

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

PECO Energy Company (“PECO” or the “Company”) has asked the Pennsylvania Public Utility Commission (“PUC”) to approve new base rates that would increase annual revenues for its gas division by approximately \$68.7 million or 8.9% of its total gas division revenues.

Although the new rates are proposed to become effective on November 29, 2020, the Company expects that they will be suspended for investigation by the PUC until approximately July 1, 2021.

The main reasons for the rate increase are:

- PECO last sought an increase in gas base rates in March 2010. Since that time, the Company has prudently managed its investments in infrastructure and its operation and maintenance expenses, but at this time, an increase in distribution revenues is needed to maintain the high-quality, safe and reliable service the Company provides.
- PECO has made and continues to make very substantial investments in new gas utility plant. In fact, PECO projects that it will need to invest approximately \$1.2 billion in new and replacement gas utility plant between July 1, 2020 and June 30, 2024.
- Although PECO has continued to expand its customer base, residential customers are using less gas due to several factors including improved building materials and more efficient appliances. Per-customer residential usage currently remains below the levels experienced in 2011.
- PECO has worked hard to control its gas division’s costs. However, unavoidable cost increases have occurred in several areas, including employee wages, pensions, and health-care benefits.

PECO is filing all of the supporting data required by the PUC’s regulations, as well as the written statements of nine 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.