0.08	2	0.56	0.56	0.56	1	.....	0.85	3.65	.....	.....	d	d
Patina Oil & Gas	NR	Dc	Q2	0.57	0.57	0.57	1	0.08	d0.13	d0.13	d0.13	3	0.28	0.28	0.28	1	.....	83.2	8.12	.....	8	8	7/18
Patrick Indus	B	Dc	Q2	0.57	0.57	0.57	1	1.81	1.98	2.03	1.95	3	2.20	2.20	2.20	1	.....	404	9.93	2.30	13	9	7/23	
Patriot Amer Hospitality	NR	Dc	Q3	.....	.....	.....	.....	1.06	1.55	1.82	1.28	2	2.13	2.13	2.13	1	12	75.9	10.02	.....	21	14	7/31
Patriot Bank	NR	Ar	Q3	.....	.....	.....	.....	0.46	0.80	0.80	0.80	2	1.80	1.85	1.76	3	12	40.2	10.02	.....	21	14	7/31
Patterson Dental	NR	Ar	Q4	0.44	0.45	0.44	4	1.31	1.51	1.55	1.48	8	1.80	1.85	1.76	3	12	58.5	11.91	1.48	13	20	5/30		
Patterson Energy	NR	Ar	Q1	0.21	0.23	0.19	4	P0.83	1.15	1.20	1.01	2	1.36	1.60	1.35	3	25	83.7	8.18	.....	23	26	5/09	
Paul Harris Stores	NR	Ja	Q1	0.04	0.04	0.04	2	P0.83	1.15	1.20	1.01	2	1.36	1.60	1.35	3	25	190	2.60	0.51	12	11	5/22		
Paxar Corp	B+	Dc	Q2	0.24	0.24	0.24	1	P0.77	0.90	1.00	0.84	5	1.05	1.10	1.00	2	20	220	3.35	0.84	19	21	7/31		
Paxson Communications 'A'	NR	Dc	Q1	d0.17	d0.17	d0.17	1	Pd1.10	d0.44	d0.04	d1.15	3	d0.74	0.07	d0.35	3	50	169	1.93	0.84	19	21	7/31		
Paychex Inc	NR	Ar	Q4	0.27	0.29	0.26	8	0.77	1.02	1.05	1.00	1	1.30	1.35	1.35	3	26	169	1.93	0.84	19	21	7/31		
Payless Cashways	NR	Ar	Q4	0.73	0.73	0.73	1	d0.03	d0.12	.....	d0.25	1	d0.50	d0.50	d0.50	1	.....	2,643	1.93	0.84	19	21	7/31
Payless ShoeSource	NR	Ja	Q1	0.73	0.73	0.73	1	P2.68	3.04	3.07	3.00	3	.....	.....	.....	.....	.....	2,334	1.93	0.84	19	21	7/31
PC Service Source	NR	Dc	Q2	0.12	0.13	0.12	2	0.35	0.53	0.57	0.48	3	0.72	0.81	0.63	2	20	110	5.60	1.87	6	12	7/16		
PCA Int'l	NR	Ja	Q1	d0.21	d0.20	d0.23	2	P0.37	0.89	0.90	0.88	3	1.70	1.70	1.70	1	.....	150	4.18	0.94	19	19	5/28	
PCD Inc	NR	Dc	Q2	0.22	0.22	0.22	1	P0.76	0.89	0.90	0.88	3	1.08	1.08	1.08	1	.....	26	4.60	0.94	19	19	5/28	
PDY Inc	NR	Dc	Q1	0.17	0.25	0.10	2	d1.37	d1.28	d1.13	d1.40	4	d0.75	d0.75	d0.75	1	18	3.60	4.60	0.94	19	19	5/28		
Peak Technologies Grp	NR	Dc	Q1	0.17	0.25	0.10	2	Pd1.37	0.85	1.21	0.50	7	.....	.....	.....	.....	.....	218	3.07	0.94	19	21	7/29
Peabody AOS	NR	Dc	Q3	0.46	0.58	0.40	4	2.70	d0.16	d0.16	d0.16	1	1.43	1.43	1.43	1	14	1,018	3.84	4.62	18	18	7/22		
PECO Energy	NR	Dc	Q3	0.31	0.33	0.30	3	2.24	d2.31	2.18	2.00	21	2.32	2.42	2.10	3	3	4,284	20.88	.....	19	19	7/22	
Pediatric Services of Amer	NR	Sp	Q3	0.30	0.30	0.30	3	0.79	1.13	1.20	1.10	10	1.32	1.35	1.30	10	21	184	3.94	.....	18	18	7/29	
