

DIRECT TESTIMONY

of

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Finance Department

Financial Analysis Division

Illinois Commerce Commission

Commonwealth Edison Company

Tariffs and charges submitted pursuant to

Section 16-108.5 of the Public Utilities Act

Docket No. 12-0321

July 17, 2012

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WITNESS IDENTIFICATION

Q1. Please state your name and business address.

A1. My name is Michael McNally. My business address is 527 East Capitol Avenue, Springfield, IL 62701.

Q2. What is your current position with the Illinois Commerce Commission (“Commission”)?

A2. I am a Senior Financial Analyst in the Finance Department of the Financial Analysis Division.

Q3. Please describe your qualifications and background.

A3. I received both a Bachelor of Arts degree in Economics and a Master of Business Administration degree with a concentration in Finance from the University of Illinois at Urbana-Champaign. I earned the Chartered Financial Analyst designation from the organization now known as the CFA Institute in 2003. I have been employed by the Commission since 1999 and have previously testified before the Commission on a variety of financial issues.

Q4. What is the purpose of your testimony in this proceeding?

A4. I will present the fair rate of return on rate base for Commonwealth Edison Company’s (“ComEd” or the “Company”) electric delivery services, pursuant to the provisions of Section 16-108.5 of the Public Utilities Act (the “Act”).¹

¹ 220 ILCS 5/16-108.5.

20

CAPITAL STRUCTURE

21 **Q5. What capital structure does the Company propose for setting rates in**
22 **accordance with 16-108.5 of the Act (“formula rates plan”)?**

23 A5. The Company proposes using an average 2011 capital structure comprising
24 0.18% short-term debt, 57.25% long-term debt and 42.57% common equity
25 (excluding goodwill), as shown on Schedule 4.01.²

26 **Q6. What capital structure do you propose for setting rates in accordance with**
27 **the formula rates plan?**

28 A6. I propose using an average 2011 capital structure comprising 0.18% short-term
29 debt, 57.28% long-term debt and 42.54% common equity (excluding goodwill), as
30 shown on Schedule 4.01.

31 **Q7. Why do you propose an average 2011 capital structure instead of a**
32 **December 31, 2011 capital structure?**

33 A7. In its Final Order in Docket No. 11-0721, the prior ComEd formula rate case, the
34 Commission adopted the average capital structure Staff proposed.³

35 **Q8. Do you agree with the Company’s methodology for calculating the short-**
36 **term debt balance?**

37 A8. Yes. This was the same methodology adopted by the Commission in the
38 Company’s previous formula rates proceeding.⁴

² ComEd Ex. 10.4, Schedule D-1 FY and Schedule D-1 RY.

³ Order, Docket No. 11-0721, May 29, 2012, p. 123.

⁴ Order, Docket No. 11-0721, May 29, 2012, p. 123.

39 **Q9. How did you calculate the average long-term debt balance?**

40 A9. I calculated the average long-term debt balance in accordance with 83 IL Adm.
41 Code 285.4000(b), which is the methodology used to calculate the average
42 balance of long-term debt the Commission approved in its Order in Docket No.
43 11-0721.⁵ For example, for debt issued or retired in 2011, such as the Series
44 110 bonds that ComEd issued in January 2011, I multiplied each of the annual
45 amortizations of debt discount, premium, and expense and face amounts
46 outstanding by the fraction of 2011 that those bonds were outstanding (*i.e.*, 347
47 days outstanding ÷ 365 days).⁶ Similarly, for those issuances, I calculated
48 weighted average unamortized debt discount, premium, and expense balances
49 by multiplying the percentage of the year the bonds were outstanding by the
50 average balance during that period.⁷ In contrast, for debt issues whose face
51 amount outstanding did not change during 2011, such as the Series 92 bonds,
52 the unamortized debt discount, premium, and expense balances are simple
53 averages of their respective December 31, 2010 and December 31, 2011
54 balances.

55 In addition, I applied straight-line amortization beginning with the end-of-year
56 2010 unamortized balances of debt discount, premium, and expense; I corrected
57 the Company's Unamortized Debt Discount balance for Series 103B;⁸ and I
58 changed the amortization period end date for three of the Series 92 reacquired

⁵ Order, Docket No. 11-0721, May 29, 2012, pp. 120-123, 138.

⁶ See Schedule 4.04, page 1, line 20, columns (E), (J), and (K).

⁷ See Schedule 4.04, page 1, line 1, columns (F) and (G).

⁸ Company response to Staff data request MGM 1.03.

