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October 26, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor
Harrisburg, PA 17120

**Re: PECO Securities Certificates
Dockets S-2018-3005009; S-2018-3005010; S-2018-3005011; S-2018-3005012
PECO's Answers to Commission Data Requests**

Dear Secretary Chiavetta,

On October 17, 2018, on behalf of the Bureau of Technical Utility Service, a letter was sent to PECO with a series of data request in the above-noted dockets. PECO's answers to those data requests are attached and are being e-filed.

Should you have any questions concerning this filing, please contact Alan Cohn, Manager, Regulatory Strategy at 215-841-5769.

Sincerely,



Cc: Marie L. Intrieri, Bureau of Technical Utility Services, Finance, PUC (VIA email)

Enclosure – Attachment

Chapter 19 Securities Certificate Registrations-Data Request

To the extent the following information has not been filed with registrant's securities certificate filing:

1.) Previous registration balances. Provide docket numbers, initial registration amount, issuances by type, amount and date and current remaining balance. Plans for these balances vis-à-vis the current registration.

Response:

As of the date of this response, the Company has issued \$1.275 billion First and Refunding Mortgage Bonds under the current (2015-2018) financing authority. The first mortgage bonds consisted of \$300 million 1.70% First and Refunding Mortgage Bonds due 2021 with the net proceeds used to pay at maturity \$300,000,000 aggregate principal amount of our 1.20% first mortgage bonds due October 15, 2016.

In addition, the Company issued \$325 million 3.70% First and Refunding Mortgage Bonds due 2047 with the net proceeds used for general corporate purposes.

During 2018, the Company issued \$325 million 3.90% First and Refunding Mortgage Bonds due 2048 with the proceeds used to partially repay at maturity a portion of the \$500 million aggregate principal amount of our 5.35% First and Refunding Mortgage Bonds due March 1, 2018. And in September the Company issued an additional \$325 million of its 3.90% First and Refunding Mortgage Bonds due 2048 with the net proceeds used to satisfy short-term borrowings from the Exelon intercompany money pool and for general corporate purposes.

During June 2018, the Company issued \$50 million 2.00% unsecured debt due 2023. An amount equal to the proceeds of each advance under the Loan shall be used by Borrower to fund and/or reimburse amounts previously spent for Qualifying Expenditures (including such Qualifying Expenditures spent from and after the date of the Commitment Letter).

The Company has a credit facility agreement in place that sets forth the terms and conditions under which it will be allowed to borrow certain funds from its collective lenders participating in the syndicated bank group through May 2023. This agreement will allow PECO to borrow up to \$600 million from its collective lenders participating in the syndicated bank group. The agreement was provided to the Commission on August 13, 2012 and has not been amended other than to extend the maturity through May 2023. PECO has not made any borrowings under the credit facility.

2.) What effect will this issuance have upon the capital structure of the utility. Show calculations.

Response:

Refer to the response to question 3 for the projected capital structure.

3.) Current and three year projections for; (Provide details of calculation)

Sources and Uses of Funds

Capital Expenditures

Ratio of Capital Expenditures to Depreciation and Amortization

Capitalization Ratios

Dividend payout ratio

Interest coverage ratios – both SEC and Indenture basis

Response:

Refer to the tables below for the Sources and Uses of funds, dividend payout ratios, and capital expenditures. The ratio of capital expenditures to depreciation and amortization is provided in response to question 15.

	2018 8+4 LE	2019 LRP 1.0	2020 LRP 1.0	2021 LRP 1.0
1 Cash From Operations	\$ 641	\$ 788	\$ 931	\$ 793
2 Cap Ex	\$ (847)	\$ (932)	\$ (992)	\$ (946)
3 Net Financing, excl dividend/share repurchase	\$ 297	\$ 515	\$ 505	\$ 394
4 Cash Available for Parent	\$ 91	\$ 371	\$ 443	\$ 240
5 Dividend for Parent	306	348	336	342
6 Dividends as % of NI	68%	70%	70%	70%