Pediatric Medical Group	NR	Dc	Q2	0.14	0.14	0.14	1	0.90	1.25	1.27	1.20	10	1.58	1.85	1.55	5	29	80.8	3.94	.....	18	18	7/29	
Peerless Group	NR	Dc	Q2	0.14	0.14	0.14	1	0.55	0.50	0.51	0.50	2	.....	.....	.....	.....	.....	26.5	1.37	.....	33	14	7/22
Peerless Systems	NR	Ja	Q1	0.06	0.06	0.06	1	P0.57	0.34	0.36	0.33	2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Pegasus Communications 'A'	NR	Dc	Q1	d0.51	d0.51	d0.51	1	Pd0.56	d1.63	d1.50	d1.80	3	d0.53	d0.53	d0.53	1	.....	19.0	2.33	.....	11	35	.....	
Pegasus Gold	NR	Dc	Q1	d0.07	d0.04	d0.13	3	Pd0.53	d0.37	d0.10	d0.78	1	d0.28	d0.07	d0.43	1	.....	240	0.90	.....	10	d	.....	
Pegasystems Inc	NR	Dc	Q2	0.07	0.32	d0.17	2	0.28	0.44	0.45	0.44	1	0.56	0.67	0.65	3	.....	13.6	9.16	1.11	60	45	7/31	
Penfederm Inc	NR	Dc	Q2	0.07	0.32	d0.17	2	Pd1.05	d0.41	d0.15	d0.61	4	0.56	0.60	0.40	3	.....	2.91	1.38	.....	18	45	7/29
Penn America Group	NR	Dc	Q2	0.30	0.40	0.26	3	1.05	1.11	1.13	1.10	6	1.27	1.30	1.25	4	15	76.7	6.33	2.63	12	11	7/25		
Penn Engr & Mfg	B+	Dc	Q2	0.44	0.44	0.44	1	1.79	1.80	1.82	1.80	1	1.75	1.75	1.75	1	.....	160	13.96	2.63	18	10	7/23	
Penn National Gaming	NR	Dc	Q1	.....	.....	.....	.....	0.39	0.70	0.75	0.65	1	1.30	1.30	1.30	1	.....	62.8	0.46	.....	20	20	7/23
Penn Traffic	NR	Ja	Q1	0.43	0.44	0.42	2	Pd0.87	d0.07	d0.00	d3.15	1	.....	.....	.....	.....	.....	3,296	1.78	1.78	6	14	6/03
Penn Treaty American	B+	Dc	Q1	0.43	0.44	0.42	2	P1.70	1.89	2.00	1.83	4	2.23	2.23	2.23	1	20	130	14.58	1.78	27	14	7/31		
Penn Virginia	B	Dc	Q1	1.15	1.15	1.15	1	P3.00	3.80	3.80	3.80	1	.....	.....	.....	.....	.....	34.1	36.83	4.18	45	12	5/10
PennCorp Financial Grp	NR	Dc	Q1	0.77	0.77	0.77	1	P2.85	3.28	3.30	3.20	20	3.70	3.70	3.70	8	20	34.3	36.83	4.18	45	12	5/10		
Pennny (J.C.)	B+	Ja	Q1	0.52	0.62	0.47	13	P2.88	3.61	4.50	3.25	28	4.07	4.45	3.75	8	9	22	13.70	5.15	37	13	5/14		
PennFed Financial Svcs	NR	Je	Q3	.....	.....	.....	.....	1.55	2.05	2.05	2.05	1	.....	.....	.....	.....	.....	75.3	13.86	.....	13	13	5/14
Pennsylvania Enterpr	B	Dc	Q3	.....	.....	.....	.....	D0.62	1.25	1.25	1.25	1	2.80	2.80	2.80	1	.....	184	12.09	0.78	22	18	5/08
Pennsylvania RE Inv Tr SBI	NR	Ar	Q3	0.33	0.33	0.33	1	1.27	1.75	2.30	1.20	15	3.67	4.65	2.85	7	3	39.2	5.36	22	17	8/02			
Pennzoil Co.	B-	Dc	Q2	0.87	1.77	0.70	3	2.88	2.95	3.25	1.70	15	.....	.....	.....	.....	.....	2,487	18.34	0.43	48	17	7/30