59 issues from March 15, 2012, as reported in the Company's Form 21, to April 16,
60 2013 to reflect the actual amortization period being used.⁹

61 **Q10. Did you make any other adjustments to the Company's long-term debt**
62 **balance?**

63 A10. Yes. I removed the portion of long-term debt that is reflected in the Allowance for
64 Funds Used During Construction ("AFUDC") rate. The Commission adopted the
65 same adjustment in its Final Order in the prior ComEd formula rate case.¹⁰

66 **Q11. Did you make a similar adjustment to the balance of common equity to**
67 **remove the portion of common equity that is reflected in the AFUDC rate?**

68 A11. Yes. To avoid double counting the portions of long-term debt and common
69 equity that the AFUDC formula assumes is financing Construction Work In
70 Progress ("CWIP"), I subtracted \$86,668,402 from the long-term debt balance
71 and \$64,358,653 from the common equity balance.

72 **Q12. How did you calculate those amounts?**

73 A12. The Company had a higher balance of CWIP than short-term debt for twelve of
74 the thirteen months from December 2010 through December 2011. Therefore,
75 the AFUDC formula assumes that a portion of CWIP is funded with the long-term
76 sources of capital during those months. After removing the portion of short-term
77 debt that is reflected in the AFUDC calculation,¹¹ any remaining amount of CWIP
78 accruing AFUDC was allocated to long-term debt and common equity based on
79 their proportions to total long-term capital.

⁹ See Schedule 4.04, p. 2. Lines 57-59 and Company response to Staff data request MGM 1.05.

¹⁰ Order, Docket No. 11-0721, May 29, 2012, p. 127.

¹¹ See Schedule 4.02, page 1: column (G) = column (D) – [column (B) – column (E)].

80 The average monthly balance of CWIP accruing AFUDC that the AFUDC formula
81 assigns to long-term capital is \$151,027,055 as presented in Schedule 4.02,
82 page 1, Column (H). As shown on Schedule 4.03, long-term debt composes
83 57.39% of long-term capital. Thus, \$86,668,402 of long-term debt financing
84 CWIP (*i.e.*, 57.39% × \$151,027,055) is subtracted from the \$5,788,985,139
85 carrying value of outstanding long-term debt for an average 2011 long-term debt
86 balance of \$5,702,316,737.¹² Similarly, Schedule 4.03 shows that common
87 equity composes 42.61% of long-term capital; therefore, the AFUDC formula
88 assumes that 42.61% of \$151,027,055, or \$64,358,653, of common equity is
89 financing CWIP. Consequently, I removed \$64,358,653 from the outstanding
90 common equity balance, which produces an average 2011 common equity
91 balance of \$4,234,454,681.¹³

92 **Q13. Did you make any other adjustments to the Company's average common**
93 **equity balance?**

94 A13. I reduced the monthly balances of common equity by the balance of goodwill as
95 specified in Section 16-108.5(c)(2) of the Act. This adjustment, along with the
96 AFUDC-related adjustment noted above, produces an average 2011 common
97 equity balance of \$4,234,454,681, as presented on Schedule 4.05.

98 **Q14. How does the capital structure affect the overall cost of capital?**

99 A14. Financial theory suggests capital structure affects the value of a firm and,
100 therefore, its cost of capital, to the extent it affects the expected level of cash
101 flows that accrue to outside parties (*i.e.*, other than debt and stock holders).

¹² See Schedule 4.04, page 3, column (H), lines 116, 118, and 119.

¹³ See Schedule 4.05, column (E), lines 15 and 16.

102 Employing debt as a source of capital reduces a company's income taxes,¹⁴
103 thereby reducing the cost of capital. However, as reliance on debt as a source of
104 capital increases, so does the probability of default. As default becomes more
105 probable, expected payments to attorneys, trustees, accountants, and other
106 outside parties increase. Simultaneously, the expected value of the income tax
107 shield provided by debt financing declines. Beyond a certain point, a growing
108 dependence on debt as a source of funds increases the overall cost of capital.

109 Likewise, increasing the proportion of common equity in a utility's capital
110 structure reduces financial risk, thereby lowering the cost of each source of
111 capital. However, since common equity is the most costly source of capital, an
112 excessive proportion of common equity unnecessarily raises the overall cost of
113 capital. On the other hand, an inadequate proportion of common equity also
114 unnecessarily raises the cost of capital, since reducing the proportion of common
115 equity in a utility's capital structure increases financial risk, thereby raising the
116 cost of each source of capital. In other words, above a certain common equity
117 ratio, increasing the proportion of common equity increases the overall cost of
118 capital despite reducing the individual component costs; below a certain common
119 equity ratio, decreasing the proportion of common equity has a smaller effect on
120 the overall cost of capital than the resulting increase in the cost of each source of
121 capital.¹⁵ Therefore, the Commission should not determine the overall rate of

¹⁴ The tax advantage debt has over equity at the corporate level is partially offset at the individual investor level. Debt investors receive returns largely in the form of current income (i.e., interest). In contrast, equity investors receive returns in the form of both current income (i.e., dividends) and capital appreciation (i.e., capital gains). Taxes on common dividends and capital gains are lower than taxes on interest income because common dividends and capital gains tax rates are lower and taxes on capital gains are deferred until realized.

