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

PECO Energy Company ("PECO" or the "Company") has asked the Pennsylvania Public Utility Commission ("PUC") to increase its electric distribution rates by $82 million, or 2.2% of its total electric operating revenues. Although the new rates are proposed to become effective on May 28, 2018, the Company expects that they will be suspended for investigation by the PUC until approximately January 1, 2019.

PECO's proposed rate increase reflects $71 million savings in 2019 from changes in federal income tax law made by the Tax Cuts and Jobs Act (the "TCJA"), which became effective on January 1, 2018. PECO is also proposing to expeditiously refund the amount of PECO's reduced tax expense in 2018 to customers (estimated to be $68 million under PECO's existing rates) through a reconcilable surcharge mechanism proposed as part of these proceedings.

The main reasons PECO is asking for an increase in rates are:

- PECO last filed for an increase in electric base rates in March 2015. During the last three years, PECO has carefully managed bad debt expense, post-employment benefits and other operation and maintenance expenses. However, unavoidable increases have occurred in several areas, including employee wages and salaries and the effects of inflation on material and contracting costs. In addition, PECO's customer load has declined since 2015.

- Between January 1, 2016 and December 31, 2019, the end of the fully projected future test year, PECO will have invested over $1.9 billion in additional electric distribution plant.

- Without the requested rate relief, the Company's financial results would deteriorate further in 2019 and thereafter. This would jeopardize the Company's ability to appropriately invest in the infrastructure needed to maintain and improve its safety, reliability and customer-service levels. It would also have a negative effect on PECO's ability to maintain its current credit ratings, which would increase its financing costs.

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

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