Stock Splits & Dividends ¹ 3-for-2, '95. ² 5-for-4, '93, '94, '95, '96. ³ 3-for-2, '97. ⁴ 3-for-2, '93; 2-for-1, '94. ⁵ 2-for-1, '97. ⁶ 3-for-2, '94. ⁷ 5-for-4, '92, '93 (twice), '94, '95, '96. ⁸ 3-for-2, '92, '93, '95, '96. To split 3-for-2, ex May 30. ⁹ 3-for-2, '92. ¹⁰ 3-for-2, '96; 2-for-1, '96. ¹¹ 2-for-1, '93.

PECO Energy Company
Value Line Investment Survey Five-Year
Growth in EPS for PECO Energy Company

<u>Date</u>	<u>Value Line Five-Year Growth Rate in EPS</u>
Jun. 14, 1996	6.0 %
Sep. 13, 1996	5.5
Dec. 13, 1996	5.5
Mar. 14, 1997	2.5
Average	<u>4.9 %</u>

Source of Information:
Value Line Investment Survey

PECO Energy Company
 Comparison of Expected Market Cost Rate of Common Equity
 Using Current Data for Allegheny Power System, Inc.
 (Parent of West Penn Power Company)
 and Mr. Deardorff's PECO Energy Company Recommendation
Based upon Mr. Deardorff's DCF Methodology

<u>Line No.</u>	<u>Time Period</u>	<u>Adjusted Dividend Yield (1) (%)</u>	<u>Growth Rate (%)</u>	<u>Expected Rate of Return (%)</u>
(1)	52 Week Average (2) (ending 5/30/97)	5.89 %	5.00 % (3)	10.89 %
(2)	Spot Price (ending 5/30/97)	<u>6.62</u>	<u>5.00</u> (3)	<u>11.62</u>
(3)	Average	<u>6.26</u> %	<u>5.00</u> %	<u>11.26</u> % (4)
(4)	Mr. Deardorff's PECO Energy Co. Recommendation:			<u>10.50</u> % (4)

- Notes:
- (1) Value Line's reported dividends are projected for the year ahead.
 - (2) Based upon closing prices for the 12-months ended 5/30/97.
 - (3) Average of S&P projected Growth in EPS (June 1997) of 4.0% and Value Line Investment Survey projected growth in EPS (June 13, 1997) of 6.0%.
 - (4) See page 2 of this Schedule for indicators of the relative risk difference between PECO Energy Co. and West Penn Power Company using Allegheny Power System, Inc. as a proxy.

Sources: Value Line Investment Survey, Ratings and Reports, June 13, 1997
 Standard & Poor's Earnings Guide, June 1997
 Standard & Poor's Compustat Services, Inc., Utility Compustat II

PECO Energy Company
 Indicators of the Relative Risk Difference Between PECO Energy Company and
West Penn Power Company using Allegheny Power System, Inc. as a Proxy

	<u>Allegheny Power System, Inc.</u>	<u>PECO Energy Company</u>
Nuclear Generation (1)	0.0%	69.0%
Bond Rating:		
Standard & Poor's (2)	A+ (3)	BBB+
Standard & Poor's Business Position (2)	High Average (3)	Somewhat Below Average
Common Equity Ratio (4)	44.0%	47.0%
Value Line Adjusted Beta (4)	0.75	0.90
Value Line Financial Strength (4)	A	B++
Standard & Poor's Common Stock Ranking (5)	A	B
Value Line Safety Ranking (4)	2	2

- Notes: (1) From Standard & Poor's Compustat Services, Inc., Utility Compustat II.
 (2) From Standard & Poor's Utility Rating Service.
 (3) Average bond rating and business position for Monogahela Power Co.,
 Potomac Edison Co. and West Penn Power Co.
 (4) From Value Line Investment Survey, June 13, 1997.
 (5) From Standard & Poor's June 1997 Stock Guide.