¹⁵ Unfortunately, determining the common equity ratio that minimizes cost of capital remains problematic because: (1) the cost of capital is a continuous function of the capital structure, rendering its precise measurement along each segment of the range of possible capital

122 return from a utility's actual capital structure if that capital structure adversely
123 affects the overall cost of capital.

124 **Q15. Do rates set in accordance with the formula rates plan maintain the**
125 **risk/return relationship discussed above?**

126 A15. No. The authorized rate of return on common equity under the formula rates
127 plan is a function of only two factors: (1) the average yield on 30-year U.S.
128 Treasury bond yields, plus 580 basis points; and (2) possible performance
129 penalties. Consequently, the authorized rate of return on common equity would
130 not respond to changes in the common equity ratio. That is, Section 16-108.5 of
131 the Act severs the inherent link between the rate of return on common equity and
132 the level of financial risk associated with a utility's capital structure. Therefore,
133 absent rigorous Commission oversight of the capital structure, Section 16-108.5
134 of the Act provides an incentive to utilities to increase their respective common
135 equity ratios.

136 **Q16. Have credit rating agencies voiced any opinions regarding the effect of the**
137 **formula rates plan on credit quality?**

138 A16. Yes. They have indicated that the implementation of formula rates will be
139 favorable toward ComEd's credit quality, which could result in improved credit
140 ratings. Specifically, Moody's upgraded ComEd's credit rating to Baa2 from
141 Baa3, noting the upgrade "reflects an expectation for continued strong financial
142 performance at the utility, aided in large part by the passage of the Energy
143 Infrastructure Modernization Act ("EIMA"), which should result in increased
144 infrastructure investment, more timely cost recovery, and resilient credit

structures problematic; and (2) the optimal capital structure is a function of dynamic operating risk and investor risk preferences.

145 metrics.”¹⁶ Moody’s also noted that the formula rates plan should help to
146 substantially offset lingering concerns about the regulatory framework. In
147 addition S&P indicated that it expects the new law will improve regulatory risk by
148 providing a “streamlined process” for rate setting expected to improve the
149 stability of the utility’s cash flows and ultimately reduce regulatory lag.¹⁷

150 **Q17. Does the capital structure you present in this proceeding reflect the effects**
151 **of the application of formula rates?**

152 A17. No. ComEd’s current capital structure was developed under a traditional
153 regulatory framework. Thus, the capital structure presented was developed
154 under a higher degree of operating risk than would be expected for a utility
155 operating under a formula rate.

156 **Q18. Is the capital structure you propose appropriate for setting rates?**

157 A18. Yes, given the regulatory framework existing in 2011, the capital structure I
158 propose is appropriate for setting rates.¹⁸

159 **Q19. How did you evaluate your proposed capital structure for ComEd?**

160 A19. First, I compared ComEd’s capital structure to that of its parent, Exelon
161 Corporation (“Exelon”). S&P indicates that ComEd’s regulated utility operating
162 risk is lower than that of Exelon, which includes significantly riskier generation
163 operations.¹⁹ Given that ComEd has lower operating risk than Exelon, ComEd

¹⁶ Moody’s Investors Service, “Rating Action: Moody’s upgrades Commonwealth Edison’s ratings,” March 2, 2012.

¹⁷ Standard & Poor’s, “Commonwealth Edison Co.,” March 23, 2012, p. 2.

¹⁸ This should not be construed as an endorsement of such a capital structure in future years during which the formula rate mechanism is in effect.

¹⁹ Standard & Poor’s, “Commonwealth Edison Co.,” March 23, 2012, p. 2; Standard & Poor’s, “Summary: Exelon Corporation,” January 20, 2012, p. 2.

164 should be able to maintain more financial risk (i.e., have a lower common equity
165 ratio) than Exelon to achieve the same stand-alone credit rating as Exelon.
166 Thus, Exelon's common equity ratio represents an upper bound for ComEd's
167 common equity ratio. Exelon had an average 2011 common equity ratio of
168 52.3%.²⁰ Appropriately, Staff's proposed common equity ratio for ComEd is
169 lower at 42.54%.