Cash Flow Detail

7 Operating Activities				
8 Net Income	\$ 447	\$ 497	\$ 479	\$ 489
9 Depreciation & Amortization	272	322	362	384
10 Change in Deferred Taxes	161	119	120	114
11 Change in Current Assets	(124)	46	29	4
12 Change in Current Liabilities	(58)	1	82	(55)
13 Change in Other Working Capital	(58)	(197)	(142)	(144)
14 Cash From Operations	\$ 641	\$ 788	\$ 931	\$ 793
15 Investing Activities				
16 Capital Expenditures	\$ (847)	\$ (932)	\$ (992)	\$ (946)
17 Cash used in Investing	\$ (847)	\$ (932)	\$ (992)	\$ (946)
18 Financing Activities				
19 Change in Commercial Paper	\$ -	\$ -	\$ -	\$ -
20 Change in Total Long-Term Debt	200	325	300	250
21 Dividends	(306)	(348)	(336)	(342)
22 Preferred Dividend				
23 Parent Receivable Receipts/Other	97	190	205	144
24 Cash Provided by Financing*	\$ (9)	\$ 167	\$ 169	\$ 52
25 Chg. in Cash & Cash Equiv.	\$ (215)	\$ 23	\$ 107	\$ (102)
26 Cash & Cash Equivalents (beginning)	271	56	79	186
27 Cash & Cash Equivalents (ending)	\$ 55	\$ 79	\$ 186	\$ 84

* Reflects no money pool activities in the LRP period

The capitalization ratios are provided in the table below.

	A	B	C	D
	8+4		LRP 1.0	
	2018	2019	2020	2021
1 Debt:				
2 Long-term (First Mortgage Bond)	\$ 3,309	\$ 3,634	\$ 3,934	\$ 4,184
3 AR Financing	-	-	-	-
4 Commercial Paper (Average)	161	15	1	-
5 Sub-Total Debt:	\$ 3,471	\$ 3,650	\$ 3,935	\$ 4,184
6 Less: Securitized Debt	-	-	-	-
7 Less: Commercial Paper for Average CWIP items	(161)	(15)	(1)	-
8 Less: Unamortized Premium Tender Call	(11)	(8)	(5)	(3)
9 Rate Making Debt	\$ 3,299	\$ 3,626.4	\$ 3,929	\$ 4,181
10 GAAP Preferred Stock	\$ -	\$ -	\$ -	\$ -
11 Less: Unamortized Premium Tender Call	-	-	-	-
12 Rate Making Preferred Stock	\$ -	\$ -	\$ -	\$ -
13 GAAP Common Equity	\$ 3,816	\$ 4,155	\$ 4,504	\$ 4,794
14 Less: AOCI (embedded in Retained Earnings)	(2)	(2)	(2)	(2)
15 Rate Making Equity	\$ 3,816	\$ 4,154	\$ 4,502	\$ 4,792
16 Debt to Cap % - GAAP	46%	46%	46%	46%
17 Preferred to Cap % - GAAP	0%	0%	0%	0%
18 Equity to Cap % - GAAP	54%	54%	54%	54%
19 Debt to Cap % - Rate Making	46%	47%	47%	47%
20 Preferred Stock to Cap % - Rate Making	0%	0%	0%	0%
21 Common Equity to Cap % - Rate Making	53.6%	53.4%	53.4%	53.4%

Projected year-end interest coverage ratios (using S&P methodology) are provided in the table below:

FFO Interest Coverage

2018	- 6.2x
2019	- 6.4x
2020	- 6.1x
2021	- 5.7x

4.) Three-year history of credit ratings – By credit rating agency and class

Response:

2016	Moody's	Fitch	S&P
PECO			
LT Issuer	A2	BBB+	BBB
Secured	Aa3	A	A-
Sr. Unsecured	A2	A-	N/A
Short Term	P-1	F2	A-2

2017	Moody's	Fitch	S&P
PECO			
LT Issuer	A2	BBB+	BBB
Secured	Aa3	A	A-
Sr. Unsecured	A2	A-	N/A
Short Term	P-1	F2	A-2

2018	Moody's	Fitch	S&P
PECO			
LT Issuer	A2	BBB+	BBB
Secured	Aa3	A	A-
Sr. Unsecured	A2	A-	N/A
Short Term	P-1	F2	A-2

5.) Projected refinancing savings or costs, if applicable

Response:

PECO has no current plans on calling or tendering any outstanding bond issues using borrowings under this securities certificate.

The Company may issue the Debt Securities during the next three years for general corporate purposes, including to pay maturing debt, to take advantage of refunding opportunities, to renew, replace or expand its credit facilities (or bank commitments thereunder) that have terms of one year or longer, to finance capital expenditures or finance acquisitions, to make contributions to pension plans and to repay maturing commercial paper or other short-term obligations incurred for such purposes.

