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PECO
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October 22, 2021

Via E-File

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

Re: PECO Securities Certificates
Dockets S-2021-3029168; S-2021-3029169; S-2021-3029176; S-2021-3029179
PECO's Answers to Commission Data Requests

Dear Secretary Chiavetta,

On October 7, 2021, 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.

Due to the ongoing COVID-19 pandemic, PECO's office personnel are working remotely. Accordingly, PECO will not have its usual access to photocopying and U.S. mail, among other services. PECO requests that all communications with PECO be transmitted by email

Should you have any questions concerning this filing, please contact Benjamin Yin, Director, Regulatory Strategy & Revenue Policy at 215-841-5463.

Sincerely,



Cc: Erin Laudenslager, Bureau of Technical Utility Services (via email)
David Huff, Supervisor, Bureau of Technical Utility Services, (via email)

Attachment

Chapter 19 Securities Certificate Registrations-Data Request

To the extent the following information has not been filed with Applicant’s registration:

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 \$1.425 billion First and Refunding Mortgage Bonds under the current (2019-2021) financing authority under S-2018-3005009. The proceeds were used to repay short term borrowings, to refinance long term borrowings, and for general corporate purposes. The issuances are as follows:

Date of Issuance	Maturity	Coupon	Amount (\$ Millions)
September 2019	2049	3.00%	\$ 325
June 2020	2050	2.80%	\$ 350
March 2021	2051	3.05%	\$ 375
September 2021	2051	2.85%	\$ 375
			\$ 1,425

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 2024. 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 2024. PECO has not made any borrowings under the credit facility. The credit facility utilizes S-2018-3005011.

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

PECO – Chapter 19 Securities Certificate Registration – Data Request

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.

	2021 8+4 LE	2022 LRP 1.0	2023 LRP 1.0	2024 LRP 1.0
(\$ Millions except Percentage)				
1 Cash From Operations	\$ 807	\$ 930	\$ 1,058	\$ 1,169
2 Cap Ex	\$ (1,269)	\$ (1,294)	\$ (1,279)	\$ (1,384)
3 Net Financing, excl. dividend/share repurchase	\$ 819	\$ 752	\$ 618	\$ 645
4 Cash Available for Parent	\$ 356	\$ 389	\$ 397	\$ 430
5 Dividend for Parent	340	398	397	430
6 Dividends as % of NI	70%	70%	70%	70%
<u>Cash Flow Detail</u>				
7 Operating Activities				
8 Net Income	\$ 484	\$ 566	\$ 566	\$ 614
9 Depreciation & Amortization	349	394	453	478
10 Change in Deferred Taxes	216	169	179	194
11 Change in Current Assets	25	(37)	38	3
12 Change in Current Liabilities	(71)	(9)	(19)	52
13 Change in Other Working Capital	(197)	(153)	(158)	(173)
14 Cash From Operations	\$ 807	\$ 930	\$ 1,058	\$ 1,169
15 Investing Activities				
16 Capital Expenditures	\$ (1,269)	\$ (1,294)	\$ (1,279)	\$ (1,384)
17 Cash used in Investing	\$ (1,269)	\$ (1,294)	\$ (1,279)	\$ (1,384)
18 Financing Activities				
19 Change in Commercial Paper	\$ (40)	\$ 122	\$ (20)	\$ (30)
20 Change in Total Long-Term Debt	450	375	375	400
21 Dividends	(340)	(398)	(397)	(430)
22 Preferred Dividend				
23 Parent Receivable Receipts/Other	409	255	263	275
24 Cash Provided by Financing*	\$ 479	\$ 354	\$ 221	\$ 215
25 Chg. In Cash & Cash Equiv.	\$ 16	\$ (10)	\$ 0	\$ (0)
26 Cash & Cash Equivalents (beginning)	19	35	25	25
27 Cash & Cash Equivalents (ending)	\$ 35	\$ 25	\$ 25	\$ 25

* Reflects no money pool activities in the LRP period

The capitalization ratios are provided in the table below.

PECO – Chapter 19 Securities Certificate Registration – Data Request

	(\$ Millions except Percentage)			
	8+4 LE	LRP 1.0 (2022-2026)		
	2021	2022	2023	2024
1 Debt:				
2 Long-term (First Mortgage Bond)	\$ 4,434	\$ 4,809	\$ 5,184	\$ 5,584
3 AR Financing	-	-	-	-
4 Commercial Paper (Average)	29	51	91	88
5 Sub-Total Debt:	\$ 4,463	\$ 4,861	\$ 5,276	\$ 5,672
6 Less: Securitized Debt	-	-	-	-
7 Less: Commercial Paper for Average CWIP items	(29)	(51)	(91)	(88)
8 Less: Unamortized Premium Tender Call	(3)	(3)	(2)	(1)
9 Rate Making Debt	\$ 4,431	\$ 4,806	\$ 5,183	\$ 5,584
10 GAAP Preferred Stock	\$ -	\$ -	\$ -	\$ -
11 Less: Unamortized Premium Tender Call	-	-	-	-
12 Rate Making Preferred Stock	\$ -	\$ -	\$ -	\$ -
13 GAAP Common Equity	\$ 5,086	\$ 5,509	\$ 5,941	\$ 6,400
14 Less: AOCI (embedded in Retained Earnings)	(2)	(2)	(2)	(2)
15 Rate Making Equity	\$ 5,084	\$ 5,507	\$ 5,939	\$ 6,399
16 Debt to Cap % - GAAP	46%	47%	47%	47%
17 Preferred to Cap % - GAAP	0%	0%	0%	0%
18 Equity to Cap % - GAAP	54%	53%	53%	53%
19 Debt to Cap % - Rate Making	47%	47%	47%	47%
20 Preferred Stock to Cap % - Rate Making	0%	0%	0%	0%
21 Common Equity to Cap % - Rate Making	53.4%	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	
2021	- 5.9x
2022	- 6.3x
2023	- 6.1x
2024	- 6.3x
2025	- 6.8x