170 Second, I compared ComEd's capital structure to those of other electric
171 companies. Moody's categorizes debt securities on the basis of the risk that a
172 company will default on its interest or principal payment obligations. The
173 resulting credit rating reflects both the operating and financial risks of a utility.²¹
174 ComEd has a Moody's corporate credit rating of Baa2.²² Moody's states that
175 "Obligations rated Baa are subject to moderate credit risk. They are considered
176 medium grade and as such may possess certain speculative characteristics."²³
177 Based on data from the S&P *Utility Compustat* database, the average common
178 equity ratio for utilities in the electric industry with an S&P credit rating in the BBB
179 range equals 47.02%, with a standard deviation of 8.44%.²⁴ Staff's proposed
180 common equity ratio of 42.54% is within approximately 0.5 standard deviations
181 from that of the average BBB rated electric industry company. Thus, Staff's
182 proposed common equity ratio for ComEd is reasonable.

²⁰ Exelon Corporation, Form 10-K for year ending December 31, 2011, p. 177.

²¹ Moody's Investors Service, "Rating Methodology: Regulated Electric and Gas Utilities," August 2009, p. 4.

²² Moody's Investors Service, "Rating Action: Moody's upgrades Commonwealth Edison's ratings," March 2, 2012, p. 1.

²³ Moody's Investors Service, "Rating Symbols & Definitions," March 2007, p. 8.

²⁴ Standard & Poor's BBB credit rating is equivalent to Moody's Baa credit rating.

183

COST OF SHORT-TERM DEBT

184 **Q20. What is ComEd's cost of short-term debt?**

185 A20. The weighted cost of short-term borrowings, as reported in the Company's 2011
186 Form 10-K, page 271, equals 0.71%.

187 **Q21. What is the cost of ComEd's credit facilities?**

188 A21. I determined annual credit facility commitment fees of \$10,104,000 for ComEd,
189 after adjusting the arrangement fees for the community and minority owned bank
190 credit facilities to 29%, which equals ComEd's pro rata share of costs associated
191 with credit facilities that were jointly arranged for ComEd and its non-utility
192 affiliates. Specifically, ComEd's \$34 million one-year credit facility comprises
193 29% of total community- and minority-owned bank credit facilities between
194 ComEd and its non-utility affiliates (\$118 million). The Commission adopted this
195 methodology for allocating the arrangement fees for community and minority
196 owned bank credit facilities in its Order in Docket No. 11-0721.²⁵

197 To calculate the weighted cost of credit facility fees that should be added to the
198 Company's cost of capital, I divided the Company's total bank commitment fees
199 by total capitalization, as shown on Schedule 4.02, page 2. Thus, I added 10
200 basis points to ComEd's overall cost of capital, as shown on Schedule 4.01.

²⁵ Order, Docket No. 11-0721, May 29, 2012, p. 137.

201

COST OF LONG-TERM DEBT

202 **Q22. What is the Company's embedded cost of long-term debt?**

203 A22. ComEd's embedded cost of long-term debt equals 5.77%, as shown on Schedule
204 4.04.

205

RATE OF RETURN ON COMMON EQUITY

206 **Q23. What is ComEd's rate of return on common equity for setting rates in 2013?**

207 A23. ComEd's rate of return on common equity is 9.71%, which equals the monthly
208 average 3.91% 30-year U.S. Treasury bond yield, plus 580 basis points, as set
209 forth in Section 16-108.5(c)(3) of the Act.

210 **Q24. What is ComEd's rate of return on common equity for the 2011 rate
211 reconciliation?**

212 A24. ComEd's rate of return on common equity is 9.81%, which equals the monthly
213 average 3.91% 30-year U.S. Treasury bond yield, plus 590 basis points, as set
214 forth in Section 16-108.5(d)(1) of the Act.

215

RATE OF RETURN ON RATE BASE

216 **Q25. What is the Company's rate of return on rate base for setting rates in 2013?**

217 A25. I recommend a 7.54% rate of return on rate base for ComEd's electric delivery
218 services, based on a capital structure comprising 0.18% short-term debt, 57.28%
219 long-term debt, and 42.54% common equity, as shown on page 1 of Schedule
220 4.01.

221 **Q26. What is the Company's rate of return on rate base for setting rates for the**
222 **2011 rate reconciliation?**

223 A26. I recommend a 7.58% rate of return on rate base for ComEd's electric delivery
224 services based on a capital structure comprising 0.18% short-term debt, 57.28%
225 long-term debt, and 42.54% common equity, as shown on page 2 of Schedule
226 4.01.

