**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Harrisburg, Pennsylvania 17105-3265**

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| **Pennsylvania Public Utility Commission** **v.****PECO Energy Company-Electric and****PECO Energy Company-Gas**  | **Public Meeting held December 16, 2010** **2161575-OSA; 2161592-ALJ****Docket Nos. R-2010-2161575; R-2010-2161592** |

**STATEMENT OF COMMISSIONER WAYNE E. GARDNER**

Today the Commission approves two Settlements which grant rate distribution increases for PECO Electric and PECO Gas. During the proceedings, PECO introduced testimony concerning the measures it has put into place to financially separate, or ring fence, PECO from its affiliates.

It is this Commission’s responsibility to ensure the financial health of the utilities we regulate. These utilities have an obligation to serve the public and in exchange, their expenses are paid for solely by their ratepayers. Ratepayers should never be affected by the financial condition of an unregulated utility affiliate. A financially healthy and effectively ring fenced utility is able to borrow capital based on its independent financial health without interest rates being influenced by an unregulated affiliate’s riskier business. A properly ring fenced regulated utility will be minimally affected by its parent’s, or other affiliate’s, business decisions or credit rating. Importantly, credit rating agencies routinely evaluate how effectively a regulated utility is insulated from the financial and credit risks of affiliates and assign credit ratings based on this evaluation.

I commend PECO for putting in place various ring fencing measures. Some of the important measures it has adopted include;

* assurances that PECO will not guarantee any debt for its parent or affiliates;
* maintenance of reasonable accounting controls for allocating costs and shared personnel;
* assurances that it issue its own long term debt and use reasonable efforts to maintain a separate credit rating; and,
* maintenance of separate books and records.

I encourage all of our regulated utilities to evaluate their ring fencing measures to ensure that they maintain separate credit ratings and are insulated from the financial risks of their unregulated affiliates.

**December 16, 2010 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **Date Wayne E. Gardner, Commissioner**