Any reduction in interest expense would be determined based upon the market rates at the time of issuance of the new bonds that are being used to retire the maturing bonds.

6.) Affiliated interest agreement applicable to instant registration, if financing involves an affiliate

Response:

The expected financing will not involve an affiliate.

7.) List all unregulated affiliates of the applicant

Response:

The file below contains the Exelon organization chart. Regulated and unregulated companies are identified.



Exelon Corporation
- 2018 2Q Org Chart

8.) List all debt for which the applicant is a guarantor of affiliated company debt instruments

Response:

PECO does not guarantee any affiliate debt instruments.

9.) For any corporate money pool from which applicant may potentially borrow, lend or deposit excess cash to, provide;

- Commission ordered reporting requirements
- Current balances of borrowed and lent funds
- Eligible borrowing and lending entities
- Accounting for money pool transactions
- 3 year history of borrowing and lending to the pool

Response:

PECO has no Commission ordered reporting requirements for its money pool. The eligible borrowing entities are Exelon Generation, PECO Energy, Potomac Capital Investment Co. (a wholly owned subsidiary of Exelon Corp.), Pepco Holdings Service Company, and Exelon Business Services Company. The eligible lenders include the above plus Exelon Corporation. The attached spreadsheet contains the borrowing and lending history for 2015- YTD September 30, 2018.

Loaned Funds:

- Dr. Intercompany Short Term Notes Receivable
- Cr. Cash

Borrowed Funds:

- Dr. Cash
- Cr. Intercompany Short Term Notes Payable



PECO Money Pool
2015 - Q3 2018.xlsx

10.) Describe historical reliance by type of both corporate internal and external sources of financing

Response:

PECO relies on internal cash flow from operations (retained earnings, depreciation, deferred taxes) and external funding, primarily first mortgage bonds, to fund its business. In funding its business the Company targets a 53% equity ratio.

11.) Where current dividend payout ratio exceeds 75 %, provide three year history and plan for future dividend payouts.

Response:

The Company's current dividend payout ratio is less than 75% and the Company expects that in the long-term dividend payout ratio will be in the 65-70% range.

	2015 Act	2016 Act	2017 Act	2018 (8+4)	2019 LRP 1.0	2020 LRP 1.0	2021 LRP 1.0
Dividend Payout Ratio	74%	63%	66%	68%	70%	70%	70%

12.) Where the debt to total capital ratio exceeds 55%, provide plan for managing future debt to total capital levels.

Response:

The Company's debt to total capital ratio does not exceed 55%. The projected ratios are provided in response to question 3.

13.) With respect to the purpose for which you propose to issue or assume securities;

A. If the purpose is the purchase or construction of new facilities, or the betterment of existing facilities, provide;

1. Estimated final cost
2. A brief description of the new facilities or betterments
3. The date when it is expected that the purchase or construction or betterment will be completed.
4. Estimated amount of AFUDC included in the project costs

B. If the purpose is to obtain working capital, explain any unusual condition which exists, or will exist, in the public utility's current assets or current liabilities, stating;

1. The approximate cost of average materials and supplies inventory which the public utility expects to carry
2. The average time elapsing between the date when the public utility furnishes or begins a period of furnishing services to customers and the date when collection is made from customers for the service.
3. The minimum bank balance requirements.

C. If the purpose is to refund obligations, describe obligations in detail.

1. Explain the purpose for which obligations were issued, or refer to the number of securities certificate in which the purpose appears.
2. State whether refunding is to meet maturity, or to effect saving in interest or other annual charges; if to effect savings, state date when, and at price which obligations are to be called, and submit statement showing savings to be effected as a result of refunding.

D. If the purpose is for the payment of dividends, please justify the use of funds from the registration to pay dividends.

E. If the purpose is to fund pension obligations;

1. Provide the current Accumulated Benefit Obligation (except where no longer used consistent with FASB Statement No. 158), the projected benefit obligation, the current fair value of plan assets, and the percent that the current benefit obligation is funded.
2. Provide the annual contributions to the plan from 2006 to the present, and the projected contributions for the next five years.
3. Provide an explanation as to how compliance with the Pension Protection Act of 2006 will be accomplished.