227 **Q27. Does this conclude your prepared direct testimony?**

228 A27. Yes, it does.

Commonwealth Edison Company
 Cost of Capital Summary - Filing Year 2013
 (In Thousands)

Staff Proposal
 Average 2011

Capital Component	Balance	Weight	Cost	Weighted Cost
1 Short-Term Debt	\$ 17,947	0.18%	0.71%	0.00%
2 Long-Term Debt	5,702,317	57.28%	5.77%	3.30%
3 Common Equity	4,234,455	42.54%	9.71%	4.13%
4 Credit Facility Fees				0.10%
5 Total	\$ 9,954,718	100.00%		7.54%

Company Proposal
 Average 2011

Capital Component	Balance	Weight	Cost	Weighted Cost
6 Short-Term Debt	\$ 17,947	0.18%	0.71%	0.00%
7 Long-Term Debt	5,697,969	57.25%	5.83%	3.34%
8 Common Equity	4,236,905	42.57%	9.71%	4.13%
9 Credit Facility Fees				0.10%
10 Total	\$ 9,952,821	100.00%		7.57%

Commonwealth Edison Company
 Cost of Capital Summary - 2011 Reconciliation
 (In Thousands)

Staff Proposal
 Average 2011

Capital Component	Balance	Weight	Cost	Weighted Cost
1 Short-Term Debt	\$ 17,947	0.18%	0.71%	0.00%
2 Long-Term Debt	5,702,317	57.28%	5.77%	3.30%
3 Common Equity	4,234,455	42.54%	9.81%	4.17%
4 Credit Facility Fees				0.10%
5 Total	\$ 9,954,718	100.00%		7.58%

Company Proposal
 Average 2011

Capital Component	Balance	Weight	Cost	Weighted Cost
6 Short-Term Debt	\$ 17,947	0.18%	0.71%	0.00%
7 Long-Term Debt	5,697,969	57.25%	5.83%	3.34%
8 Common Equity	4,236,905	42.57%	9.81%	4.18%
9 Credit Facility Fees				0.10%
10 Total	\$ 9,952,821	100.00%		7.62%

Commonwealth Edison Company

Short-Term Debt Balance
 Average 2011
 (In Thousands)

End of Month Balances							
Date	Gross Short-Term Debt Outstanding	CWIP	CWIP Accruing AFUDC	Net Short-Term Debt Outstanding	Monthly Average	Remaining CWIP Accruing AFUDC	Monthly Average
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1 Dec-10	\$ -	\$ 207,042	\$ 176,578	\$ -		\$ 176,578	
2 Jan-11	346,730	197,961	163,011	183,719	\$ 91,860	-	\$ 88,289
3 Feb-11	141,500	219,002	182,029	23,889	103,804	64,418	32,209
4 Mar-11	50,000	235,892	199,322	7,751	15,820	157,073	110,746
5 Apr-11	-	247,199	209,514	-	3,876	209,514	183,294
6 May-11	-	215,723	177,103	-	-	177,103	193,309
7 Jun-11	-	230,055	184,927	-	-	184,927	181,015
8 Jul-11	-	207,443	136,031	-	-	136,031	160,479
9 Aug-11	-	187,873	146,261	-	-	146,261	141,146
10 Sep-11	-	206,478	164,550	-	-	164,550	155,406
11 Oct-11	-	240,248	197,834	-	-	197,834	181,192
12 Nov-11	-	243,776	203,071	-	-	203,071	200,453
13 Dec-11	-	186,925	166,507	-	-	166,507	184,789
14 Average					\$ 17,947		\$ 151,027

15 Notes:

Column (E) = the greater of [Column (B) - Column (D)] or [Column (B) - Column (B) / Column (C) * Column (D)]
 Column (G) - Column (D) - [Column (B) - Column (E)]

Commonwealth Edison Company
 Cost to Maintain Credit Facilities
 (In Thousands)

Description (A)	Amount (B)
1 <i>Primary Credit Facility</i>	
2 Annual amortization of upfront fees (1)	2,558
3 Facility commitment fees	3,802
4 <u>Line of credit drawn fees</u>	<u>3,207</u>
5 Subtotal	9,567
6 <i>Community- and Minority-Owned Bank Credit Facility</i>	
7 Annually incurred upfront fees (2)	136
8 Facility commitment fees	109
9 <u>Line of credit drawn fees</u>	<u>292</u>
10 Subtotal	537
11 <u>Total</u>	<u>10,104</u>
12 Total capital (3)	9,954,718
13 Credit facility cost of capital (Line 11 / Line 12)	0.10%

14 Notes:

- (1) Does not include the cost of short-term borrowings.
- (2) Reduced arrangers fees to 29%, which is Company's pro rata share of total community- and minority-owned bank credit facilities.
- (3) Total Capital presented on ICC Staff Exhibit 4.0, Schedule 4.01.