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

Response:

2019	Moody's	Fitch	S&P
PECO			
LT Issuer	A2	A-	BBB+
Secured	Aa3	A+	A
Sr. Unsecured	A2	A	N/A

PECO – Chapter 19 Securities Certificate Registration – Data Request

Short Term	P-1	F2	A-2
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2020	Moody's	Fitch	S&P
PECO			
LT Issuer	A2	A-	BBB+
Secured	Aa3	A+	A
Sr. Unsecured	A2	A	N/A
Short Term	P-1	F2	A-2

2021	Moody's	Fitch	S&P
PECO			
LT Issuer	A2	A-	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
2021 3rd Quarter Or

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 Holding 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 2018-YTD September 30, 2021.

The accounting for money pool transactions is as follows:

Loaned Funds:

Dr. Intercompany Short-Term Notes Receivable
Cr. Cash

Borrowed Funds:

Dr. Cash
Cr. Intercompany Short-Term Notes Payable



PECO Money Pool
2018-Q3 2021.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 increased dividend payout ratio of 76% in 2020 is attributable to higher storm costs and COVID-19 related costs incurred by PECO which led to lower net income. The Company’s current dividend payout ratio is less than 75% and the company expects that the long-term dividend payout ratio will be in the 70% range.

	2018 Act	2019 Act	2020 Act	2021 (8+4)	2022 LRP 1.0	2023 LRP 1.0	2024 LRP 1.0
Dividend Payout Ratio	67%	68%	76%	70%	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 affected 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;

FPA 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.

FPA 2. Provide the annual contributions to the plan from 2006 to the present, and the projected contributions for the next five years.

FPA 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 \$93 million of AFUDC in the capital expenditures over the 2022-2024 period.

B. There are no unusual conditions impacting the working capital need. The estimated average inventory balance is \$78M for the years 2022-2024. The average time between furnishing of service and collection of revenue for the service is about 48 days. It is based upon the lead lag study in the Company's recent rate case. The 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 \$350 million 2.375% First and Refunding Mortgage Bonds due in 2022. These bonds due in 2022 were issued in 2012 from which, the net proceeds together with cash on hand, was used to refinance at maturity \$225,000,000 aggregate principal amount of our 4.75% first and refunding mortgage bonds due October 1, 2012.

D. The purpose of the issuance of securities is 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 – Chapter 19 Securities Certificate Registration – Data Request

PECO is planning to make the following contributions to its pension plan for the years 2021-2026:

(\$ millions)	8+4 Forecast	LRP 1.0				
	2021	2022	2023	2024	2025	2026
Pension Contributions	\$ 15.6	\$ 12.5	\$ 1.1	\$ 1.1	\$ 1.0	\$ 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, 2020 capitalization and ratemaking rate base. None of the new funds are specifically designated for non-utility purposes.

(\$ Thousands)	Distribution	Gas	Transmission	Total
Net Plant in Service	\$ 6,027,783	\$ 2,384,475	\$ 1,256,792	\$ 9,669,050
Working Capital	150,945	4,353	3,288	158,585
Pension Assets / (Liability)	119,408	29,972	27,574	176,954
Accum Deferred Income Taxes	(950,076)	(369,429)	(292,099)	(1,611,604)
Customer Deposits	(49,195)	(16,264)	-	(65,459)
Customer Advances for Construction	(1,707)	(1,099)	-	(2,806)
Materials and Supplies	19,944	30,238	10,811	60,993
Total Rate Base at December 31, 2020	\$ 5,317,103	\$ 2,062,245	\$ 1,006,366	\$ 8,385,714
Total Capitalization at December 31, 2020				\$ 8,497,244
Rate Base				\$ 8,385,714
Estimated CWIP and Other Property and Investment				\$ 558,473
Working Capital Difference: Current Asset - Current Liabilities (Excl. LTD due in 1 year) - M&S - CWC - Customer Deposits				(313,262)
Deferred Debits/Other - Diferred Liability (Excl. ADIT, Cust Advances)				(133,681)
Total Capitalization				\$ 8,497,244

Notes:

The rate base information for Electric Distribution is based on actual 2020 data in 2021 Electric Distribution Rate Case filing

The rate base information for Electric Transmission is based on 2020 actual data in 2021 Transmission Annual Update with PJM

The rate base information for Gas is based on internal record/estimate as no Gas Quarterly Earnings Reports for 12 months ended at December 2020 was filed

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

Response:

(\$ Millions except Ratio)	2018 Act	2019 Act	2020 Act	2021 (8+4)	2022 LRP 1.0	2023 LRP 1.0	2024 LRP 1.0
Capex	846	999	1,219	1,269	1,294	1,279	1,384
Depreciation & Amortization	282	303	318	337	381	434	458
Ratio	3.0	3.3	3.8	3.8	3.4	3.0	3.0