Response:

A. The requested financing authority is not for a specific project but for overall corporate purposes, including capital expenditures. The estimated annual expenditures are included in response to question 3. There is approximately \$64 million of AFUDC in the capital expenditures over the 2019-2021 period.

B. There are no unusual conditions impacting the working capital need. The estimated inventory balance is \$63 million for the years 2019-2021. The average time between furnishing of service and collection of revenue for the service is about 47 days. It is based upon the lead lag study in the Company's recent rate case. This estimate is based on Total Billings, which includes retail revenue, purchased power and billings on behalf of suppliers. The estimate assumes monthly service is billed one day after usage is metered. The Company has no minimum bank balance requirements.

C. One of the uses of the funds will be to refund maturing debt issues. The issues to be refunded are \$300 million 1.70% First and Refunding Mortgage Bonds due in 2021. The net proceeds from the sale of the Bonds, together with cash on hand, was used to refinance at maturity \$300,000,000 aggregate principal amount of our 1.20% first and refunding mortgage bonds due October 15, 2016.

D. The purpose of the issuance of securities are to fund capital expenditure and operational needs and manage the Company's capital structure.

E. PECO does not issue debt or securities to specifically fund the pension contribution. PECO takes into account all factors including pension contributions and other cash uses and sources to determine the needs for financing.

PECO is planning to make the following contributions to its pension plan for the years 2018-2023.

(\$ millions)	9+3 Forecast		LRP 1.0			
	2018	2019	2020	2021	2022	2023
Pension Contributions	\$ 24.6	\$ 24.9	\$ 15.3	\$ 10.0	\$ 1.1	\$ 0.9

14.) Reconcile total capitalization with total rate base for ratemaking purposes. Are any of the funds to be issued for a non-utility purpose? If so, please describe that purpose.

Response:

The schedule below provides a reconciliation of the December 31, 2017 capitalization and ratemaking rate base. None of the new funds are specifically designated for non-utility purposes.

	<u>Distribution</u>	<u>Gas</u>	<u>Transmission</u>	<u>Total</u>
Net Plant in Service	\$ 4,825,871	\$ 1,831,938	\$ 1,118,975	\$ 7,776,784
Working Capital	147,323	7,441	5,714	160,478
Pension Assets / (Liability)	89,703	26,506	31,562	147,771
Accum Deferred Income Taxes	(842,345)	(351,220)	(264,649)	(1,458,213)
Customer Deposits	(50,574)	(12,291)	-	(62,865)
Customer Advances for Construction	(959)	(518)	-	(1,477)
Unamortized AMR Investment	34,652	-	-	34,652
Materials and Supplies	15,876	29,323	12,900	58,099
Total Rate Base at December 31, 2017	\$ 4,219,547	\$ 1,531,179	\$ 904,503	\$ 6,655,229
Total Capitalization at December 31, 2017				\$ 6,681,343
Rate Base				\$ 6,655,229
Estimated CWIP and Other Property and Investment				\$ 299,216
Working Capital Difference: Current Asset - Current Liabilities (Excl. LTD due in 1 year) - M&S - CWC - Customer Deposits				15,936
Deferred Debits/Other - Diferred Liability (Excl. ADIT, Cust Advances)				(289,039)
Total Capitalization				\$ 6,681,343

Notes:

The rate base information for Electric Distribution is based on 2018 Electric Distribution Rate Case filing

The rate base information for Electric Transmission is based on 2018 Transmission Annual Update with PJM

The rate base information for Gas is based on Gas Quarterly Earnings Reports for 12 months ended at December 2017

15.) Three year history and three year projections for ratio of capital expenditures to depreciation expense. Show calculations.

Response:

\$M	2015 Act	2016 Act	2017 Act	2018 (8+4)	2019 LRP 1.0	2020 LRP 1.0	2021 LRP 1.0
Total Capex	589	677	765	847	932	992	946
Total Depreciation & Amortization	202	244	261	275	295	325	349
Ratio	2.9	2.8	2.9	3.1	3.2	3.1	2.7

VERIFICATION

I, Richard G. Webster, Jr., Vice President, Regulatory Policy and Strategy hereby state that the fact above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: October 26, 2018

A handwritten signature in black ink, appearing to read "R. G. Webster, Jr.", written over a horizontal line.

Richard G. Webster, Jr.
Vice President
Regulatory Policy and Strategy