Commonwealth Edison Company
 Remaining CWIP Accruing AFUDC Adjustment Calculation
 Average 2011
 (In Thousands)

Unadjusted Capital Structure

	<u>Balance</u>	<u>Weight</u>
1 Short-Term Debt	\$ 17,947	0.18%
2 Long-Term Debt	5,788,985	57.28%
3 Common Equity	4,298,813	42.54%
4 Total	\$ 10,105,745	100.00%

Capital Structure without Short-Term Debt

	<u>Balance</u>	<u>Weight</u>
5 Long-Term Debt	5,788,985	57.39%
6 Common Equity	4,298,813	42.61%
7 Total	\$ 10,087,798	100.00%

Remaining CWIP Accruing AFUDC Adjustment to Long-Term Capital Components

8	Remaining CWIP Accruing AFUDC : (from Schedule 4.02, p. 1)	\$ 151,027
		<u>Reduction to Long-Term Capital Components</u>
9 Long-Term Debt	<u>Weight</u>	\$ 86,668
10 Common Equity	57.39%	64,359
11 Total	42.61%	
	100.00%	\$ 151,027

Commonwealth Edison Company
 Embedded Cost of Long-term Debt
 Average 2011

Debt Issue Type, Coupon Rate (A)	Date Issued (B)	Maturity Date (C)	Original Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt Discount or (Premium) (F)	Unamortized Debt Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt Discount or (Premium) (J)	Amortization of Debt Expense (K)	Total Expense (L)	
First Mortgage Bonds												
1	7.625% Series 92	4/28/1993	4/15/2013	\$ 220,000,000	\$ 125,000,000	\$ 130,449	\$ 13,165	\$ 124,856,386	\$ 9,531,250	\$ 72,860	\$ 7,353	\$ 9,611,463
2	7.500% Series 94	7/7/1993	7/1/2013	150,000,000	127,000,000	256,951	9,334	126,733,715	9,525,000	128,388	4,664	9,658,051
3	5.850% 1994C	1/25/1994	1/15/2014	20,000,000	17,000,000	15,517	8,224	16,976,259	994,500	6,100	3,233	1,003,833
4	6.150% Series 98	3/13/2002	3/15/2012	400,000,000	300,000,000	155,992	20,050	299,823,958	18,450,000	221,115	28,420	18,699,535
5	6.150% Series 98	6/20/2002	3/15/2012	200,000,000	150,000,000	(161,182)	11,570	150,149,612	9,225,000	(228,472)	16,400	9,012,928
6	5.875% Series 100	1/22/2003	2/1/2033	350,000,000	253,600,000	788,625	1,865,152	250,946,222	14,899,000	36,503	86,333	15,021,837
7	4.700% Series 101	4/7/2003	4/15/2015	395,000,000	260,000,000	284,473	595,542	259,119,985	12,220,000	75,051	157,118	12,452,169
8	5.900% Series 103	3/6/2006	3/15/2036	325,000,000	325,000,000	1,681,799	2,879,137	320,439,065	19,175,000	68,029	116,461	19,359,490
9	5.950% Series 104	8/28/2006	8/15/2016	300,000,000	300,000,000	212,756	1,525,765	298,261,479	17,850,000	41,494	297,571	18,189,065
10	5.950% Series 104B	10/2/2006	8/15/2016	115,000,000	115,000,000	(1,208,560)	466,892	115,741,668	6,842,500	(235,706)	91,058	6,697,852
11	5.400% Series 105	12/19/2006	12/15/2011	345,000,000	329,876,712	66,472	220,613	329,589,627	17,813,342	139,038	461,455	18,413,835
12	5.900% Series 103B	3/22/2007	3/15/2036	300,000,000	300,000,000	10,598,435	894,466	288,507,099	17,700,000	428,706	36,181	18,164,887
13	6.150% Series 106	9/10/2007	9/15/2017	425,000,000	425,000,000	742,616	2,514,337	421,743,046	26,137,500	119,539	404,733	26,661,773
14	6.450% Series 107	1/16/2008	1/15/2038	450,000,000	450,000,000	1,202,290	3,957,070	444,840,640	29,025,000	45,266	148,985	29,219,251
15	5.800% Series 108	3/27/2008	3/15/2018	700,000,000	700,000,000	903,718	4,280,183	694,816,099	40,600,000	134,718	638,051	41,372,769
16	4.000% Series 109	8/2/2010	8/1/2020	500,000,000	500,000,000	109,010	4,088,320	495,802,670	20,000,000	11,990	449,672	20,461,662
17	0.147% 2008D	5/28/2009	10/12/2011	50,000,000	39,041,096	-	114,001	38,927,095	57,373	-	12,981	70,354
18	0.143% 2008F	5/28/2009	10/12/2011	91,000,000	71,054,795	-	168,151	70,886,643	101,904	-	29,095	130,998
19	0.163% 2008E	5/28/2009	10/12/2011	49,830,000	38,908,356	-	54,343	38,854,013	63,559	-	5,462	69,021
20	1.625% Series 110	1/18/2011	1/15/2014	600,000,000	570,410,959	695,427	2,499,429	567,216,104	9,269,178	275,833	992,310	10,537,321
21	1.950% Series 111	9/7/2011	9/1/2016	250,000,000	78,767,123	-	554,471	78,212,652	1,535,959	-	115,000	1,650,959
22	3.400% Series 112	9/7/2011	9/1/2021	350,000,000	110,273,973	35,812	841,475	109,396,686	3,749,315	3,641	85,645	3,838,601
23				6,585,830,000	5,585,933,014	16,510,599	27,581,689	5,541,840,726	284,765,380	1,344,092	4,188,180	290,297,653
24 Sinking Fund Debentures												
25	4.750%	12/1/1961	12/1/2011	\$ 40,000,000	\$ 1,468,493	\$ (207)	\$ 157	\$ 1,468,543	\$ 69,753	(451)	343	\$ 69,645
26				40,000,000	1,468,493	(207)	157	1,468,543	69,753	(451)	343	69,645
27 Notes												
28	6.950%	7/16/1998	7/15/2018	\$ 225,000,000	\$ 140,000,000	645,874	11,036	\$ 139,343,089	\$ 9,730,000	91,711	1,567	\$ 9,823,279
29				225,000,000	140,000,000	645,874	11,036	139,343,089	9,730,000	91,711	1,567	9,823,279
30 Subordinated Deferrable Interest Debt												
31	6.350% Financing III	3/17/2003	3/15/2033	\$ 206,186,000	\$ 206,186,000	134,548	1,631,710	\$ 204,419,742	\$ 13,092,811	6,195	75,128	\$ 13,174,133
32				206,186,000	206,186,000	134,548	1,631,710	204,419,742	13,092,811	6,195	75,128	13,174,133
33												
34	Interest Rate Swaps	1/17/2006	3/15/2012	\$ -	\$ -	\$ 164,402	\$ -	\$ (164,402)	\$ -	233,036	-	\$ 233,036
35												
36	Debt to be Issued			\$ -	\$ -	\$ -	98,521	\$ (98,521)	\$ -	-	\$ -	\$ -
37				7,057,016,000	5,933,587,507	17,455,216	29,323,114	5,886,809,177	307,657,945	1,674,583	4,265,218	313,597,746

Debt Issue Type, Coupon Rate (A)	Date Issued (B)	Maturity Date (C)	Original Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt Discount or (Premium) (F)	Unamortized Debt Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt Discount or (Premium) (J)	Amortization of Debt Expense (K)	Total Expense (L)
38	Required Debt										
39	14.250% 46	11/24/1987				\$ 264,889	\$ (264,889)			\$ 69,884	\$ 69,884
40	15.375% 47	11/24/1987				769,084	(769,084)			202,902	202,902
41	13.000% 48	3/22/1988				734,144	(734,144)			410,042	410,042
42	17.500% 44	5/24/1988				71,233	(71,233)			18,793	18,793
43	12.250% 50	11/21/1988				130,308	(130,308)			34,378	34,378
44	13.375% 51	11/21/1988				328,246	(328,246)			86,599	86,599
45	12.000% 66	3/23/1993				1,345,971	(1,345,971)			355,099	355,099
46	11.125% 71	5/1/1993				1,599,284	(1,599,284)			421,929	421,929
47	10.500% 56	5/27/1993				1,605,531	(1,605,531)			423,577	423,577
48	10.250% 67	6/7/1993				881,566	(881,566)			492,382	492,382
49	8.750% 30	8/12/1993		7/1/2013		161,849	(161,849)			80,869	80,869
50	9.125% 38	8/12/1993		7/1/2013		447,736	(447,736)			223,715	223,715
51	10.375% PC 1985	12/14/1994		3/1/2020		319,165	(319,165)			36,802	36,802
52	10.625% PC 1985	12/14/1994		3/1/2020		242,543	(242,543)			27,967	27,967
53	10.625% PC 1985	12/14/1994		3/1/2017		1,306,899	(1,306,899)			230,499	230,499
54	9.875% 75	11/21/2001		3/15/2012		1,214,491	(1,214,491)			1,721,512	1,721,512
55	8.375% 86	9/16/2002		2/1/2033		2,542,200	(2,542,200)			117,672	117,672
56	7.625% FMB Series 92	2/28/2002		3/15/2012		13,344	(13,344)			18,915	18,915
57	7.625% FMB Series 92	8/25/2004		4/16/2013		3,540,536	(3,540,536)			1,974,478	1,974,478
58	7.625% FMB Series 92	10/15/2004		4/16/2013		1,371,471	(1,371,471)			764,839	764,839
59	7.625% FMB Series 92	11/26/2004		4/16/2013		185,589	(185,589)			103,499	103,499
60	7.500% FMB Series 94	2/28/2002		3/15/2012		26,858	(26,858)			38,070	38,070
61	7.500% FMB Series 94	8/25/2004		7/1/2013		1,134,118	(1,134,118)			566,671	566,671
62	5.850% FMB Series 94C	8/26/2004		1/15/2014		165,739	(165,739)			65,153	65,153
63	8.625% 81	3/27/2002		3/15/2012		398,809	(398,809)			565,302	565,302
64	8.500% 84	7/15/2002		3/15/2012		500,485	(500,485)			709,426	709,426
65	8.375% 88	3/18/2003		4/15/2015		2,546,446	(2,546,446)			671,813	671,813
66	8.000% FMB Series 91	4/15/2003		4/15/2015		2,466,113	(2,466,113)			650,619	650,619
67	6.150% FMB Series 98	8/6/2004		3/15/2012		1,585,189	(1,585,189)			2,246,967	2,246,967
68	6.150% FMB Series 98	8/25/2004		3/15/2012		903,706	(903,706)			1,280,981	1,280,981
69	5.875% FMB Series 100	7/27/2004		2/1/2033		596,922	(596,922)			27,630	27,630
70	5.875% FMB Series 100	8/6/2004		2/1/2033		3,246,320	(3,246,320)			150,264	150,264
71	5.875% FMB Series 100	8/25/2004		2/1/2033		4,901,790	(4,901,790)			226,892	226,892
72	4.700% FMB Series 101	8/6/2004		4/15/2015		3,032,971	(3,032,971)			800,170	800,170
73	4.700% FMB Series 101	8/25/2004		4/15/2015		2,180,169	(2,180,169)			575,180	575,180
74	1.950% FMB Series 111	10/12/2011		9/1/2016		36,660	(36,660)			7,664	7,664
75	3.400% FMB Series 112	10/12/2011		9/1/2021		51,208	(51,208)			5,233	5,233
76	10.000% Sinking Fund Series 4	4/1/1992		3/15/2012		80,176	(80,176)			113,647	113,647
77	8.480% Sub. Deferrable	3/20/2003		3/15/2033		14,637,993	(14,637,993)			673,966	673,966
78						\$ 57,567,751	\$ (57,567,751)			\$17,191,999	\$ 17,191,999

Commonwealth Edison Company

Common Equity Balance
 Average 2011
 (In Thousands)

End of Month Balances

	Date (A)	Common Equity (B)	Goodwill (C)	Adjusted Common Equity (D)	Monthly Average (E)
1	Dec-10	\$ 6,909,266	\$ 2,625,000	4,284,266	
2	Jan-11	6,859,502	2,625,000	4,234,502	\$ 4,259,384
3	Feb-11	6,876,069	2,625,000	4,251,069	4,242,786
4	Mar-11	6,902,322	2,625,000	4,277,322	4,264,196
5	Apr-11	6,919,622	2,625,000	4,294,622	4,285,972
6	May-11	6,913,026	2,625,000	4,288,026	4,291,324
7	Jun-11	6,941,709	2,625,000	4,316,709	4,302,368
8	Jul-11	6,855,424	2,625,000	4,230,424	4,273,567
9	Aug-11	6,922,206	2,625,000	4,297,206	4,263,815
10	Sep-11	6,979,106	2,625,000	4,354,106	4,325,656
11	Oct-11	6,937,282	2,625,000	4,312,282	4,333,194
12	Nov-11	7,006,884	2,625,000	4,381,884	4,347,083
13	Dec-11	7,035,950	2,625,000	4,410,950	4,396,417
14				Common Equity Balance	\$ 4,298,813
15				<u>Less: Remaining CWIP Accruing AFUDC (See Schedule 4.03)</u>	\$ (64,359)
16				Adjusted Common Equity Balance	\$ 4,234,455

Note: Column (D) = Column (B) - Column (C)